

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

FOR THE PERIOD BETWEEN 11 MARCH AND 1 APRIL 2019

Prepared pursuant to Article 12 paragraph 9 of the Act on the Procedure of Extraordinary Administration in Companies of Systemic Importance for the Republic of Croatia (Official Gazette 32/2017)

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1. Executive Summary

This monthly report is related to the period from 11 March to 1 April 2019. It is intended to provide an update on the economic and financial situation in the Agrokor Group and report on the operating activities of the Extraordinary Administration as well as the overall business operations of Agrokor d.d. and some of its major companies.

The report comprises the results of 16 companies from three business segments: Retail and Wholesale, Food and Agriculture which in the period under review generated 3.1 billion HRK in revenues and 71 million HRK in operating profits, resulting in 50 million HRK higher than planned EBITDA.

All business groups have recorded an increase in revenues. Within the Business Group Retail and Wholesale, revenue of HRK 1.8 billion was achieved, which is 1.3% higher than the budget. In the Business Group Food, with the increase of revenue in relation to the budget, EBITDA marks a 22.7% growth. In the Business Group Agriculture, revenue grew by 25.1%, while EBITDA grew by a significant 41.4%.

On 26 March 2019 the Commercial Court in Zagreb issued a resolution whereby the name of the company Aisle HoldCo d.d. was changed in the court registry into Fortenova grupa d.d. and the business address for the said company was changed from Radnička cesta 80, Zagreb to Marijana Čavića 1, Zagreb. Additionally, pursuant to decisions adopted by the Company's General Assembly and the Board of Directors on 25 March 2019, changes to the members of the Board of Directors and Executive Directors (authorised representatives) were also registered with the court registry.

Fortenova Group began its business operations on 1 April 2019, which marked the successful implementation of the settlement of Agrokor's creditors, that is, a plan of financial and ownership restructuring of the Company that was on the verge of bankruptcy two years ago due to the inability to settle its obligations. By applying the Act on Extraordinary Administration Proceedings in Companies of Systemic Importance to the Republic of Croatia, the extraordinary administration proceedings over Agrokor started on 10 April 2017. During this process, the business of all companies in the system, as well as Agrokor's suppliers and business partners has been stabilised and improved.

Following a successful conclusion of the negotiations of creditors, an agreement was reached that became effective in October 2018, and as of 1 April 2019, Agrokor's entire business has been transferred to the Fortenova Group. Weekend before the transfer Agrokor's operating companies successfully implemented a number of extremely demanding operations, thanks to which all of these companies operate smoothly as of today, some of them under new names, belonging to and owned by the new group.

The new holding company Fortenova Group was launched on the market together with its new visual identity (www.fortenovagrupa.hr). While the Fortenova Group name represents the new strength of the company that wants to build new, healthy relationships and bring new value to its employees, shareholders and customers as well as all other stakeholders, the colours and the logo suggest key elements of this new strength.

The first source of inspiration for a new visual identity is the fact that Fortenova Group consists of over one hundred and fifty very large and small companies, i.e. smaller business entities, and that only their common, harmonised actions lead to the goal of establishing healthy relationships that ensure long-term sustainable business and growth. Based on this, the organic forms that make up the logo in the form of a stylised letter “F” imply that only the pieces of the puzzle carefully placed in the picture give the Fortenova Group a true meaning as a whole. The choice of colours rests on the spectrum of natural shades, which is in direct relation with the core activities of the Fortenova Group – production, processing and sales of food.

The meeting of holders of depositary receipts of Fortenova Group STAK Stichting (rg), a foundation (stichting), founded under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands, was held on 1 April 2019 in Amsterdam. The holders of 168,300,328 depositary receipts attended the Initial DR Holder Meeting, representing 63.76% of the aggregate number of issued Depositary Receipts with voting rights.

The agenda of the meeting consisted of the appointment of the members of the Board of Directors of Fortenova grupa d.d., the remuneration of members of the Board of Directors of Fortenova Group, the appointment and remuneration of the members of the Board of Directors of Aisle Dutch HoldCo B.V. and the Company and the granting of the title to members of the Board of Directors, as well as the acquisition by the Company of certain shares in Agrolaguna d.d. and Žitnjak d.d. from Agram Invest d.d. All proposals were accepted with a high majority of present votes.

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

Financial information in the table below relate to the aggregated revenue and EBITDA for the first two months of 2019 for the key companies of the Agrokor Group. This monthly report includes data for 16 key companies. The financial results of individual companies stated in this section of the report are not audited and are estimated. The actual results are compared to the budget.

I-II 2019 results			
HRK m	Retail and Wholesale	Food	Agriculture
Revenue	1,801m	906m	358m
EBITDA (before management fee)	-8.4m	42.0m	37.3m
EBITDA %	-0.5%	4.6%	10.4%

*** NOTE: All results are estimated**

Summarized results for the period (no elimination of intercompany transactions and no consolidation adjustments)
Revenues include sales of goods and services (domestic and foreign markets); exclusive of revenue from services not related to regular operating activities.

