

**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 JANUARY 2018 AND 10 FEBRUARY 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)*

## CONTENTS

1. Executive summary.....	3
2. State of companies under the Extraordinary Administration during the reporting period ....	5
3. Short-term cash position.....	6
3.1. Cash management .....	6
3.2. Supplier claims settlement .....	6
4. Settlement negotiations .....	10
5. Cost of Extraordinary Administration and operational business of Agrokor d.d. ....	15
6. Litigation .....	18
6.1. Offensive litigation .....	18
6.2. Defensive litigation and recognition .....	20
7. Temporary Creditors Council .....	21
8. Registration of claims.....	22
9. Stakeholder relations and communications .....	24

## 1. Executive summary

This monthly report provides an update on the economic and financial state of, and implementation of activities and measures under the Extraordinary Administration of Agrokor d.d. and its affiliates (the **Group**) in the period 11 January 2018 to 10 February 2018. With financial year-end ending on 31 December 2017 the Group's audit has started with data on monthly and cumulative results expected to be available by 31 March 2018. Consequently, this monthly report will not include financial results and operational KPI's for the Group companies.

In December Konzum re-opened its refurbished locations Oporovečka, the first store-in-store opened in Croatia. Konzum has established cooperation with small family farms (so-called 'OPG') and producers, who now have an opportunity to showcase their products for the first time. Konzum was also positively affected by this project, with the store having generated significantly higher sales growth rates than the rest of the network. In future months this pilot project will also be replicated across other store locations.

On 15 January 2018 the Commercial Court in Zagreb passed a ruling on verified and contested claims, published on the Court's e-bulletin board. The ruling states that, further to the claims examined and verified by the Extraordinary Administration in the amount of HRK 41.45 billion and claims contested in the amount of HRK 16.43 billion, creditors have mutually contested claims in the amount of more than HRK 10.4 billion. Guarantees and co-debtorships contested by other creditors are in excess of HRK 101 billion. The total sum of verified main claims prior to the completion of civil court proceedings therefore total HRK 31.1 billion.

On 26 January 2018 the Commercial Court in Zagreb passed a ruling on allocating creditors into five groups. The number of Permanent Creditors' Council (**PCC**) members and the sorting of creditors into groups is established by the Court, following a proposal by the Extraordinary Administration, whilst the members of the PCC are determined (ie elected) by the creditors. Group creditors were assigned to the following five groups:

- A. GROUP A – creditors whose claims are secured by way of secured rights, i.e. those who hold firm securities such as mortgages over real estate or share pledges.
- B. GROUP B – creditors who are holders of bonds issued by the Group with the benefit of issued guarantees / co-debtorships, in either case with not less than five guarantors which are subject to the Extraordinary Administration procedure.
- C. GROUP C – creditors with pre-petition claims to whose benefit guarantees were issued / there is a co-debtorship / there is a recourse debtorship in place

with not less than five guarantors which are subject to the Extraordinary Administration procedure, who participated in financing the Group by way of the SPFA dated 8 June 2017.

- D. GROUP D – creditors to the benefit of which guarantees were issued / there is a co debtorship / there is a recourse debtorship in place with not less than five guarantors which are subject to the Extraordinary Administration procedure and did not participate in financing the Group by way of the SPFA dated 8 June 2017.
- E. GROUP E – creditors (including suppliers) with no co debtorship or recourse debtorship in place with no more than five guarantees which are subject to the Extraordinary Administration procedure.

On 1 February 2018, the Extraordinary Administration invited those creditors whose claims have been verified to elect and appoint members to the PCC for each individual creditor group, by way of the Official Gazette and in line with the procedure and deadlines from Art. 30 of the Act on Extraordinary Administration Proceedings in Companies of Systemic Importance for the Republic of Croatia. The recommended form of the power of attorney for the election of a PCC member for the specific groups can be found on the following website at <http://nagodba.agrokor.hr/>.

The PCC member for each individual group shall be considered to be elected if voted for by the majority of all creditors within each group, as outlined above. In the event a creditor group does not elect a member to the PCC within 90 days of the invitation having been published in the Official Gazette, such member shall be appointed by the Court within eight days thereafter.

The Temporary Creditors' Council (**TCC**) held its 14th meeting on 23 January 2018 and the resolution passed was related to the payment of due pre-petition claims of certain suppliers and to corrections and amendments related to payments approved by previously passed resolutions.

The Extraordinary Administration continues to take all available legal measures in order to protect the assets of the Group and in Croatia and other jurisdictions. Transparent communication with all key stakeholder was also maintained.

