

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

FOR THE PERIOD BETWEEN 11 SEPTEMBER 2018 AND 10 OCTOBER 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 relates to the period from 11 September to 10 October, 2018. The objective of the report is to follow the development of the economic and financial situation within the Agrokor Group over the course of this period and to outline the realization of operating activities of the Extraordinary Administration as well as the overall operations of Agrokor d.d. and some of its major subsidiaries

The report includes the results of 16 companies from three operating segments: Retail & Wholesale, Food and Agriculture, which in the period under review generated HRK 16.068bn in revenues and HRK 1.463bn of operating profits. EBITDA has outperformed the planned values for the period by HRK 26m. The major part of the increased operating profit realization over the course of the very successful tourist season was accounted for by the results of the Retail and Wholesale segment, primarily Konzum, and the results of the Food segment.

In spite of the slightly lower sales revenues in all three business segments, lower operating costs and improved operating efficiency have in the reporting period resulted in an EBITDA increase against the budgeted values. Thus the Retail segment generated HRK 351.2m or almost HRK 40m more EBITDA than planned, while operating profits of the Food segment exceeded HRK 1bn, outperforming budget by HRK 50m. This was mostly due to the restructuring measures and the focus on more profitable product categories. At the same time all companies from the Food segment were able to maintain or increase their respective market shares and strengthen their market positions.

The Agriculture segment kept seeing a drop in revenues against plan during August due to the continuing trend of decreasing pork prices at the European commodity exchange and the continued drop of semi-hard cheese prices. The intensification of other activities successfully reduced the impact of the price drop on operating revenues, but the drop of operating profits as against plan is still present. By way of example, Belje saw an adverse effect of the lower finisher and semi-hard cheese prices on EBITDA of HRK 43.1m, while in VUPIK the effect amounted to HRK 16m. In view of the good natural indicators in primary production the impact of the price drop on the European commodity exchanges is planned to be reduced in the forthcoming period.

Given that the Company is stable and has recorded excellent results in the previous period the Extraordinary Administration initiated activities related to the refinancing of the SPFA. Furthermore, the reporting period saw continued preparations for the Settlement Plan implementation, scheduled to start once the decision of the High Commercial Court is passed. The Extraordinary Administration has also continued to raise internal corporate standards in all parts of the Group, unified the key performance indicators

within the companies and introduced a new corporate culture in preparing reports by business groups and operating segments. Some corporate functions like Treasury and Human Resources were strengthened, with continuous investments in employees and quality HR management.

The reporting period saw a change in the Management Board of Konzum. The Management Board Member in charge of finance and IT, Ines Lozić, advised the Supervisory Board of Konzum that she would resign from her position and leave the company by mutual consent. Her resignation became effective on 25 September, 2018 upon conclusion of the Company's regular Shareholders' Meeting. Ines Lozić joined Konzum in June 2017 and during the most difficult times in the Company's operations made a key contribution to the stabilization of its business and the entire Extraordinary Administration Procedure. Upon receipt of the notice from Ines Lozić a session of the Konzum Supervisory Board was held where its members took notice of the resignation of the Management Board Member and appointed Uroš Kalinić as new Management Board Member at Konzum.

Uroš Kalinić started his career at the company Deloitte in 2005. Over the course of his career at Deloitte he was focused on financial advisory and involved in a number of complex projects including: value appraisal, due diligence, consulting and restructuring. During recent years as Director of the Croatian Deloitte office he was in charge of preparing financial advisory strategies and close cooperation with the regional Deloitte offices in Central Europe on some of the region's major projects as well as of some major clients for whom he successfully managed complex financial restructurings and provided business advisory services.

On 13 September, 2018 the Temporary Creditors' Council of Agrokor d.d. held its 22nd session. The Extraordinary Administration advised the members of the Council of the 92 appeals lodged against the Settlement Plan confirmation ruling as well as of Agrokor's response to the appeals received, which was submitted to the Zagreb Commercial Court. The members were also informed about the ongoing preparations for the Settlement Plan implementation and received a report on the Group's operations with particular emphasis on retail and wholesale.

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

Financial information contained in the table below include cumulative revenues and EBITDA for the first eight months of 2018 for the key companies within the Agrokor Group. The data in this monthly report pertain to 16 key companies. The financial results of individual companies stated in this section are unaudited and preliminary. The results realized are being compared with the Viability Plans.

January - August 2018 performance*			
HRK m	Retail and Wholesale	Food	Agriculture
Revenue	8,969m	5,709m	1,389m
EBITDA (before mgmt. fee)	351.2m	1,004.4m	107.6m
EBITDA %	3.9%	17.6%	7.7%

***Notes: Preliminary results**

- Summarized results for the period (without elimination of intercompany transactions and consolidation adjustments)
- Revenues include sales of goods and services (on the domestic and foreign markets); excludes revenue from services not related to regular operating activities.
- EBITDA = EBIT + amortization/depreciation + value adjustments and impairments + provisions + management and restructuring fees
- Source: Management Reports
- Preliminary results from beginning of year to date
- The presented budget data are related to:
 - Latest approved budgets for 2018 for companies from the Food segment
 - Approved viability plans for the year 2018 for companies from the Retail & Wholesale and Agriculture segments
- The monthly budget allocation for 2018 has been prepared.

- **Retail and Wholesale** include the summarized results for four companies:
 - Retail: Konzum Croatia, Tisak, Konzum BiH
 - Wholesale: Velpro centar
- **Food** includes the summarized results for nine companies:
 - Beverages: Jamnica, Roto dinamic, Sarajevski kiseljak
 - Ice cream and frozen food: Ledo, Frikom, Ledo Čitluk
 - Edible oil: Zvezda, Dijamant
 - Meat: PIK Vrbovec
- **Agriculture** includes the summarized results of three companies:
 - Belje, PIK Vinkovci and Vupik

Within the scope of this report, the Agrokor Group comprises 16 companies in three segments: Retail and Wholesale, Food and Agriculture. Even though revenues at the Group level are lower than planned, EBITDA is HRK 26 million higher when compared to budget. This is mostly due to increase of retail profitability compared to plan.

As a positive effect of the restructuring process the Retail and Wholesale segment has recorded lower operating costs than budgeted both in August and aggregated for the year, resulting in higher-than-planned EBITDA in the aggregate amount for the year.