EBITDA = EBIT + Depreciation and amortization + value adjustments and impairments + provisions + management and restructuring fees

Source – management reports

Preliminary results YTD

Presented budget data are related to:

- Latest budgets approved for 2019 for the companies from the Food, Retail and Wholesale and Agriculture segments

Monthly budget allocation for 2019 was prepared.

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

Within the scope of this report the Agrokor Group includes 16 companies from three operating segments; Retail and Wholesale, Food and Agriculture. On the Agrokor Group level both revenue and EBITDA are higher than the budget. In terms of revenues 3.1 billion HRK was generated and 71 million HRK in EBITDA, which is 50 million HRK higher than the budget.

The Retail and Wholesale segment continued to generate positive trends and better-than-planned results compared to budget. Growth in sales revenue combined with an increase in relative gross margin and reduction of operating costs resulted in higher EBITDA and EBITDA margin than planned.

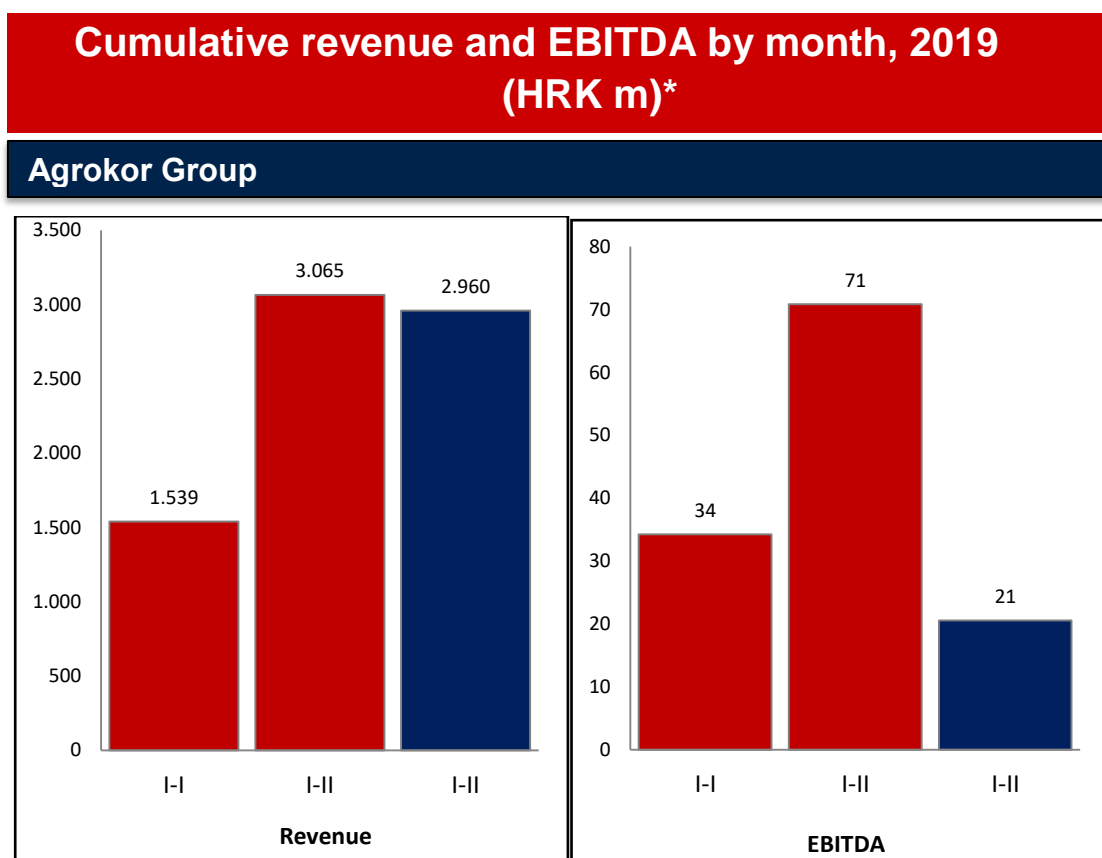
The Food segment recorded positive results in February. Generated operating profits exceeded budget due to improved operating efficiency and the implementation of the cost control program, and higher sales revenues. A quality mix of sales and marketing activities and improved operating efficiency had a positive impact on the results of business groups Frozen Food and Edible Oil which outperformed the budgeted EBITDA. The business groups Meat and Beverages achieved a slightly lower EBITDA than budgeted. The cumulative EBITDA and sales revenue of the Food Group from the beginning of the year to the end of the reporting period are above the budget.