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

The financial results for each of the businesses for the year to 31 December 2017 will need to be audited. It is expected that draft financial statements will be available by the end of March 2018 and audited results will be available, and made public, by 30 April 2018. As a consequence, no financial results for the month of December will be included in this report.

In future reports the monthly results for each company during 2018, together with the monthly budget and comments on variances between the two will be provided.

### 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 set and approved based on these forecasts. With effect from 24 November 2017, the Croatian core non-retail companies moved to a fortnightly payment run with only exceptional payments being approved on a weekly basis. In the period since the new finance was raised in June 2017 to January 2018 net funds of HRK 1,023 million have been deployed in 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.

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

#### CW3 Forecast 19 Core Subsidiaries 13 Week STCF vs prior week (HRK m)

	Current STCF (CW 3)	Prior week STCF (CW 1)
Minimum cash balance (13w)	791	1,043
Maximum cash balance (13w)	1,310	1,439
Minimum Liquidity covenant	296	296
Undrawn facility	370	370
<b>Available liquidity (incl. undrawn facility)</b>	<b>865 – 1,384</b>	<b>1,117 – 1,513</b>

#### 3.2. Supplier claims settlement

It was communicated publicly in the week ending 28 July 2017 that there would be a tranche of EUR 150 million made available for settlement of trade claims prior to the Act on Extraordinary Administration. This EUR 150 million tranche has been split into three pools:

- **Pool A (up to EUR 30 million):** Dedicated pool for 'micro' suppliers, defined as family farms (OPG), small entrepreneurs and micro-suppliers with annual revenue less than HRK 5.2 million, a maximum of HRK 2.6 million in assets and up to 10 employees;

- **Pool B (EUR 110 – EUR 120 million):** This pool is open to all suppliers (except the Pool A micro-suppliers). Suppliers must confirm they will return to historic and/or industry standard terms of supply in order to be eligible; and
- **Pool C (up to EUR 10 million):** Discretionary pool for settlement of trade supplier claims in respect of debts accrued prior to the Extraordinary Administration, in accordance with identified business needs.

### **3.2.1. Pool A update**

To date, over 2,500 micro companies, craft trades and small farmers have received 100% settlement of their pre-petition debt with Pool A utilization now at EUR 21.5 million.

### **3.2.2. Pool B update**

#### **3.2.2.1. Allocation of funds**

The funds in Pool B are to be allocated to suppliers based on their claims and ongoing support for the business, the overarching approach to allocation is split between the following two tranches:

- **Pro rata tranche (Tranche 1):** EUR 27.5 million distributed on a pro rata basis to all Old Debt suppliers that have filed their claims in the Extraordinary Administration; and
- **Proportional tranche (Tranche 2):** allocated on a proportional basis to suppliers holding Old Debt, that have filed their claims in the Extraordinary Administration and have agreed to sign an agreement with the Group to return to historic supplier terms going forward, to a maximum of 40% of supplier's Old Debt, taking into account any amounts paid previously for Old Debt.

#### **3.2.2.2. Eligibility assessment process**

In order to determine the amounts to be allocated in Pool B, a two-step process is being applied:

- i. Each Group company identified its important suppliers and offered new supply contracts; and
- ii. Companies with signed contracts were eligible for allocation of Tranche 2 from Pool B.

### **3.2.2.3. Status update**

There have currently been EUR 83.8 million of funds approved to be utilized out of Pool B. This is broken down as follows:

- Tranche 1 of EUR 27.5 million (includes previously approved amount of EUR 27.4 million and an additional EUR 0.1 million approved on 23 January 2018) has been allocated on a pro rata basis to all Old Debt suppliers, that have filed their claims in the Extraordinary Administration. With this, the total amount allocated for Tranche 1 is approved for payment.
- Tranche 2 of EUR 56.43 million (include previously approved EUR 56.4 million and an additional EUR 0.03 million approved on 23 January 2018) has been allocated on a proportional basis to suppliers holding Old Debt, that have filed their claims in the Extraordinary Administration and have agreed to sign an agreement with the Group to return to historic supplier terms going forward; of which
  - 80% of the Old Debt is paid after all the necessary approvals are given; and
  - the balancing 20% will be paid on or before 31 March 2018.

On the basis that certain corrections to the tables of recognized claims were delivered to Zagreb Commercial Court on 13 December 2017, and 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.

### **3.2.2.4. Border claims**

The Extraordinary Administration paid an initial round of border claims in order to reach a minimum of 28% of the supplier's border claim to those suppliers who had signed an agreement with the Group to return to historic supplier terms, while taking into account any amounts paid previously for border debt.