Companies from the Food segment recorded positive results in August. Generated operating profits exceeded budget due to improved operating efficiency and the implementation of the cost control program, in spite of the slightly lower sales revenues. August saw the Frozen Food and Edible Oil sub-segments focus on profitable product groups and implementation of the cost control program, thus generating higher-than-budgeted sales revenues which resulted in significantly higher than planned operating profits. The result of Frikom is worth being singled out with significantly higher-than-budgeted operating profits (EBITDA) in August, thus continuing to generate excellent results since the beginning of the year. With EBITDA in August slightly lower than budgeted due to lower sales revenues, the Beverages and Meat sub-segments were still able to outperform the budgeted EBITDA on annual level.

The Agriculture segment continues to lag behind the budgeted revenues in August due to the ongoing trend of declining pork prices on the European commodity exchange and the continued decrease in semi-hard cheese prices. The intensification of other activities successfully reduced the effect of the price drop on operating revenues, but the drop of operating profits against plan is still present. Given the good natural indicators in primary production the effect of the price drop on the European commodity exchanges is planned to be reduced in the forthcoming period.

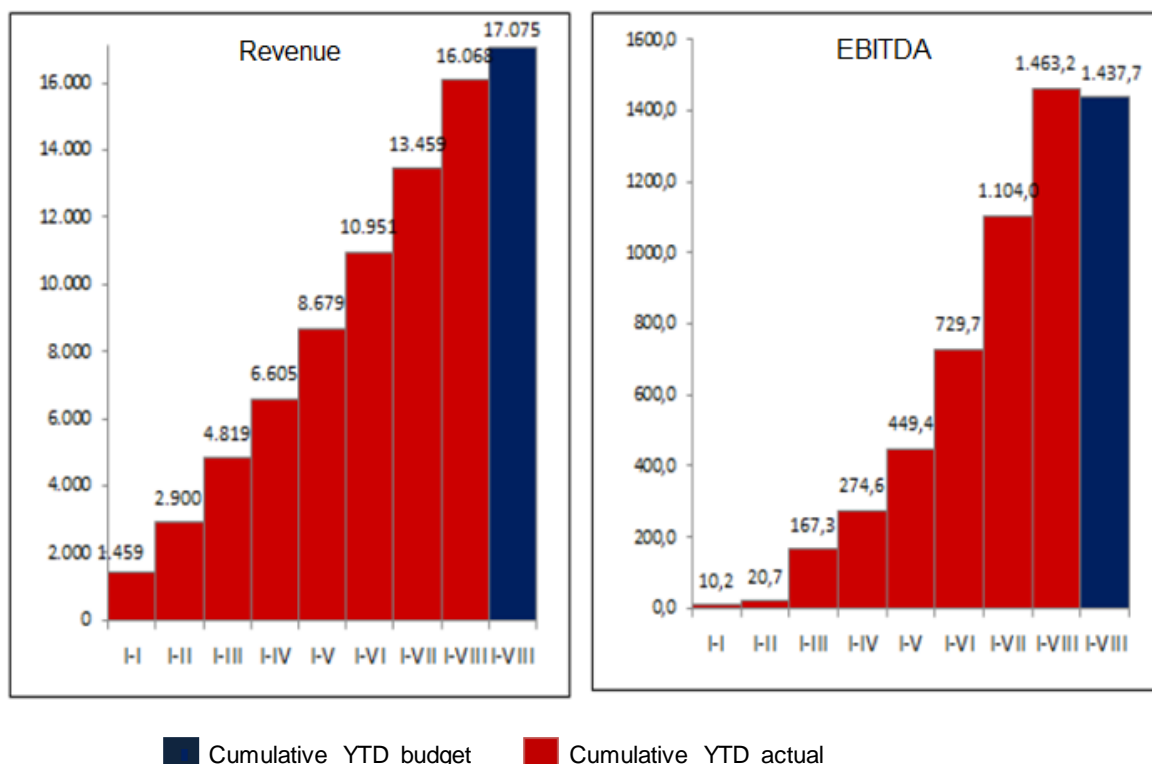
2.1. Agrokor Group

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 (Beverages – 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 revenue and EBITDA by month for all Group companies comprised in this report, while the results for individual business segments and companies are outlined below.

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

Agrokor Group



*NOTE: All results are preliminary.

The Agrokor Group includes the summarized results of sixteen companies:

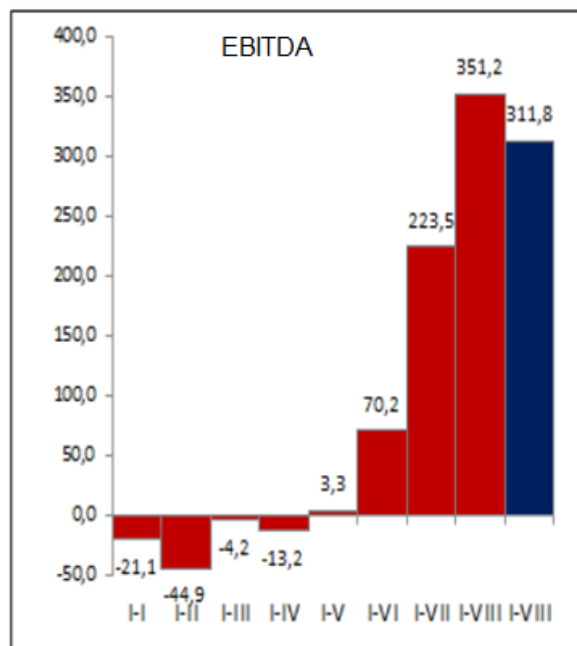
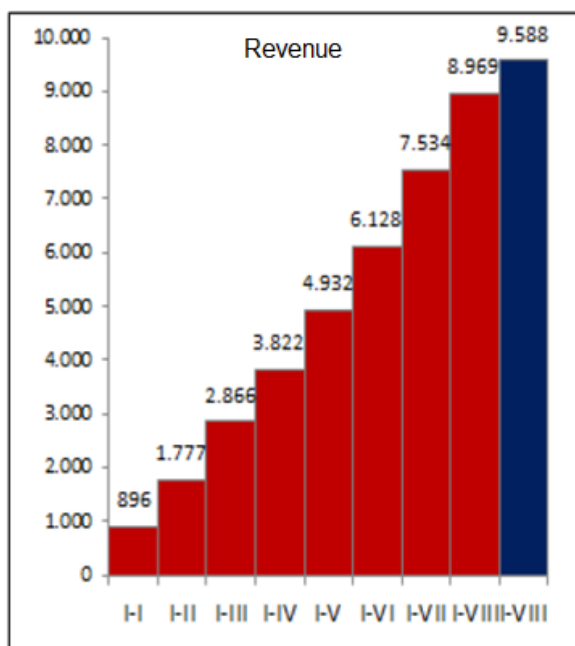
- **Retail and Wholesale** (four companies): Retail: Konzum Croatia, Tisak, Konzum BiH; Wholesale: Velpro centar
- **Food** (nine companies): Beverages – Jamnica, Roto dinamic, Sarajevski kiseljak; Ice cream and frozen food – Ledo, Frikom, Ledo Čitluk; Edible oil – Zvijezda, Dijamant and Meat – PIK Vrbovec
- **Agriculture** (three companies): Belje, PIK Vinkovci and Vupik