The Agriculture segment recorded growth of revenue in February compared to the budget due to higher revenue in the cereal and oil crop sales segment, cattle, ABC cheese and the animal feed sales segment. Actual EBITDA exceeded the budget due to higher sales revenues and cost control, as well as the synergy savings realized in the costs of raw material and production material.

2.1. Agrokor Group

Within the scope of this report the Agrokor Group comprises 16 companies in three business segments: Retail and Wholesale (Konzum Croatia, Tisak, Konzum BiH and Velpro centar), Food (Beverages – Jamnica, Roto dinamic, Sarajevski kiseljak, Ice cream and frozen food – Ledo, Frikom and Ledo Čitluk, Edible oil – Zvijezda and Dijamant and Meat – PIK Vrbovec) and Agriculture (Belje, PIK Vinkovci and Vupik).

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



*** NOTE: All results are estimated**

The Agrokor Group includes summarized results for sixteen companies:

- Retail and Wholesale (four companies): Konzum Croatia, Tisak, Konzum BiH and 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

■ Actual I-II 2019

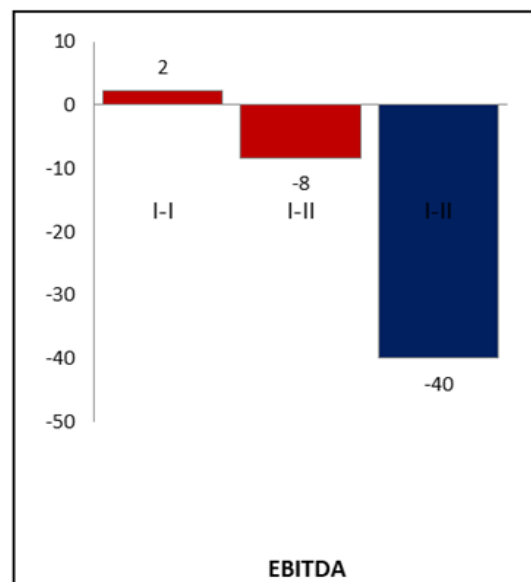
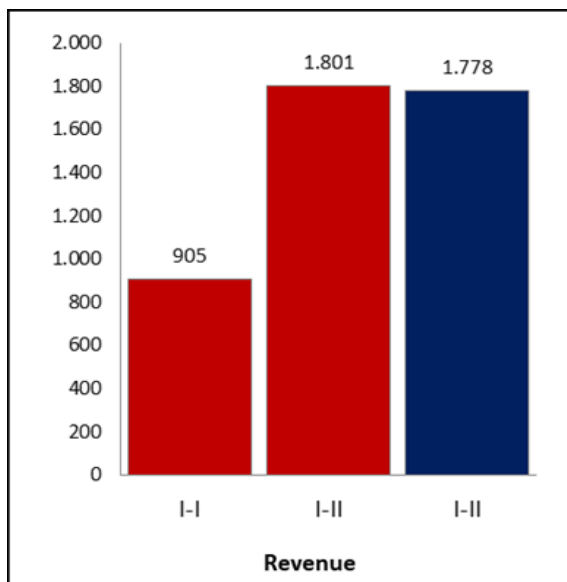
■ Plan I-II 2019

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 subsections which follow.

Cumulative revenue and EBITDA by month, 2019 (HRK m)*

Retail and Wholesale



Includes summarized results of four companies:

- Retail: Konzum Hrvatska, Konzum BiH, Tisak
- Wholesale: Velpro centar

* **NOTE: All results are estimated**

■ Actual I-II 2019

■ Plan I-II 2019

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

2.2.1.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	1,242	1,223
EBITDA	13.4	-14.7
EBITDA %	1.1%	-1.2%

* **NOTE: All results are estimated**

2.2.1.2. Commentary on recent trading

- February has continued the positive trend of 2019 and previous months with performance exceeding the plan. Revenue generated in the first two months of the year exceeded the plan by 1.5%. Revenue in February was 1.2% above plan.
- Number of customers as well as their average basket continues to increase.
- Operating expenses have remained below planned levels for the first two months of the year.
- Outperforming planned revenues combined with lower operating expenses resulted in positive EBITDA performance which is significantly higher than planned. As a result, the EBITDA margin exceeded the plan by 2.3 p.p.

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

2.2.2.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	193	197
EBITDA	-2.4	-2.8
EBITDA %	-1.3%	-1.4%

* **NOTE: All results are estimated**

2.2.2.2. Commentary on recent trading

- In comparison to the plan, total revenues from sale of goods in February increased by 1%. YTD revenues is lower by 2% than planned. The reason for lower revenues is the delay in opening two stores that were planned.
- Operating expenses and costs in February are lower by 0.5% than planned.
- Lower costs, and at the same time higher other operating revenues, resulted in better EBITDA by 19% than planned and by 76% than the previous year.
- During February, different marketing and promotional activities were performed, among which we underline;
 - The key tool in promotional activities is the catalogue that achieved 4% greater turnover than in January 2019
 - We intensively advertised the second wave of regular prices' discounts.