## **3.3. Trade finance facility**

Expressions of interest for participation in the EUR 50 million trade finance facility were completed on 25 August 2017 with 305 indicative applications received. These applications exceeded the amount of the available facility. Allocation of the EUR 50 million pool is currently ongoing with a focus on eligible suppliers that have a high goods turnover.



During December, Group companies issued term sheets to suppliers to finalize negotiations and secure the additional financing. This financing is anticipated to be provided via a combination of cash and goods. It is expected that this will be completed in February 2018.

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

Since the recently publicized draft settlement plan, the Extraordinary Administration has continued to take steps towards preserving the Group's businesses as outlined.

A comprehensive Group asset valuation is underway (i) to formally confirm that the total debt of borrowers and guarantors of the Group exceeds the value of the Group, (ii) to determine the fair value of the Group's businesses on transfer to the new corporate structure, and (iii) to facilitate the determination of fair and equitable recoveries for all claims in the entity priority model.

Parties that have an interest in participating in the refinancing (in full or partially) of the SPFA through the Exit Facility referred to in last month's report and the draft settlement plan of 20 December 2017, are encouraged to contact the Group's financial adviser at [invest@agrokor.hr](mailto:invest@agrokor.hr). Please note that with the approval of the qualified majority of the SPFA already includes an option to extend the facility for two years.

As part of the planning for the execution of the settlement plan and exit from the Extraordinary Administration procedure the Group has initiated, in consultation with the TCC, a search process for a new CEO and Chairman who will ultimately run the Group in the future.

Responses to questions submitted to [settlement@agrokor.hr](mailto:settlement@agrokor.hr) can be found under the Q&A area at [www.nagodba.agrokor.hr](http://www.nagodba.agrokor.hr), and this site provides detailed answers in relation to the logistics of the proposed settlement structure and eventual outcome for both the Group and its creditors.

The Extraordinary Administration has continued to work towards submitting the settlement plan to the Commercial Court in Zagreb no later than 10 April 2018 as required. Further updates will be provided in future reports.

The Commercial Court in Zagreb published a ruling on 26 of January to assign creditors to groups as proposed by the Extraordinary Administration, in accordance with the obligation stipulated in Art. 18, item 1 of the Act on the Extraordinary Administration Proceeding in Companies of Systemic Importance for the Republic of Croatia. The Extraordinary Administration addressed the Court with a proposal to pre-establish the number of PCC members and the methodology behind allocating creditors to groups. The sorting of creditors and defining of groups is based on claims filed and the different legal characteristics between the groups. Creditors who will be entitled to appoint members to the PCC are creditors with verified claims, and contested claims where the contestation is renounced. The status of verified and

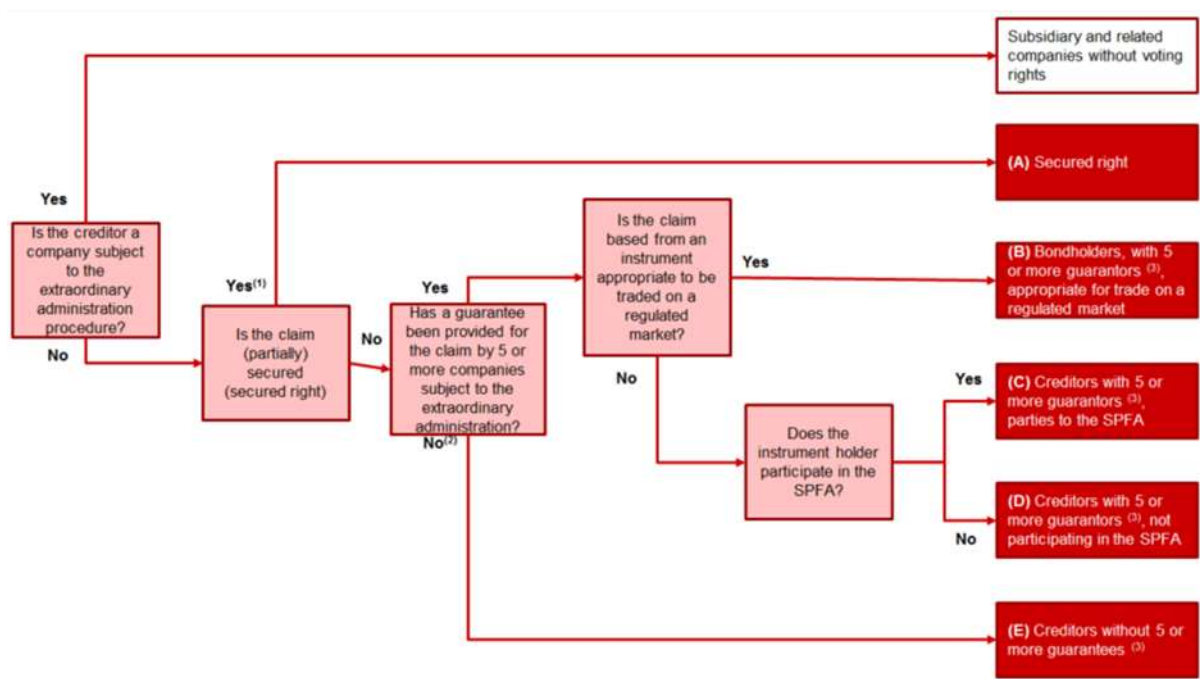
contested claims is not final, as it is subject to potential civil proceedings which may be enforced in order to clarify their merits. Furthermore, some contestations are expected to be withdrawn by the contesting parties, prior to the initiation of civil proceedings.