2.2. Companies in the Retail and Wholesale segment

Companies in the Retail and Wholesale segment are: Konzum, Konzum B&H, Tisak and Velpro centar. The table below shows the cumulative revenue and EBITDA by month for the segment, with results of individual companies within the segment portrayed in detail in the subsections which follow.

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

Retail & Wholesale



Includes the summarized results of four companies:

- Retail: Konzum Croatia, Konzum B&H, Tisak
- Wholesale: Velpro centar

*NOTE: All results are preliminary.

Cumulative YTD budget
 Cumulative YTD actual

2.2.1. Companies in the Retail and Wholesale segment: Konzum d.d.

2.2.1.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	5,996	5,976
EBITDA	341.2	227.4
EBITDA %	5.7%	3.8%

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

2.2.1.2. Commentary on recent trading

- The positive trend that started early in the year continued in August with a greater number of transactions than expected. Strong promotional activities and the quality offer and assortment have resulted in an increased average basket size.
- The increased number of transactions and greater basket size resulted in retail store revenues outperforming plan both in August and cumulatively for the year.
- Sales revenue in retail, Konzum's largest area of operations, has grown against plan by 4% over the first eight months, while in August it exceeded budget by 3%.
- The results of saving measures, activities aimed at increasing profitability and processes initiated in late 2017 and early 2018 are visible in the operating costs being lower than planned in August and cumulatively for the year.
- The increase in revenue and margin as against budget with operating costs having been lowered at the same time resulted in EBITDA in August, as well as in previous months, outperforming budget, which led to the cumulative EBITDA for the year exceeding budget by HRK 113.8m.
- In late August Konzum initiated the loyalty program called „Zdravoljupci“ ('Health Lovers'). The loyalty program has proved to be one of the best ever implemented and organized, as witnessed by numerous positive reactions and the new health food trend it has started among children and adults. The YouTube video featuring „Zdravoljupci“ is Konzum's most viewed YouTube video with more than 3 million views, while more than 150 thousand plush toys were sold over the course of the first month.

2.2.2. Companies in the Retail and Wholesale segment: Konzum BiH

2.2.2.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	861	948
EBITDA	-9.6	6.9
EBITDA %	-1.1%	0.7%

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

2.2.2.2. Commentary on recent trading

- Revenues generated in August 2018 were lower than planned. The generated EBITDA was lower than budgeted due to the failure to meet budgeted revenues as well as the higher operating costs in August.
- The following promotional and marketing activities were implemented in August:
 - Leaflet featuring the topic of Eid-al-Adha (Feast of the Sacrifice)
 - The very important back-to-school topic was covered by a separate leaflet in the period from 16 August to 16 September, 2018. The promotional assortment of school-related products was for the first time available in all network stores.
 - On the occasion of the Sarajevo Film Festival a special promotional leaflet was implemented as well as seasonal summer leaflet which offered customers all they needed for their holidays at the seaside.
 - In order to generate as high turnover as possible and to attract more customers we introduced additional weekend promotions with best offer of articles at the best prices.

2.2.3. Companies in the Retail and Wholesale segment: Tisak d.d.

2.2.3.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	1,326	1,475
EBITDA	23.0	39.8
EBITDA %	1.7%	2.7%

**NOTE: All results are preliminary.*

2.2.3.2. Commentary on recent trading

- The EBITDA development has continued the improvement trend that started in the second half of 2017, in accordance with the restructuring measures undertaken. The result for August 2018 has shown a continuing positive profitability trend over the course of the tourist season. Compared to the budget, EBITDA is not being realized in the sub-segments of wholesale and logistics.
- Realized revenues in August 2018 are lower than the budget. However, Retail as Tisak's major operating segment has, like in previous months (particularly since March 2018), outperformed the budgeted result in August. Lower revenues were realized in the wholesale sub-segment due to unrealized expansion of sales assortment.
- Operating costs in August were higher than planned. The increase in costs as against budget was due to higher transportation costs and the increase in maintenance costs.
- As expected, the positive effect of sales during the tourist season has made itself felt due to better preparations and the introduction of a wider assortment, the new pricing policy and the reduced share of wholesale operations.

2.2.4. Companies in the Retail and Wholesale segment: Velpro - Centar d.o.o.

2.2.4.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	787	1,190
EBITDA	-3.3	37.7
EBITDA %	-0.4%	3.2%