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

2.2.3.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	253	249
EBITDA	-7.6	-10.5
EBITDA %	-3.0%	-4.2%

* **NOTE: All results are estimated**

2.2.3.2. Commentary on recent trading

- In February 2019 actual EBITDA was negative HRK 4.4m which was better than planned by HRK 1.3m which shows continuous EBITDA improvement (cumulatively HRK 2.9m). The main reason for improvement in February lies in better gross margin achieved in Retail segment compared to the budget.
- Total expenses are achieved in accordance with the budget.
- Revenues in February 2019 were 5% above the plan. This result is achieved in retail segment as the largest business segment of Tisak. Slightly lower revenues were realized in the wholesale segment due to lower sales of new assortment and logistics segment due to lower revenue of newspaper delivery, package delivery and B2B delivery.

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

2.2.4.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	113	109
EBITDA	-11.8	-12.1
EBITDA %	-10.5%	-11.1%

* **NOTE: All results are estimated**

2.2.4.2. Commentary on recent trading

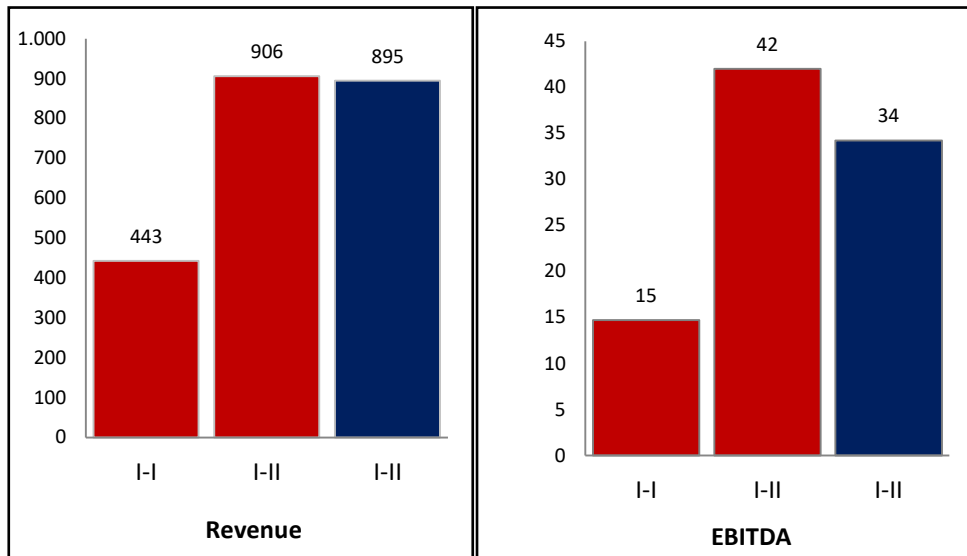
- February revenue is above the plan by better realization in hotels and restaurants channels. YTD revenue is better than planned.
- EBITDA for February above the planned, mainly caused by higher revenues. YTD EBITDA better than planned

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, 2019 (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 estimated**

■ Actual I-II 2019

■ Plan I-II 2019

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

2.3.1.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	121	120
EBITDA	13.1	12.9
EBITDA %	10.8%	10.7%

**NOTE: All results are estimated*

2.3.1.2. Commentary on recent trading

- Monthly EBITDA exceeded the budget as a result of improved sales and cost management.
- Total actual revenues of Jamnica in February outperformed the budget. Revenues generated on the domestic market were lower than planned, while revenues on foreign markets significantly exceeded expectations, with the main growth generators being the markets of B&H and Serbia.
- Annual revenue and EBITDA both exceeded budgeted values.

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

2.3.2.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	88	88
EBITDA	-5.1	-5.2
EBITDA %	-5.8%	-5.9%

* **NOTE: All results are estimated**

2.3.2.2. Commentary on recent trading

- Actual sales revenues in February exceeded planned values. The continental regions have followed the trend of retaining a stable market position, while the coastal regions have seen a slight drop compared to the budget.
- Due to higher COGS, actual monthly EBITDA was lower than budgeted.
- Annual EBITDA and sales revenues are in accordance with the budget.

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

2.3.3.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	39	38
EBITDA	7.3	7.7
EBITDA %	18.7%	20.2%

** NOTE: All results are estimated*

2.3.3.2. Commentary on recent trading

- Higher sales revenues and cost management have resulted in better-than-planned monthly EBITDA.
- Actual sales revenues in February outperformed the budget. Sales were better both on the domestic and foreign markets.
- Annual EBITDA is below the budget, while sales revenues have exceeded planned values.