Within the scope of the submission the Extraordinary Administration has proposed that the PCC has five members, as with the TCC. The PCC's composition of five members proved to be the optimal way for all creditors and their groups to be appropriately represented in terms of quality and efficiency. The proposed number of PCC members will provide scope for all members to regularly attend meetings, which can then be held frequently and at an acceptable cost.

The main differentiation between the TCC and the PCC is that the majority of supplier claims are within one group in the PCC while the unsecured, mostly financial creditors are divided in two groups based on the different economic interests of their claims, in the TCC. In defining creditor groups, the following criteria were taken into account:

- Whether the creditor is a company subject to the Extraordinary Administration procedure;
- Whether there is a secured right;
- Whether there are guarantees provided by five or more companies subject to the Extraordinary Administration;
- The specificities of individual claims (trading on regulated markets); and
- Facts that have arisen during the Extraordinary Administration (participation in the SPFA and payment of pre-petition claims during the course of the Extraordinary Administration).

The chart overleaf shows the criteria and decision-making process in definition of and allocation of creditors to groups to be represented in the PCC.



**Notes:**

(1) Includes claims secured for an amount lower than the amount of the claim (ie. the secured right request is lower than the amount of the claim)

(2) Includes verified claims from guarantees where the main debtor is not subject to the Extraordinary Administration

(3) Guarantors subject to the Extraordinary Administration procedure

Pursuant to previously stated criteria, the Extraordinary Administrator proposed that the creditors be allocated to five groups: A, B, C, D and E with regard to the various legal and economic position and interests of each group. At the same time the groups are a representative reflection of the creditors within the existing groups in the TCC.

Group A consists of creditors whose claims bear secured rights, ie secured creditors. The existence of secured rights, in particular firm securities such as mortgages on real estate or share pledges differentiates the legal position of such creditors from all other groups, providing them with additional rights. This group corresponds to the secured creditors group in the TCC.

Creditors who are holders of bonds issued by the debtor and to whose benefit guarantees were issued / there is a co-debtorship with not less than five guarantees which are subject to the Extraordinary Administration procedure, shall be assigned to Group B. What legally differentiates the claims of those creditors from the claims of creditors assigned to other specific groups is the listing of bonds on international regulated markets upon issuance; being subject to international rights; large number of end holders and representation of the end holders in exercising rights by trustees. Group B corresponds to the bondholder group in the TCC.

Group C is comprised of creditors whose claims have been secured by issued guarantees, co-debtorships and recourse debtorships from not less than five guarantors who are subject to the Extraordinary Administration proceedings and participated in financing the Group with seniority rights in recovery pursuant to the SPFA of up to EUR 1.1 billion 8 June 2017. For the avoidance of doubt, it should be noted that these creditors will not participate in this group with their claims arising from the SPFA, but only with their pre-petition claims.

Creditors whose claims are secured by issued guarantees, co-debtorships and recourse debtorships of not less than five companies related and/or subsidiary to the Group, which are subject to the Extraordinary Administration procedure and did not participate in financing the Group with seniority rights in recovery pursuant to the SPFA of up to EUR 1.1 billion dated 8 June 2017 shall be assigned to Group D. Groups C and D correspond to the group of unsecured creditors in the TCC and are differentiated by various economic interests, given that Group C is party to the SPFA.

Group E will be comprised of creditors to the benefit of which no guarantees have been issued nor is there a co-debtorship or recourse debtorship with not less than five companies related and/or subsidiary to the Group. It combines the groups of large and small suppliers from the TCC and also includes other creditors meeting the said criteria.

Groups A to E allow for classification of all creditors with all claims held at the outset of the Extraordinary Administration procedure, enabling them to efficiently exercise their rights established by the law.