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

2.2.4.2. Commentary on recent trading

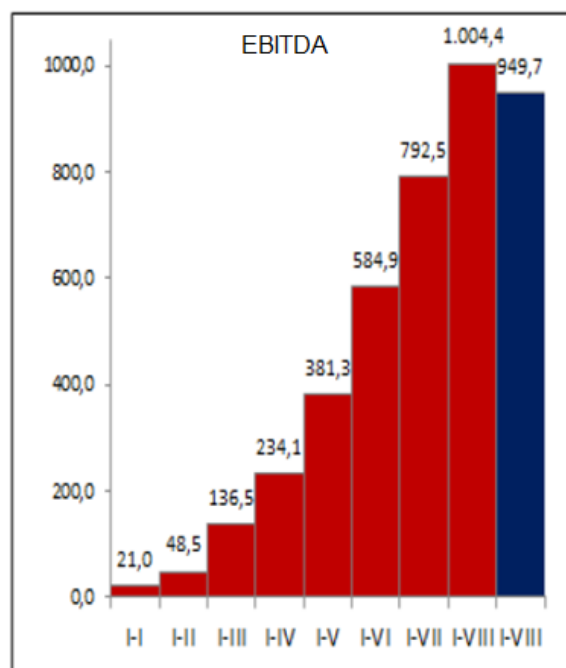
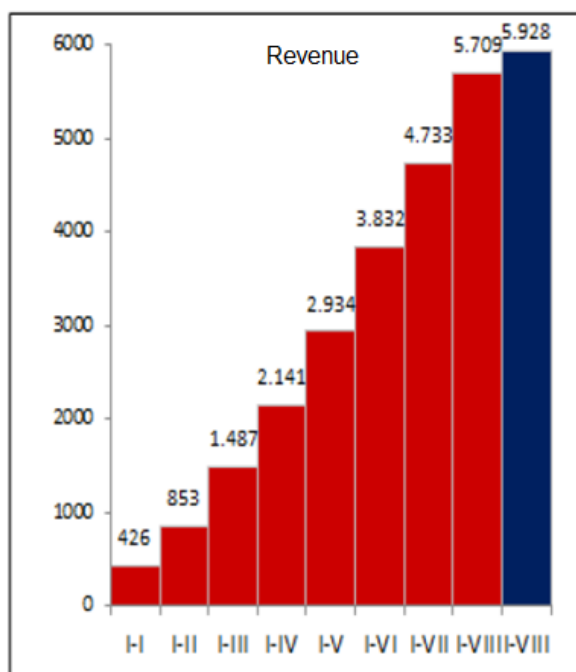
- Revenue is lower than planned, both in August and cumulatively for the year, both due to market uncertainty and the deliberately reduced share of turnover realization with customers of lower profitability as well as the focus on a faster collection of trade receivables.
- EBITDA generated in August was positive, while cumulatively it is still lagging behind budget due to revenues being lower than planned. In the forthcoming months positive trends are expected to continue in line with the activities planned by customer segment.
- The EBITDA margin in August was still lower than planned, while the cumulative relative EBITDA has approached positive values.
- The most important operating activities during the reporting month:
 - New marketing campaign (radio and printed media) planned for Q4
 - It is planned to focus on and strengthen promotional activities for various customer segments.

2.3. Companies in the Food segment

Companies in the Food segment are: Jamnica, Sarajevski kiseljak, Roto Dinamic, Ledo, Frikom, Ledo Čitluk, Zvijezda, Dijamant and PIK Vrbovec. The table below shows cumulative revenues and EBITDA by month for the segment, while the individual results of companies within the segment are outlined below.

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

Food



Includes the summarized results of nine companies:

- Beverages: 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 budget
 Cumulative YTD actual

2.3.1. Companies in the Food segment: Jamnica d.d.

2.3.1.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	949	970
EBITDA	248.4	251.1
EBITDA %	26.2%	25.9%

***NOTE: All results are preliminary**

2.3.1.2. Commentary on recent trading

- Sales revenues generated on the domestic market in August exceeded budget, while the total monthly revenues planned were not realized due to the lower revenue generation on foreign markets as a consequence of assortment optimization and focusing on the profitable product groups. At the same time a slight increase was generated in the waters assortment.
- Jana and Jamnica were present in 10 various tourist publications in the joint campaign for tourists called „Locals know best“. The campaign comprised outdoor advertising on highly frequented tourist locations and social network advertisements in 6 different languages.
- EBITDA generated in August was slightly lower than budgeted as a result of reduced revenue.

2.3.2. Companies in the Food segment: Roto dinamic d.o.o.

2.3.2.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	651	716
EBITDA	54.3	42.0
EBITDA %	8.3%	5.9%

***NOTE: All results are preliminary**

2.3.2.2. Commentary on recent trading

- Sales revenues generated in August were lower than budgeted. The regions of Istria and Kvarner outperformed budget, while the other regions were not able to achieve the planned turnover. The drop in monthly sales revenues in the region of Dalmatia was mitigated by the acquisition of new customers.
- The lower sales revenues affected the monthly EBITDA, which was lower than budgeted. At annual level the generated EBITDA exceeds budget.

2.3.3. Companies in the Food segment: Sarajevski kiseljak d.d.

2.3.3.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	245	258
EBITDA	57.0	57.0
EBITDA %	23.2%	22.1%

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

2.3.3.2. Commentary on recent trading

- EBITDA generated in August exceeded plan as a result of improved operating efficiency and the lower level of COGS.
- Monthly sales revenues were lower than budgeted as a result of lower sales on the local market, while foreign market revenue exceeded plan.

2.3.4. Companies in the Food segment: Ledo d.d.

2.3.4.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	881	880
EBITDA	210.0	204.9
EBITDA %	23.8%	23.3%

**NOTE: All results are preliminary.*

2.3.4.2. Commentary on recent trading

- EBITDA generated in August outperformed budget as a result of the better structure of products sold and of cost management. Despite reduced sales, due to the improved operating cost efficiency the EBITDA margin achieved in August was higher than budgeted.
- The extended tourist season has also extended the ice cream selling season, with sales revenues on the local market having exceeded budget, while export market sales were lower than planned. At annual level, sales revenues are in accordance with the budget.
- August saw a continuation of the marketing campaign for the King and Maximo brands and the beginning of the Grandissimo campaign.

2.3.5. Companies in the Food segment: Ledo Čitluk d.o.o.

2.3.5.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	249	242
EBITDA	61.9	60.2
EBITDA %	24.9%	24.9%

**NOTE: All results are preliminary.*

2.3.5.2. Commentary on recent trading

- Ledo Čitluk continued the trend of positive results in August, with EBITDA generation exceeding budget.
- Due to activities with individual key accounts and weekend promotions with targeted products as well as to the weather conditions which have had a positive impact on ice cream consumption, monthly sales revenues exceeded budget.

2.3.6. Companies in the Food segment: Frikom d.o.o.

2.3.6.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	642	655
EBITDA	189.7	158.1
EBITDA %	29.5%	24.1%

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

2.3.6.2. Commentary on recent trading

- Monthly EBITDA was significantly higher than budgeted, both for the month and for the period since the beginning of the year, primarily due to operating efficiency improvements, focusing on profitable product groups and lower COGS as a result of lower raw-material purchasing prices.
- The significant growth of local sales revenues in August is a consequence of focusing on specific sales channels (primarily impulse positions).
- Sales revenues of other product categories, primarily fruit, vegetables and pastry, are within the scope of the planned values.