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

2.3.4.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	101	110
EBITDA	-0.3	-3.1
EBITDA %	-0.3%	-2.8%

* **NOTE: All results are estimated**

2.3.4.2. Commentary on recent trading

- Due to the customer and product mix and operating cost control, actual monthly EBITDA outperformed the budget.
- Sales revenues in February were lower than planned mainly in the frozen food segment, while in the ice cream segment as the most profitable category they have significantly outperformed the budget.
- Annual EBITDA exceeded planned values, while sales revenues were below budget.

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

2.3.5.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	31	29
EBITDA	1.9	1.8
EBITDA %	6.0%	6.1%

* **NOTE: All results are estimated**

2.3.5.2. Commentary on recent trading

- Higher sales revenues and cost control have resulted in better-than-planned monthly EBITDA.
- Actual sales revenues exceeded planned values as a result of monitoring and adjusting the assortment and also due to continued activities with customers.
- Annual EBITDA and sales revenue generation are better than planned.

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

2.3.6.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	65	67
EBITDA	-10.3	-10.0
EBITDA %	-15.9%	-15.0%

** NOTE: All results are estimated*

2.3.6.2. Commentary on recent trading

- Monthly EBITDA performance exceeded the budget due to improved operating efficiency, cost management and significantly higher sales of ice cream, as the most profitable product category.
- Sales revenue in February was slightly lower than planned. Growth was generated in the bestselling product group categories: ice cream, fruit and vegetables.
- Annual EBITDA and sales revenues are lower than planned.

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

2.3.7.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	102	95
EBITDA	9.4	4.4
EBITDA %	9.2%	4.6%

* **NOTE: All results are estimated**

2.3.7.2. Commentary on recent trading

- Improved operating efficiency, cost management and higher-than-planned sales revenues resulted in significantly higher monthly EBITDA than budgeted.
- Actual revenues in February outperformed the budget, with particular growth generated in the categories of mayonnaise, ketchup and margarine, both on the domestic and export markets.
- All preparations were made and activities agreed with the customers, with particular emphasis on the holiday assortment.
- The month saw the launching of a great humanitarian drive *#budiZvijezdapomoziDown* (*#beaStarhelpDown*), with the Croatian Down Syndrome Community and Zvijezda presenting a new limited edition of Zvijezda sunflower oil featuring a drawing by nine-year-old Noa Oliverić, with the purchase whereof the customers participate in the drive.
- Both annual EBITDA and revenue significantly exceed budgeted values.

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

2.3.8.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	121	113
EBITDA	6.0	5.2
EBITDA %	5.0%	4.5%

* **NOTE: All results are estimated**

2.3.8.2. Commentary on recent trading

- EBITDA in February outperformed the budget as a result of higher sales revenues and the favourable raw-material price.
- Actual monthly sales revenues exceeded plans. Growth was generated in the categories: oil, industrial margarine, dressings, pickled vegetables and merchandise, both on the domestic and foreign markets.
- Annual EBITDA and sales revenues outperformed budgeted values.

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

2.3.9.1. Financial results YTD and KPI's

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	237	235
EBITDA	20.1	20.5
EBITDA %	8.5%	8.7%

* **NOTE: All results are estimated**

2.3.9.2. Commentary on recent trading

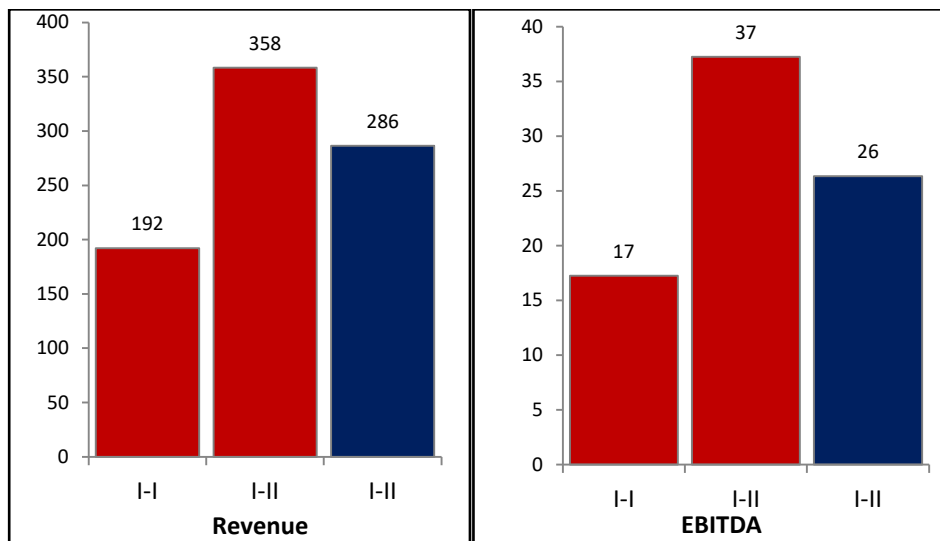
- Sales revenue performance in February was slightly below budgeted values.
- Monthly EBITDA was slightly lower than planned. All costs were either at the planned level or lower, resulting in EBITDA margin generation according to plan.
- Annual revenues exceeded planned values, while EBITDA was slightly lower than planned.