The PCC protects creditor rights in the Extraordinary Administration procedure and represents creditors in drawing up and preparing the settlement agreement, following which the Extraordinary Administration will submit the settlement to the Court.

The Extraordinary Administration shall, by way of invitation to be published in the Official Gazette, invite the creditors whose claims have been verified to inform the Extraordinary Administration and the Court of the PCC members within 30 days. In the event that a creditor group should not appoint their member to the PCC within 90 days of the publication date of the above invitation, such member shall be appointed to the PCC by the Court within eight days thereafter.

In compliance with the aforementioned ruling and the provision of Article 30, para. 1 of the Law on Extraordinary Administration Proceeding in Companies of Systemic Importance for the Republic of Croatia, the Extraordinary Administration has, by publishing the invitation to creditors in the official Gazette on 31 January 2018, called the creditors whose claims were determined to notify the Extraordinary Administration and the Court of elected members of the PCC within 30 days. The table of group allocations was published on the Court's e-bulletin board on 26 January 2018. The recommended form of power of attorney for the election of members of the PCC for individual groups may be found on the following website <http://nagodba.agrokor.hr/>.

The Extraordinary Administration continues working on delivering the settlement proposal to the Commercial Court in Zagreb on 10 April 2018 at the latest as requested. Further information will be provided in future reports.

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

The Extraordinary Administration continues to manage accrued operational business expenses that relate directly to the various centralised services provided across the Group.

An overview of the Group's operating costs paid to the end of December 2017, grouped by cost type, can be found in the table overleaf. These are reported net of VAT to enhance the transparency of the true costs to the Group. These cost categories include all advisors whether instructed before or after the Extraordinary Administration commenced.

A breakdown of advisors specifically engaged for the period of Extraordinary Administration and their scope of work can be found in the monthly report for the period from 11 October to 10 November 2017.

OPERATING COSTS of AGROKOR D.D. (HRK)	April	May	June	July	August	September	October	November	December	Total
<b>Total cost of salaries and fees</b>										
Commissioner's fee	89,228	118,970	118,970	118,970	118,970	118,970	118,970	118,970	118,970	1,040,991
Employees and service contracts (Bruto II included)	8,857,131	6,887,930	7,605,343	5,749,269	5,017,986	5,116,400	4,225,917	4,494,177	5,355,003	53,309,157
Severance payments	4,638,224	4,079,058	7,383,890	1,619,979	1,157,488	2,753,742	1,155,418	-	2,172,384	24,960,182
	<b>13,584,583</b>	<b>11,085,959</b>	<b>15,108,203</b>	<b>7,488,218</b>	<b>6,294,444</b>	<b>7,989,112</b>	<b>5,500,305</b>	<b>4,613,148</b>	<b>7,646,358</b>	<b>79,310,330</b>
<b>Consultant fees*</b>										
Legal	-	11,271,939	12,071,939	7,418,827	8,257,449	10,919,390	12,189,006	11,522,171	7,862,803	81,513,524
Financial				22,589,795	1,746,440	3,487,950	1,534,608	1,844,448	376,162	31,579,403
Restructuring	8,496,338	8,999,894	14,907,250	13,923,906	14,995,250	12,354,949	10,853,498	14,596,921	17,869,515	116,997,520
Other (forensics, HR)							5,284,844	4,562,603	-	9,847,447
	<b>8,496,338</b>	<b>20,271,834</b>	<b>26,979,189</b>	<b>43,932,527</b>	<b>24,999,139</b>	<b>26,762,290</b>	<b>29,861,955</b>	<b>32,526,143</b>	<b>26,108,480</b>	<b>239,937,894</b>
<b>Audit and tax services</b>	<b>11,350</b>	<b>-</b>	<b>1,767,124</b>	<b>1,185,417</b>	<b>386,841</b>	<b>348,506</b>	<b>3,465,239</b>	<b>-</b>	<b>2,862,410</b>	<b>10,026,887</b>
<b>Utilities costs</b>	<b>294,625</b>	<b>420,131</b>	<b>202,882</b>	<b>174,769</b>	<b>117,832</b>	<b>360,146</b>	<b>90,252</b>	<b>342,436</b>	<b>278,746</b>	<b>2,281,818</b>
<b>Material costs</b>										
Transportation costs (insurance, maintenance, fuel, etc.)	937,626	517,850	376,654	892,931	390,293	475,217	566,253	809,759	295,142	5,261,724
Ongoing maintenance	368,407	277,780	264,578	289,476	250,984	287,856	297,554	472,183	617,595	3,126,412
Other	(9,482)	(224,557)	61,627	4,420,862	47,873	95,926	195,564	94,334	50,699	4,732,845
	<b>1,296,551</b>	<b>571,073</b>	<b>702,860</b>	<b>5,603,269</b>	<b>689,150</b>	<b>858,998</b>	<b>1,059,370</b>	<b>1,376,275</b>	<b>963,436</b>	<b>13,120,981</b>
<b>Insurance costs - management liability insurance</b>	<b>-</b>	<b>1,448,384</b>	<b>-</b>	<b>2,963,608</b>	<b>-</b>	<b>10,559,427</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,971,419</b>
<b>Cost of new financing</b>	<b>-</b>	<b>-</b>	<b>33,455,134</b>	<b>8,045,087</b>	<b>-</b>	<b>-</b>	<b>5,518,052</b>	<b>-</b>	<b>-</b>	<b>47,018,273</b>
<b>Travel costs / education</b>	<b>19,702</b>	<b>24,583</b>	<b>54,014</b>	<b>57,928</b>	<b>18,633</b>	<b>44,956</b>	<b>81,033</b>	<b>46,684</b>	<b>55,064</b>	<b>402,597</b>
<b>Other costs **</b>	<b>8,911,323</b>	<b>9,572,848</b>	<b>5,379,752</b>	<b>(860,164)</b>	<b>6,029,758</b>	<b>8,808,567</b>	<b>2,443,543</b>	<b>5,096,512</b>	<b>1,104,670</b>	<b>46,486,810</b>
<b>Amortization / Depreciation</b>	<b>533,203</b>	<b>532,870</b>	<b>543,566</b>	<b>541,295</b>	<b>541,365</b>	<b>539,824</b>	<b>532,885</b>	<b>528,121</b>	<b>464,954</b>	<b>4,758,083</b>
<b>Total (April adjusted for operating costs after 10 April 2017)***</b>	<b>33,147,675</b>	<b>43,927,681</b>	<b>84,192,723</b>	<b>69,131,954</b>	<b>39,077,164</b>	<b>56,271,826</b>	<b>48,552,635</b>	<b>44,529,317</b>	<b>39,484,118</b>	<b>458,315,093</b>