2.3.7. Companies in the Food segment: Zvijezda d.d.

2.3.7.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	476	455
EBITDA	51.0	43.9
EBITDA %	10.7%	9.6%

**NOTE: All results are preliminary.*

2.3.7.2. Commentary on recent trading

- EBITDA generated in August was higher than budgeted due to good sales and improved operating efficiency.
- Monthly sales revenues exceeded budget, particularly in the categories of edible oil, mayonnaise and ketchup as well as with all major retail customers.
- Marketing activities were aimed at the product assortment which has generated continued growth (canned program, red sauces), but also vinegar, given the forthcoming pickling season.

2.3.8. Companies in the Food segment: Dijamant a.d.

2.3.8.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	468	540
EBITDA	23.6	29.9
EBITDA %	5.0%	5.5%

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

2.3.8.2. Commentary on recent trading

- Monthly EBITDA exceeded budget due to lower COGS and the high price of sunflower meal on the market.
- Sales revenues generated in August exceeded budget. Sales revenues of sunflower meal, which had a positive impact on profitability, were higher than planned. A significant revenue growth was also accomplished in the categories of table margarine, dressings and merchandise goods.
- While sales quantities of sunflower oil outperformed budget, due to the impact of the low selling prices trend present on the market, generated sales revenues were lower than planned.

2.3.9. Companies in the Food segment: PIK Vrbovec d.d.

2.3.9.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	1,148	1,212
EBITDA	108.7	102.5
EBITDA %	9.5%	8.5%

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

2.3.9.2. Commentary on recent trading

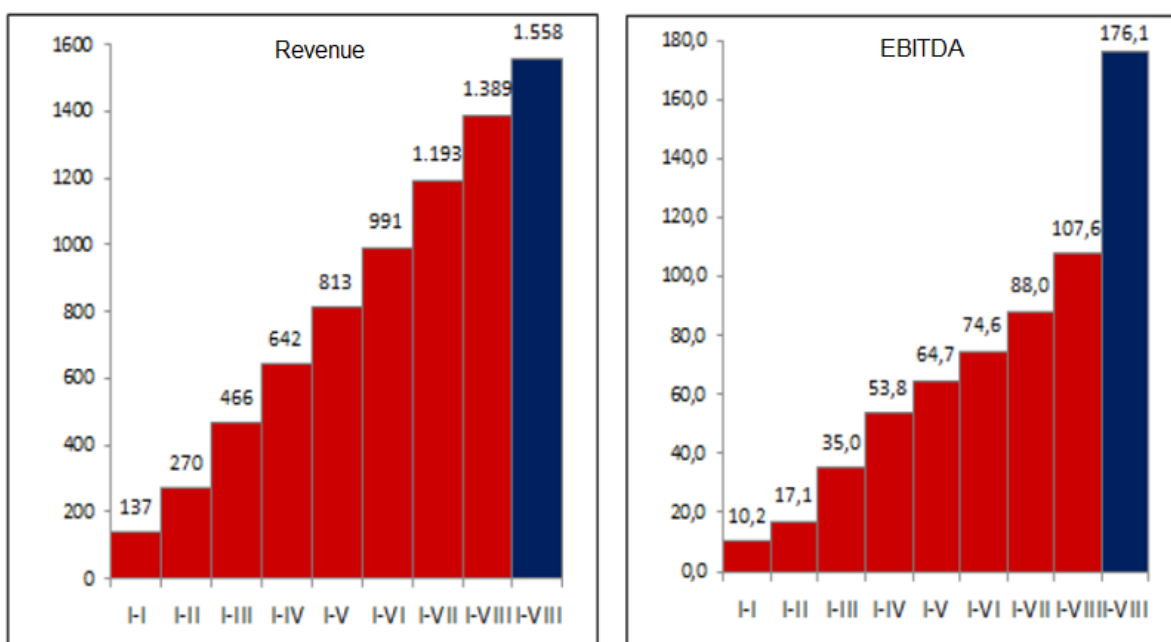
- Lower prices of raw-materials, particularly fresh meat, resulted in lower total sales revenues in August.
- During the summer season the focus was on the following groups: fresh packaged meat and cold cuts assortment. In both categories the maximum production capacities were utilized, with sales revenues exceeding budget.
- At the beginning of the new charging period for the contracting of energy sources, the prices of energy increased significantly, adversely affecting EBITDA generated in August. On an annual level EBITDA exceeded budget.

2.4. Companies in the Agriculture segment

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

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

Agriculture



- Includes the summarized results of three companies:
 - Belje, PIK Vinkovci and Vupik

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

■ Cumulative YTD budget
 ■ Cumulative YTD actual

2.4.1. Companies in the Agriculture segment: Belje d.d.

2.4.1.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	908	813
EBITDA	82.3	133.2
EBITDA %	9.06%	16.4%

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

2.4.1.2. Commentary on recent trading

- Revenues from products and services generated in the current period are lower than planned, mainly due to the prices of finishers and semi-hard cheese which are significantly lower than the budgeted selling prices.
- Precisely because of the lower-than-planned selling prices of finishers and semi-hard cheese, EBITDA generated in the current period was lower than planned. The effect of the difference between the planned and realized prices amounted to HRK 19.0m on semi-hard cheese and HRK 24.1m on finishers.
- The overall impact of the lower finisher and semi-hard cheese prices on EBITDA amounts to HRK 43.1m.
- The yields of winter crops (wheat, barley, oil rape) are at the planned level. Similarly, the cost per unit of product of these cultures is in line with the targeted costs.
- Within the scope of the cost management system, including the costs of business processes as one of its significant aspects, we continue to work on cost optimization, which results in lower costing price per product unit.