2.4. Companies in the agriculture sector

Companies in the Agriculture segment are: Belje, PIK Vinkovci and Vupik. The table below outlines cumulative revenue and EBITDA for the segment, while the results of individual companies within the segment are set out in the subsections below.

Cumulative revenue and EBITDA by month, 2019 (HRK m)*

Agriculture



*** NOTE: All results are estimated**

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

■ Actual I-II 2019

■ Plan I-II 2019

2.4.1. Companies in the agriculture sector: Belje d.d.

2.4.1.1. Financial results YTD and KPIs

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	173	175
EBITDA	26.8	18.2
EBITDA %	15.5%	10.4%

* **NOTE: All results are estimated**

2.4.1.2. Commentary on recent trading

- Revenues from sales of goods and services in the current period were at the planned level. Actual EBITDA generated in the current period outperformed budgeted values by HRK 8.6m.
- Within the scope of the cost management system, including operating processes costs, continuous efforts have been exerted in cost optimization, resulting in lower costing prices per unit of product. Significant savings were made in the costs of raw materials and production materials, mainly due to lower input prices of raw materials for animal feed and meat for cured meat production.
- Higher-than-planned profits were achieved in sales of ABC cheese, fattened cattle and animal feed as well as due to other revenue generation.

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

2.4.2.1. Financial results YTD and KPIs

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	136	63
EBITDA	2.2	5.8
EBITDA %	2%	9%

* NOTE: All results are estimated

2.4.2.2. Commentary on recent trading

- Actual sales revenues in the current period exceeded the budgeted values by 117%.
- Revenues generated in cereal crop sales outperformed planned values by HRK 15.4m, in oil-crop sales by HRK 15.6m and in production material sales by HRK 22.7m. Revenues from sales of fresh fruit and vegetables were HRK 2m lower than budgeted. The quantities sold were lower, but the prices achieved were higher than planned.
- The decrease in EBITDA results from the difference in the planned and actual sales price of piglets and the monthly cost dynamics, featuring a significant deviation in goods transportation costs.
- Trading activities in February were significantly stronger than planned, with a faster stock rotation. Both payments and debt collection take place within maturities.

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

2.4.3.1. Financial results YTD and KPIs

Financial results*	I-II 2019 (HRK m)	Plan I-II 2019 (HRK m)
Revenue	49	49
EBITDA	8.3	2.3
EBITDA %	16.9%	4.7%

* NOTE: All results are estimated

2.4.3.2. Commentary on recent trading

- Revenue realization in February exceeded the budget by 4%. Quantities of finishers sold were 7% higher, while the selling price is still lower than planned. The market value of finishers remains low, affecting the operating result significantly.
- The entire stocks of mercantile corn and sunflower from 2018 have been sold. The reloading port has recorded higher-than-planned revenue, mostly due to mercantile goods reloading services (oil rape, sunflower, wheat and soybean).
- The company's cumulative EBITDA in 2019 exceeded the budget, mostly due to the higher actual selling price of mercantile corn from last year's stock.

3. Short-term cash position

3.1. Cash management

The Group has continued to actively manage its liquidity, with the cash flow forecasts being updated on a fortnightly basis and the weekly/fortnightly payment plans being established on that basis. The requests of the Croatian companies within the Group for payments are being reviewed and approved for the purpose of making the payments. In the period since June 2017, when new funds for the financing were raised, until mid March 2019 net funds in the amount of HRK 655m have been deployed into the operating activities to support liquidity.

As discussed in previous monthly reports, these funds were primarily used to settle post-petition suppliers' claims from the period after 10 April 2017 and to replenish inventories at the operating companies. This makes it possible for the Group's operating companies to continue financing their operating activities and working capital requirements for the realization of targeted seasonal sales. This is considered to be one of the most important achievements of the entire restructuring process over the course of the Extraordinary Administration Procedure.

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

Forecast for CW13 – short-term cash flow for 13 weeks for 19 major subsidiaries as compared to the previous week (in HRK m)		
	Current short-term cash flow (CW13)	Short-term cash flow in previous week (CW11)
Minimum cash balance (13 weeks)	303	366
Maximum cash balance (13 weeks)	698	619
Minimum liquidity obligation	222-296	222- 296
Available liquidity	81 – 402	132 – 323

4. Extraordinary Administration costs and operating expenses 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 as of 28 February 2019, broken down by the type and group of costs, are 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.

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.

The total operating costs for February 2019 were higher than in January 2019 and amount to HRK 96,507,622.41. However, it is important to note that the consultant costs are lower in February, in comparison with January 2019 numbers, but high cost of new financing in February 2019 has resulted in overall higher operating total costs.