**Notes:**

- 1 Total operating costs of Agrokor d.d. (without adjustments or deduction of costs for period from 1 April to 10 April) plus May to November 2017 amount to total operating costs of Agrokor d.d. (this is the number in SAP): 486,180,370
- 2 Total operating costs in the sum of 458,315,092 is the best representation of the operating costs of Agrokor d.d. since the start of the Extraordinary Administration (being total costs less total costs for the period 1 April 2017 to 10 April 2017).
- 3 \*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.
- 4 \*\*Further adjustments totalling 27,865,276 have been made for operating costs that relate to the period 1 April 2017 to 10 April 2017. Other costs includes all other SAP accounts which are not separately listed in the above table. Hence, this can result in negative amounts in certain categories.
- 5 \*\*\*Agrokor d.d. is in the process of closing bookings for December 2017 hence the above table remains subject to change; however, operating costs shown are the best representation as of the date of this report.



Restructuring costs invoiced and paid in December are HRK 3.3 million higher than November. One consultant captured within this cost category billed for services on a monthly basis and this account was settled in December. The remainder of the increase is attributable to additional services provided in respect of the Group claims lodged at Court in November, which were billed and paid in December.

Work has commenced on the Group's audit for the financial year ending 31 December 2017, therefore audit and tax fees are HRK 2.8 million higher than November. It is expected that these costs will continue to accrue through the first quarter of 2018 as the audit continues.

Total consultant fees are HRK 6.4 million less than November. As detailed in the notes to the above table, a number of invoices for the year ending 31 December 2017 are yet to be booked and paid. Therefore, the quantum of costs per category and overall remain subject to change, and commentary on the final position of operating costs for December will be provided in the next report.

The overall headcount of Agrokor d.d. at the end of December was 96 compared to 94 at the end of November. Consequently, severance costs totaling HRK 2.2 million were incurred in December.

## 6. Litigation

### 6.1 Offensive 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 are no updates on the proceedings in Croatia or Slovenia for this period.

In England and Wales, Sberbank of Russia filed an application to the Court of Appeal for permission to appeal against the order of HHJ Matthews granting recognition of the Extraordinary Administration process in England. The Extraordinary Administration will be filing a response to this application during the next period. The Extraordinary Administration and Sberbank of Russia also exchanged factual evidence during January in connection with Sberbank's application to lift the stay on proceedings against Agrokor d.d. imposed by the recognition. The parties are now preparing expert evidence, and a hearing is listed for late February 2018.