2.4.2. Companies in the agriculture segment: PIK Vinkovci d.d.

2.4.2.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	416	464
EBITDA	13.7	-0.4
EBITDA %	3.3%	-0.1%

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

2.4.2.2. Commentary on recent trading

- Both in August and cumulatively for the eight months of 2018 the sales revenue structure is mainly accounted for by sales of cereal and oil crops, reproduction material to contract farmers – mainly mineral fertilizers, sales of soya meal, piglets as well as sales of fresh fruit and vegetables. The total sales revenues generated were 10% lower than budgeted.
- Sales exceeded plan in the segments of cereal and oil crops as well as protein, mineral fertilizers and protection chemicals and sales of cattle. Sales were below budget in the segments of fruit and vegetables and piglets. Sales of piglets were lower due to the lower price as against plan and the lesser quantities sold, having resulted in an EBITDA drop in the amount of HRK 9m. Revenues exceeded plan in cereal crop sales by 33%, in soya meal sales by 25% and in sales of reproduction material to contract farmers by 4%.
- The segments with higher generated sales have led to an increase in EBITDA, while sales of piglets, lower sales of fruit and vegetables and the lower-than-planned price led to a decline in EBITDA. The difference in EBITDA as against plan is also due to the varying sales dynamics by month.
- August saw a continued trend of intensified trading activities and faster stock rotation, as well as reduced DIO. DPO and DSO were at the same level as in the previous period, stable, with trade payables being paid in time.

2.4.3. Companies in the agriculture segment: Vupik d.d.

2.4.3.1. Financial results YTD and KPIs

Financial results*	Jan-Aug 2018 (HRK m)	Jan-Aug Budget 2018 (HRK m)
Revenue	160	186
EBITDA	11.6	43.3
EBITDA %	7.2%	23.2%

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

2.4.3.2. Commentary on recent trading

- Over the first eight months of 2018 revenues from sales of products and services were still below budget, mostly due to the very low selling price of finishers. Due to the weather conditions in June, the wheat harvest was completed in July and sales of almost the entire quantity were completed in August. The sunflower harvest was completed as well, with sales expected in the forthcoming months. The selling price of finishers in August increased against the previous month by 5%.
- The company's cumulative EBITDA was lower than budgeted due to the very low market value of finishers. The total cumulative effect of the difference between the budgeted and the realized finisher price amounts to HRK 16m. Compared to the previous month EBITDA has grown, due to the profits from sales of wheat and the increase in the finisher selling price.

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 mid-September 2018, net funds of HRK 934 million have been deployed into the businesses to assist with liquidity. At the end of August, the operating companies that had significant cash balances repaid some of their intercompany loans.

As discussed in previous monthly reports, 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 fund their operations and working capital required to meet their seasonal sales targets. 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:

CW39 Forecast – 19 Core Subsidiaries 13 Week STCF vs prior week (HRK million)	Current STCF (CW 39)	Previous STCF (CW 37)
Minimum cash balance (13w)	453	461
Maximum cash balance (13w)	1,241	1,328
Minimum Liquidity covenant	296	296
Available liquidity	157 - 945	165 - 1,032

3.2. Supplier claims settlement

3.2.1.1. Trade finance facility

The pool of EUR 100m from the previous report was allocated to eligible suppliers with high goods rotation.

A total of 44 suppliers signed to access the trade loan facility in the overall amount of EUR 96.5m, representing a total of EUR 48.24m for goods and services. Out of this amount, goods and services worth EUR 48.24 have already been delivered. This segment will hence not be included in future reports.

4. Cost of Extraordinary Administration and operational business of Agrokor d.d.

As in previous months, the extraordinary administration continues to manage the incurred operating costs. These costs are fully and directly linked to the various centralized services provided for the entire Group.

An overview of the operating costs of the Group by the end August 2018, broken down by the type of costs is presented in the operating costs table shown below. Expense categories for the period of extraordinary administration include all advisors and all other operating expenses, regardless of whether they were engaged before or after the start of the extraordinary administration procedure for the mentioned period.

Invoices are still credited and paid on an ad hoc basis, in accordance with the services provided and the agreed restructuring process timeline. All is in accordance to schedule. In the following months we are looking to have a decrease of advisor fees due to a lower number of advisors and changes in their fee structure in the operational sense.

The total operating costs for August 2018 are lower than in July 2018 in the nominal amount of HRK 189.2m.

Although we did not have the costs of new financing in August, which was a significant part of operating expenses in July 2018, the cost of consultant fees/services was also largely reduced. The cost of consultants is cumulatively lower by HRK 20.1 million, where the cost of legal advisers is lower by HRK 7.1 million and the cost of restructuring consultants is lower by HRK 12.9 million compared to July 2018.

As for all the other operating cost categories, they are cumulatively for August 2018 considerably lower compared to July 2018, primarily for the category of new financing costs where in July 2018 we had the new financing cost of HRK 165.4 million and we had no such expense in August 2018.

The total number of employees at the end of August 2018 was 94, and one severance payment was paid in the reporting period.