Namely, when we look at consulting costs alone, February 2019 costs amount to HRK 15.371.780,97 which is a decrease in the amount of HRK 16.891.396,26, when compared to January 2019 numbers.

The total number of employees at the end of February 2019 was 106, and two severance payments were made.

OPERATING COSTS of AGROKOR D.D. (in HRK)	Total IV-XII 2017	Total I-XII 2018	Total I-II 2019	TOTAL
Total cost of salaries and fees				
Commissioner's fee	1.040.991,01 kn	1.427.644,80 kn	237.940,80 kn	2.706.576,61 kn
Employees and service contracts (Bruto II included)	53.190.186,24 kn	54.855.134,75 kn	10.119.416,22 kn	118.164.737,21 kn
Severance payments	24.960.182,17 kn	1.411.179,85 kn	1.826.560,10 kn	28.197.922,12 kn
	79.191.359,42 kn	57.693.959,40 kn	12.183.917,12 kn	149.069.235,94 kn
Consultant fees*				
Legal	81.513.524,11 kn	171.833.415,75 kn	23.907.620,37 kn	277.254.560,23 kn
Financial	31.579.402,77 kn	98.764.283,75 kn	13.609.362,39 kn	143.953.048,92 kn
Restructuring	116.997.520,22 kn	247.380.324,37 kn	10.117.975,44 kn	374.495.820,02 kn
Other (forensics, HR)	9.847.447,10 kn	6.154.983,65 kn	0,00 kn	16.002.430,76 kn
	239.937.894,20 kn	524.133.007,52 kn	47.634.958,21 kn	811.705.859,93 kn
Audit and tax services	6.386.934,91 kn	2.658.955,46 kn	1.875.215,36 kn	10.921.105,73 kn
Utilities costs	2.281.818,48 kn	2.798.865,35 kn	583.477,67 kn	5.664.161,50 kn
Material costs				
Transportation costs (insurance, maintenance, fuel, etc.)	5.261.724,02 kn	4.360.986,97 kn	608.666,31 kn	10.231.377,30 kn
Ongoing maintenance	3.126.412,00 kn	5.297.979,16 kn	966.105,43 kn	9.390.496,59 kn
Other	4.732.845,16 kn	8.320.394,89 kn	536.271,64 kn	13.589.511,69 kn
	13.120.981,18 kn	17.979.361,02 kn	2.111.043,38 kn	33.211.385,58 kn
Insurance costs - management liability insurance	4.876.555,81 kn	5.369.732,30 kn	0,00 kn	10.246.288,11 kn
Cost of new financing	47.018.273,11 kn	180.917.172,44 kn	77.897.979,29 kn	305.833.424,84 kn
Travel costs / education	402.597,03 kn	722.281,09 kn	109.167,53 kn	1.234.045,65 kn
Other costs **	60.340.595,16 kn	86.483.713,83 kn	-3.986.725,85 kn	142.837.583,14 kn
Amortization / Depreciation	4.758.083,49 kn	5.571.121,09 kn	936.896,05 kn	11.266.100,63 kn
Total	458.315.092,79 kn	884.328.169,49 kn	139.345.928,76 kn	1.481.989.191,05 kn

Adjustment for April 2017 (the first 10 days prior to activating the Extraordinary Administration): HRK 27,865,276.91

Comments to the operating costs table for the company Agrokor d.d.:

1. Total operating costs for the company Agrokor d.d. over the course of the Extraordinary Administration Procedure (stated without adjustment for or deduction of costs for the period from 1 April 2017 to 10 April 2017) amount to (this is the amount from SAP which includes entire April) HRK 1,509,854,467.96.
2. The total amount of operating costs stated in the table above is the best representation of operating costs of the company Agrokor d.d. since activation of the Extraordinary Administration Procedure (total amount less costs for the first ten days of April). The amount of adjustment of HRK 27,865,276.91 pertains to the first ten days of April (operating costs for the period from 1 April to 10 April 2017).
3. *Advisors' costs have been adjusted to state the portion of their costs with regards to the VAT regime in which Agrokor d.d. operates, i.e. the pro-rata system. The stated amounts of costs have been adjusted for the unrecognized VAT amount, which is the best representation of actual operating costs.
4. *Advisors' costs from May onwards include new consultants hired for the final stage of the process. These new consultants include McKinsey (for restructuring), PJT&FTI (for finance) and AKIN Gump (legal advisors).
- 5.** Other costs include all other operating costs, i.e. other supplier entries from SAP which have not been stated as a separate category in the operating cost table. The amount can be negative due to credit notes or exchange rate, depending on the period.