In Serbia, following the hearing on 28 December in the litigation proceedings brought by Banca Intesa in Zrenjanin following their unsuccessful enforcement proceedings, (former case no. Ilv 289/2017, now P 6465/17) the Court has granted Banca Intesa's request for a temporary injunction over the shares in Dijamant a.d. An appeal against this decision has been filed by the Extraordinary Administration. Sberbank d.d. Zagreb has appealed the decision of the Court in Zrenjanin to reject their request to commence litigation proceedings on the basis that it is not competent to hear the claim (case no. P 297/2017, formerly enforcement proceedings Ilv 338/2017). A response by the Extraordinary Administration to this appeal has been filed. A reply has also been filed to the appeal by Sberbank banka d.d. Ljubljana against the decision of the Court in Zrenjanin to reject their request to commence litigation proceedings on the basis that it is not competent to hear the claim (case no. P 298/2017, formerly enforcement proceedings Ilv 356/2017).

The Commercial Court in Belgrade has concluded that it is not competent to hear the proceedings brought by Sberbank banka d.d. Ljubljana against Jamnica d.d. (case no. P 5975/2017, former enforcement proceedings liv 3869/17). An appeal by Sberbank has been filed and the Extraordinary Administration intends to file a response during the next reporting period. According to the Court's online portal, the same conclusion has been reached in the litigation proceedings brought by Sberbank d.d. Zagreb following the unsuccessful enforcement proceedings against Jamnica d.d. (case no. P 5726/2017, formerly enforcement proceedings liv 3732/17).

In the litigation proceedings brought by Sberbank d.d. Zagreb against Konzum d.d. (case no. P 6397/2017, formerly enforcement proceedings liv 3731/2017) a

preliminary hearing has been listed for 20 March 2018. Following the aforementioned decisions of the Commercial Court, and the decisions of the Court in Zrenjanin (reported previously) to conclude that they are not competent to hear the claims brought there, the Extraordinary Administration has filed submissions petitioning the Commercial Court in Belgrade to reach the same conclusion in these proceedings.

In connection with the unsuccessful enforcement proceedings brought by Sberbank d.d. Zagreb (case no. liv 3731/2017) and Sberbank banka d.d. Ljubljana (case no. liv 3869/2017) the pledges registered over the shareholdings of Konzum d.d. in IDEA d.o.o. and Jamnica d.d. in Mg Mivela d.o.o. respectively have been removed by the Serbian Pledge Registry.

In Bosnia, the Extraordinary Administration was served on 15 January 2018 with the decision of the Supreme Court to reject the application for recognition of the Extraordinary Administration process. The Extraordinary Administration now has 60 days to file an appeal at the Constitutional Court of Bosna and Herzegovina, and the appeal is being prepared by his legal advisers. In the proceedings brought by Sberbank of Russia for a temporary injunction in respect of Jamnica d.d.'s shares in Sarajevski Kiseljak d.d. Kiseljak (case no. 51 0 V 126516 17 MO) the Municipal Court in Kiseljak has rejected Sberbank's application for a second time, the case having been returned to the first instance court following an appeal. Sberbank filed a second appeal, which has also been rejected by the Court.

Sberbank of Russia also appealed the decision of the Municipal Court in Sarajevo to reject its application for a temporary injunction in respect of Agrokor d.d.'s shares in Konzum d.o.o. Sarajevo and Ambalažni servis d.o.o. Sarajevo, and the Court has rejected that appeal (case no. 65 0 Ps 656174 17 MO). Further, the Municipal Court in Sarajevo has referred the enforcement proceedings brought by Sberbank d.d. Zagreb against Agrokor d.d. in respect of its shareholdings in Konzum d.o.o. Sarajevo, Ambalažni servis d.o.o. and Boreas d.o.o. Kreševo back to the first instance court (case no. 65 0 Ip 655636 17 Ip).

In Slovenia, replies have been filed by Sberbank of Russia, Sberbank banka d.d. Ljubljana and the Republic of Slovenia in the proceedings before the Supreme Court regarding recognition of the Extraordinary Administration process in Slovenia. The decision of the Court is awaited.

Finally, in Montenegro the Commercial Court of Montenegro has recognised Sberbank of Russia as an interested party in the recognition proceedings. The Extraordinary Administration had filed an appeal against the decision to reject recognition of the Extraordinary Administration process in Montenegro, and Sberbank may now file submissions in the proceedings.