OPERATING COSTS of AGROKOR D.D.	Apr-Dec 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018	July 2018	August 2018	TOTAL
Total cost of salaries and fees										
Commissioner's fee	1.040.991,01 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	1.992.754,21 kn
Employees and service contracts (Bruto II included)	53.190.186,24 kn	4.068.203,14 kn	4.082.330,36 kn	4.167.885,89 kn	4.576.878,09 kn	4.413.913,99 kn	6.061.046,47 kn	4.352.340,00 kn	4.627.604,69 kn	89.540.388,87 kn
Severance payments	24.960.182,17 kn	0,00 kn	0,00 kn	452.128,27 kn	0,00 kn	82.550,00 kn	0,00 kn	412.310,01 kn	464.191,57 kn	26.371.362,02 kn
	79.191.359,42 kn	4.187.173,54 kn	4.201.300,76 kn	4.738.984,56 kn	4.695.848,49 kn	4.615.434,39 kn	6.180.016,87 kn	4.883.620,41 kn	5.210.766,66 kn	117.904.505,10 kn
Consultant fees*										
Legal	81.513.524,11 kn	10.221.145,88 kn	7.838.671,88 kn	11.097.443,03 kn	8.184.446,05 kn	75.126.321,95 kn	12.369.593,45 kn	11.825.897,35 kn	4.721.092,68 kn	222.898.136,39 kn
Financial	31.579.402,77 kn	3.685.063,68 kn	1.911.455,14 kn	386.072,05 kn	2.058.233,55 kn	15.898.809,10 kn	1.885.859,92 kn	63.536,36 kn	17.997,20 kn	57.486.429,78 kn
Restructuring	116.997.520,22 kn	12.758.536,38 kn	14.873.767,74 kn	14.507.483,01 kn	12.239.724,32 kn	18.973.150,12 kn	25.219.206,04 kn	18.657.881,02 kn	5.743.583,96 kn	239.970.852,81 kn
Other (forensics, HR)	9.847.447,10 kn	1.902.976,60 kn	989.393,25 kn	1.272.985,37 kn	0,00 kn	562.566,56 kn	1.195.032,08 kn	130.248,20 kn	0,00 kn	15.900.649,15 kn
	239.937.894,20 kn	28.567.722,54 kn	25.613.288,01 kn	27.263.983,46 kn	22.482.403,92 kn	110.560.847,73 kn	40.669.691,49 kn	30.677.562,93 kn	10.482.673,84 kn	536.256.068,12 kn
Audit and tax services	6.386.934,91 kn	0,00 kn	1.141.457,22 kn	443.357,82 kn	443.365,93 kn	0,00 kn	53.458,57 kn	488.354,58 kn	0,00 kn	8.956.929,03 kn
Utilities costs	2.281.818,48 kn	195.547,28 kn	143.328,08 kn	270.253,80 kn	146.674,62 kn	237.542,67 kn	226.190,49 kn	339.406,90 kn	170.826,85 kn	4.011.589,17 kn
Material costs										
Transportation costs (insurance, maintenance, fuel, etc.)	5.261.724,02 kn	218.024,19 kn	359.075,91 kn	385.198,84 kn	364.956,63 kn	391.548,79 kn	410.817,52 kn	221.306,55 kn	408.555,30 kn	8.021.207,75 kn
Ongoing maintenance	3.126.412,00 kn	417.521,49 kn	561.197,98 kn	408.148,12 kn	306.668,21 kn	414.841,72 kn	469.820,13 kn	731.948,30 kn	314.911,53 kn	6.751.469,48 kn
Other	4.732.845,16 kn	54.536,55 kn	39.846,03 kn	996.523,82 kn	1.445.142,27 kn	4.006.573,46 kn	147.029,76 kn	605.045,67 kn	598.807,53 kn	12.626.350,25 kn
	13.120.981,18 kn	690.082,23 kn	960.119,92 kn	1.789.870,78 kn	2.116.767,11 kn	4.812.963,97 kn	1.027.667,41 kn	1.558.300,52 kn	1.322.274,36 kn	27.399.027,48 kn
Insurance costs - management liability insurance	14.971.418,78 kn	0,00 kn	0,00 kn	0,00 kn	0,00 kn	0,00 kn	11.716.670,88 kn	0,00 kn	0,00 kn	26.688.089,66 kn
Cost of new financing	47.018.273,11 kn	0,00 kn	0,00 kn	11.596.358,48 kn	1.794.011,22 kn	126,07 kn	2.097.404,14 kn	165.429.052,44 kn	0,00 kn	227.935.225,46 kn
Travel costs / education	402.597,03 kn	38.734,57 kn	27.017,02 kn	52.219,05 kn	55.793,95 kn	77.631,92 kn	22.472,67 kn	23.146,85 kn	133.698,17 kn	833.311,23 kn
Other costs **	50.245.732,19 kn	2.189.994,17 kn	2.794.706,09 kn	3.986.711,12 kn	3.350.774,24 kn	12.246.900,98 kn	5.521.899,78 kn	8.219.028,63 kn	4.991.874,58 kn	93.547.621,78 kn
Amortization / Depreciation	4.758.083,49 kn	0,00 kn	905.558,98 kn	452.779,38 kn	452.917,49 kn	452.371,48 kn	454.997,85 kn	455.274,21 kn	528.055,57 kn	8.460.038,45 kn
Total (April adjusted for operating costs after 10/04/2017)**'	458.315.092,79 kn	35.869.254,33 kn	35.786.776,08 kn	50.594.518,45 kn	35.538.556,97 kn	133.003.819,21 kn	67.970.470,15 kn	212.073.747,47 kn	22.840.170,03 kn	1.051.992.405,48 kn

Adjustment for April 2017 - first 10 days before extraordinary administration: HRK 27,865,276.91

Notes:

1. Total operating costs of Agrokor d.d., during the period of Extraordinary administration, (without adjustments or deduction of costs for the period from 01/04/2017 to 10/04/2017) amount to (this is the actual number from SAP that includes entire April 2017): HRK 1,079,857,682.40
2. The "Total" sum above in the table, in the amount of HRK 1,051,992,405.48 is the best representation of the operating costs of Agrokor d.d. since the start of the Extraordinary administration (this is the total cost minus the costs in the first 10 days of April before the Extraordinary administration). Adjustments were made in the amount of HRK 27,865,276.91 which are operating costs that relate to prior period in April (first 10 days).
3. *Consultant fees are adjusted for the proportion of their costs related to VAT and the pro-rata system Agrokor is in (in Croatian: za nepriznati dio PDV-a).
4. *Consultant fees from May 2018 onwards include new consultants signed for the final phase of the process. New consultants include McKinsey for restructuring, PJT&FTI for financial and AKIN Gump for legal consultants fee section.
5. **Line "Other costs" includes all other operating costs, SAP accounts which are not separately listed in the Operating cost table above.
6. Due to the changing nature of bookings, it is possible that operating expenses in a given month are booked with a delay or that some costs are void. Agrokor d.d. will show the actual operating costs at a time of the making of this report.
7. Any additional booking/changes will be adjusted once realized and hence, they can change the actuals in any given period i.e. cost of previous periods can be corrected.
8. This operating costs report is produced on an on-going basis on various dates in any given month, so the exchange rate EUR/HRK can vary for the given period. For the ease of analysis, the cost analysis model which is linked to this operating costs report uses a set exchange rate of 7,45 HRK/EUR.
9. ***Cost of Audit and Tax services was revised for the entire period of Extraordinary administration since it included expenses by mistake that were not relating to audit and tax, which are now reclassified as "Audit and tax services" and now only include related costs.
10. The cost of new financing for the month of July 2018 includes fees related to new financing in the amount of HRK 165,4m.

5. Litigation

The present reporting period saw some developments in the various litigation and enforcement proceedings formally issued against Agrokor d.d. and a number of its affiliates.

There were no updates in England & Wales during this period.

In Serbia, the Extraordinary Commissioner filed a motion for the adjournment of the proceedings brought by Banca Intesa against Konzum d.d., Jamnica d.d. and others (case no. P 3283/2017) pending resolution of the litigation in Croatia. The hearing scheduled for 11 September 2018 was adjourned pending determination of this motion.