- 6.*** Consequently, included are the costs related to other suppliers not stated in the advisors' costs, i.e. including suppliers after 10 April 2017 that are not stated under basic advisory fees (advisors' costs).
7. Due to the variable nature of the accounting entries it is possible for operating costs for a certain month to be entered with a delay in time or for some costs to be cancelled. Agrokor d.d. states the actual operating costs at the point of preparing this report.
8. Subsequent entries or changes will be adjusted upon realization and may affect the data for the entire period under review, i.e. the costs of individual periods from the past may be corrected/adjusted.
9. This operating cost report is prepared on a continuous basis on various dates in the month and hence the currency exchange rate may vary for the period under review. For the sake of easier analysis, the cost analysis model related to this report uses the fixed exchange rate of 7.45 HRK/EUR for the entire period.
10. ***The data for Auditing and Tax Services have been revised for the entire Extraordinary Administration period, as they had erroneously included some costs which did not belong thereto and have now been reclassified, with the category „Auditing and Tax Services“ now only including the costs related thereto. In accordance with the above, the respective category is now the best representation of auditing and tax services for the entire period of the Extraordinary Administration.
11. The cost of financing for July 2018 includes a total of HRK 165.4m of costs related to the new financing.
12. The cost of D&O managers in September 2018 has been revised, i.e. the manager insurance cost re-invoiced to the companies has been removed from the operating costs of Agrokor d.d. Consequently, the cost is actually lower than it was stated until including September 2018.
13. October operating costs include the success fees for certain suppliers who had agreed such fee.
14. Agrokor d.d. operating costs are set in line with the costs as at the day of preparing the report. All subsequent entries may change the position by individual group of costs. The Accounting Department is taking care for the total operating cost stated to be divided into the given cost distribution categories.
15. The operating costs are exclusive of the accounts 45400000 to 45499999 – value adjustments (account of write-off of other financial assets), amounting in 2018 to HRK 84,900,536.93, which indicates that accounts 40000000 to 49999999 totalled HRK 991,563,217.56 in 2018, with operating costs in 2018 amounting to HRK 906,662,680.63.
16. Stated operating costs relate to the day of preparing this report. Negative cost amount for February 2019 under Other costs is a result of cost deferral from February that referred to the earlier period.

5. Litigation

The new developments in relation to litigations in Serbia are following:

- In the case no. P-3283/2017 (Banca Intesa against Konzum, Jamnica and others) the hearing that was scheduled for 21st March 2019. was postponed due to the absence of the judge. The next hearing is scheduled for September 17th 2019.
- In the case no. P – 6465/2017 (Banca Intesa against Agrokor) the submission was filed to the court with the consideration of the new developments in the process of implementation of Settlement and consequential influence to this proceedings. The hearing was held on March 8th 2019, and first instance proceeding was concluded. We are waiting for the decision of the court.

6. Interim Creditors' Council

The Interim Creditors' Council held two sessions on 27 and 28 March 2019.

At the session the Council passed the decision to approve the final text of Annex 4, 29 and 35 to the Settlement Plan and the following additional implementation documents:

- (1) Holding Companies' Articles of Association,
- (2) STAK Administrative Conditions,
- (3) Convertible Bonds Trust Deed,
- (4) Convertible Bonds Terms and Conditions,
- (5) Transfer Regulations,
- (6) Shares Deed of Issue,
- (7) DR Deed of Issue,
- (8) Securities Escrow Deed,
- (9) Supplier Loan Note Instrument,
- (10) Sberbank Loan Note Instrument,
- (11) Indemnity,
- (12) KYC form,
- (13) OpCo Reserved Matters subject to approval

By this same Decision, the Extraordinary Administrator is approved to submit all the said documents to the court.

7. Settlement Plan Implementation

Pursuant to the decree of the Commercial Court of Zagreb dated 1 March 2019 and the declaration of 1 April 2019 as the Settlement Plan Implementation Commencement Date, the Agrokor Group continued in March with the implementation activities set forth by the Settlement Plan.

On 1 April 2019, the restructuring and implementation measures set forth by the Settlement Plan were carried out which, among other things, included the transfer of the economic entity under the Extraordinary Administration from Agrokor to Fortenova Group, which meant that the new holding company and mirror companies started their business operations.

The actual implementation measures were carried out through the successful implementation of adopted implementation plans in all the key pillars of planning the implementation, comprising legal implementation (including asset transfer), operational implementation, IT implementation and implementation in the areas of accounting/finance/taxes.

8. Stakeholder relations and communication

The Extraordinary Administration has kept pursuing a dynamic and transparent communication in Croatia and other countries of the region where Agrokor operates. The focus of communication has been on preparing communication plans and activities related to the Settlement Plan implementation across the Fortenova Group, including internal and external communication with all key stakeholders.

In the media communication segment, intensive communication with the media is still present, including more than 60 various media activities such as interviews to international news agencies, media queries, releases, media statements and the like.

In the internal communication segment within the Fortenova Group significant focus was put on the selection of the new name and visual identity of the new holding company.

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