## **6.2. Defensive litigation and recognition**

Criminal proceedings are currently in process against former management of the Group, the former president of the management board and directors of the former auditors of the Group and its companies which encompass a total of 16 suspects. Currently the investigation is underway as the order issued by the County Court in Zagreb became final during November 2017.

Agrokor has therefore filed a damages claim and an injunction application within the existing criminal proceedings against all of the 16 suspects in the total amount of HRK 1.6 billion (approximately EUR 215 million). Accordingly, a freezing injunction order was issued against all 16 of the indicted suspects for the aforementioned amount on 20 December 2017 by the County Court in Zagreb.

## **7. Temporary Creditors Council**

The TCC convened once in the period between 11 January 2018 and 10 February 2018 (14th session).

The TCC held its fourteenth session on 23 January 2018. All members of the TCC attended the meeting in person.

The following resolution was passed:

1. Payment of due pre-petition claims of other suppliers (Pool C).

## 8. Registration of claims

On 15 January 2018 the Commercial Court in Zagreb passed a Ruling on verified and contested claims, which was published at the Court's e-bulleting board and can be found at the link: <https://e-oglasna.pravosudje.hr/?q=stecaj/9934>.

Further to the claims examined and verified by the Extraordinary Administration in the amount of HRK 41.45 billion and contested in the amount of HRK 16.43 billion, creditors have mutually contested claims in the amount of HRK 10.4 billion. Guarantees and co-debtorships contested by other creditors amount to HRK 101.0 billion. Thus the total sum of verified main claims to date (prior to the completion of civil proceedings) is HRK 31.0 billion.

The contesting parties Adris grupa d.d., Sberbank of Russia and VTB Group have withdrawn their mutual contestations of claims. In cases where the claim was contested by the Extraordinary Administration, the Court has referred the creditor to a civil proceeding in order to establish the merits of the contested claim. In case a creditor has contested a claim previously verified by the Extraordinary Administration, the Court referred such creditor to civil proceedings in order to establish the status of the contested claim and if for the contested claim there is a deed of foreclosure, the Court referred the contesting party to civil proceedings to prove the merits of the contestation.

Furthermore, a person referred to civil proceedings has to institute such proceedings within eight days as of the ruling on referral to civil proceedings becoming legally valid, otherwise it will be considered that such person has waived the right to bring civil proceedings. If a party contesting a claim for which there is a deed of foreclosure in place does not institute civil proceedings within eight days, such contestation will be considered to be renounced. Complaints against this ruling can be filed within eight days. The right to complain is held by each creditor with regards to their claims filed, i.e. claims contested by the Extraordinary Administration. Such complaints will be decided upon by the High Commercial Court of the Republic of Croatia.

On 26 January 2018, the Commercial Court in Zagreb passed a Ruling on assigning the creditors to five groups. The number of PCC members and the way of assigning creditors to groups is established by the Court, upon the proposal of the Extraordinary Administration, where the number of members in the Council has to be an odd number, while the members shall be determined, ie. elected by the creditors.

On 31 January 2018, the Extraordinary Administration has, by way of the Official Gazette and in line with the procedure and deadlines from Art. 30 of the Act on Extraordinary Administration Proceedings in Companies of Systemic Importance for

the Republic of Croatia, invited those creditors whose claims have been verified to elect and appoint members to the PCC for each individual creditor group.

The TCC shall participate in drawing up the settlement on behalf of the creditors and until establishment of the PCC, its function shall be fulfilled by the TCC, founded by Court Ruling under the business No. St-1138/17 dated 13 April 2017.

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

Regular and transparent communication with all stakeholders continues to be priority in the Extraordinary Administration. By way of various channels and different activities relations with creditors, trade unions, employees, the management, media as well as representatives of government authorities and institutions in the countries where the Group operates, are being managed on a daily basis. In terms of internal communications, the focus is on further steps to be made in the restructuring process.

The TCC convened once over the course of this period.

In this reporting period the Extraordinary Administration conducted more than 60 various media activities, primarily in Croatia, but also in other countries where the Group operates. Amongst these activities were press releases, briefings, interviews, press statements and a significant number of replies to various media queries.

The key topics and activities reported upon in the media over the course of this reporting period were the ruling passed by the Commercial Court in Zagreb on verified and contested claims of the Group's creditors, proposed groups for the PCC, consultancy costs, and a public invitation to creditors to elect a representative from within their creditor group to represent them in the PCC. Other topics were the operating results of the companies, various activities and communication with some of the key stakeholders such as small shareholders and suppliers, and the further development of litigations and significant court decisions made in the countries where the Group operates.

Report prepared by:

Ante Ramljak  
Extraordinary Trustee  
Agrokor d.d