In Slovenia in the enforcement proceedings (case no. VL 60340/2017) brought by Sberbank banka d.d. (Ljubljana), the Local Court in Ljubljana adopted a decision (dated 20 September 2018) to reverse the enforcement order and declare that the claim of Sberbank should be decided by the District Court in Ljubljana in litigation proceedings. The Extraordinary Commissioner has filed an appeal seeking a dismissal of the proceedings without referral to litigation.

In the injunction case (case no. Zg 12/2018) in front of District Court in Ljubljana, initiated by Karisma Resort International S.A. seeking an injunction against Agrokor d.d. over 266,667 shares in Mercator d.d. the creditor filed an appeal against the decision of the District Court in Ljubljana, by which it rejected the motion for injunction and decided that the creditor should reimburse Agrokor's costs. The commissioner has filed a reply to the appeal.

In Bosnia, the Municipal Court in Sarajevo granted the enforcement order sought by Sberbank d.d. Zagreb (case no. 65 0 Ip 655636 17 Ip) in connection with Agrokor d.d.'s shareholdings in Konzum d.o.o. Sarajevo. The Extraordinary Commissioner filed an objection on 13 September 2018.

In Montenegro, the Extraordinary Commissioner filed an appeal to the Constitutional Court of Montenegro in the recognition proceedings (case no. R.S. 21/2017 (PŽ-1189/17)).

6. Temporary Creditors' Council

The Temporary Creditors' Council held its 22nd session on 13 September, 2018 with all its members attending: the representative of the creditor group „large suppliers“, the representative of the creditor group „small suppliers“ as well as representatives of Knighthead Capital Management, LLC on behalf of the creditor group „bondholders“, representatives of Sberbank of Russia on behalf of the creditor group „unsecured creditors“ and representatives of Zagrebačka banka d.d. on behalf of the creditor group „secured creditors“.

In accordance with the session's agenda, the Extraordinary Administration informed the Members of the Council of the 92 appeals lodged against the Settlement Plan Confirmation Ruling as well as of Agrokor's response to the appeals received, which was submitted to the Zagreb Commercial Court. The Members were also informed of the ongoing preparations for the Settlement Plan implementation and received a report on the Group's operations with particular emphasis on retail and wholesale.

7. Settlement Plan Implementation Summary

Over the course of September 2018 the Agrokor Group continued with the intensive work on the process of planning the Settlement Plan implementation through a number of activities in line with the adopted schedules.

Given that the Settlement Plan implementation includes two models of asset or company transfer from the old Agrokor Group into the new group (business unit transfer for the non-viable companies subject to the Extraordinary Administration and transfer of shares/stakes for the viable companies subject to the Extraordinary Administration), the Agrokor Group is focusing on the key elements of the business unit transfer, with the transfer of assets, the operational aspects and IT implementation being the most comprehensive parts and at the same time the precondition for a smooth transfer of operations to the new group.

7.1. Organizational structure of the Settlement Plan implementation

The Settlement Plan implementation process is organized through the Project Management Office within the Group that together with the advisers, expert teams and project teams across the operating companies runs and develops the Settlement Plan Implementation Plan.

The implementation plan preparations are currently under way for Ledo and Konzum, to be followed by the preparation of such plans for the other non-viable companies under Extraordinary Administration.

7.2. Implementation planning status

Project Coordination:

- The project is coordinated through monthly meetings of the supervisory authority, weekly meetings of the Central Implementation Management Office, weekly meetings of the expert team and daily workshops and meetings with the project management teams at operational level. Furthermore, weekly reports are prepared on the status of the implementation planning.
- The status of the Settlement Plan implementation was presented at the meeting of the Temporary Creditors' Council held on 13 September, 2018.

Implementation plan preparation:

- The implementation plan is being prepared through a number of operational meetings and workshops with the project teams, while their conclusions are considered at the meetings of the expert teams and the Central Implementation Management Office.
- Workshops and meetings of the operating teams are conducted at the level of the key segments of operational implementation: asset transfer, IT implementation, operations (sales and marketing, purchasing, logistics, production), Accounting / Finance / Taxes and claim
- The draft implementation plans for Ledo and Konzum are expected mid October.
- The Group is working in a web-based project implementation management tool in order to have overall insight in the status of the project and the implementation stages/steps for the 47 non-viable companies under Extraordinary Administration. Workshops were organized for the project teams over the course of September for the use of the web-based implementation project management tool.
- Moreover, the Agrokor Group coordinates the Settlement Plan implementation with various state administration authorities (ministries, local administration authorities etc.) regarding the transfer of assets and the operational implementation (transfer of real estate, intellectual property, permits, rulings, commercial contracts, government grants etc.).

8. Stakeholder relations and communications

The Extraordinary Administration continues to maintain dynamic and transparent communication in Croatia and other countries of the region where Agrokor operates. The communication is focused on preparing communication plans and activities required for the successful implementation of the Settlement Plan across the Agrokor Group, which include internal and external communication with all key stakeholders.

The media communication segment keeps pursuing intensive media communication which includes more than 50 media activities, such as interviews for international news agencies, media queries, releases, media statements and the like.

In this reporting period Extraordinary Commissioner Fabris Peruško appeared as a guest panelist of the Round Table discussing the topic of „Business Development and Risk Management“, held on 25 September, 2018 within the scope of Lider's traditional *Great Plans Day* conference. On that occasion the Extraordinary Commissioner pointed out that the further Agrokor Group business management would be based on four key guidelines – further profitability increase, corporate governance, systematic cash flow management and portfolio management.

Vlado Čondić-Galiničić, Advisor to the Extraordinary Commissioner for agriculture at Agrokor, was elected President of the Agriculture Association of the Croatian Chamber of Commerce (HGK), founded upon initiative of the HGK members with a view to intensifying activities in representing the interests of agricultural producers in creating and implementing agricultural policies, particularly in terms of the new EU agricultural policy. Čondić-Galiničić was elected President at the founding session of the Association, the main goal of which is the realization of a quality dialogue between agricultural producer and institutions deciding on the future of the Croatian agricultural production. The Association rallies HGK members from plant and livestock production and so far 124 members with voting rights have been registered with the Association.

Jean Samuel – Furter, Executive Director of Treasury at the Agrokor Group, participated as panelist at the 15th Conference of the Croatian Corporate Treasurers' Association held at Sveti Martin na Muri from 23rd to 25th September 2018, where he presented the key transformation elements of Agrokor's Treasury.

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