AGROKOR d.d.
SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2017
AND THE INDEPENDENT
AUDITOR´S REPORT

Contents

Responsibility of the Extraordinary Administration for financial statements

Pursuant to the Croatian Accounting Law in force, the Extraordinary Administration is responsible for ensuring that financial statements are prepared in accordance with the Accounting Law (Official Gazette of the Republic of Croatia 78/15, 120/16) and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) which give a true and fair view of the financial position, operating results, changes in equity and cash flows of the Company for that period.
After making enquiries, the Extraordinary Administration believes that the Company has limited future operational existence. For this reason, the Extraordinary Administration does not adopt the going concern basis in preparing these financial statements.

In preparing these financial statements, the responsibilities of the Extraordinary Administration include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are not prepared on a going concern basis, because it is inappropriate to presume that the Company will continue in its current legal form for the foreseeable future.

The Extraordinary Administration is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, operating results, changes in equity and cash flows of the Company and must also ensure that the financial statements comply with the Croatian Accounting Law in force and International Financial Reporting Standards as adopted by the European Union. The Extraordinary Administration is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accompanying financial statements were approved for issuance by the Extraordinary Administration on 3 May 2018

Fabris Peruško
Extraordinary Commissioner

Irena Weber
Deputy of the Extraordinary Commissioner

Independent Auditor's Report

To the Extraordinary Commissioner of Agrokor d.d.:

Report on the audit of the separate financial statements

Our qualified opinion

In our opinion, except for the effects and possible effects of the matters described in the Basis for Qualified Opinion section of our report, the separate financial statements give a true and fair view of the financial position of Agrokor d.d. (the "Company") as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

Our opinion is consistent with our additional report to the Extraordinary Commissioner performing the functions of the Company's audit committee.

What we have audited

The Company's separate financial statements comprise:

- the profit and loss statement for the year ended 31 December 2017;
- the statement of other comprehensive income for the year ended 31 December 2017;
- the statement of financial position as at 31 December 2017;
- the statement of changes in equity for the year ended 31 December 2017;
- the statement of cash flows for the year ended 31 December 2017; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

1. As disclosed in Note 8 to the separate financial statements, Management recognised an impairment loss of HRK 5,456,499 thousand (2016: HRK 2,634,651 thousand) for investments in subsidiaries. As of 31 December 2016, Management had not carried out a complete review of all material investments to assess the recoverable amount, and hence whether any further impairment loss should have been recognised as at 31 December 2016. In the absence of information to assess the recoverability of all the material investments in subsidiaries as of 31 December 2016, we were unable to satisfy ourselves as to the respective carrying amount at that date, timing of recognition of impairment losses recognised in 2017 and 2016 and the related impairment disclosures by other audit procedures. It was impracticable for us to quantify the impact of the matter on the loss for the current year. Our opinion on prior period financial statements was qualified in respect of this matter.

2. As explained in Note 2.1 to the separate financial statements, the Company is unable to continue operating on a going concern basis. As a result of this matter and the manner in which the Extraordinary Administration is expected to be resolved, the Company does not have an unconditional right to defer settlement of its liabilities for more than twelve months from the end of the reporting period, nor is it able to avoid the realisation of its assets within twelve months.

Consequently, presentation of assets and liabilities as non-current items in the statement of financial position is not appropriate as of 31 December 2017. In addition, the Company did not disclose a maturity analysis of financial liabilities as required by IFRS 7, *Financial Instruments: Disclosures*.

Further, as of 31 December 2016 Management did not assess compliance with debt covenants related to its borrowings. In the absence of information to assess the compliance of the Company with debt covenant restrictions, we were unable to satisfy ourselves as to the proper classification between current and non-current borrowings as of 31 December 2016 or the completeness of disclosures on debt covenant breaches. Our prior period report was qualified for this matter.

3. The entity recognised expenses of HRK 2,264,965 thousand in the statement of profit or loss for the year ended 31 December 2016 in respect of costs and expenses that related to prior periods. Further, as the investigations are still not completed we are unable to satisfy ourselves that all prior period errors have been identified and hence as to the timing of recognition and accuracy of amounts that were presented in Note 2.4.4 of the separate financial statements for the year ended 31 December 2016. Our prior period report was qualified for this matter.

4. As described in Note 30 to the separate financial statements, the Company did not recognise a liability for penalty interest of HRK 1,488,637 thousand. Since the Company has not yet been released from those obligations through approval of the settlement or completion of bankruptcy proceedings, financial liabilities and loss for the year are understated by HRK 1,488,637 thousand.

5. The separate financial statements do not comply with applicable disclosure requirements primarily in relation to fair value and related information for each class of financial instruments, credit quality analysis of each class of financial assets, disclosure of gross cash flows from borrowings and loan receivables, objectives, policies and processes for managing financial risks as well as methods used to measure those risks. It was not practicable for us to quantify the financial effects of these omissions.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the group and its subsidiaries are in accordance with the applicable law and regulations in Croatia and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

The non-audit services that we have provided to the Company and its subsidiaries, in the period from 1 January 2017 to 31 December 2017 are disclosed in the Management Report accompanying the consolidated financial statements.

Basis of preparation not on a going concern basis

As disclosed in Note 2.1 to the separate financial statements, the Company prepared these financial statements not on a going concern basis due to the expected manner of settlement with creditors, or should creditors disagree with the proposals, through winding up of the entity. Our opinion is not further modified in respect of this matter.

Our audit approach

Overview

Materiality	• Overall materiality for the separate financial statements as a whole: HRK 89.5 million
Key audit matters	• Impairment of loans, trade receivables and recourse rights receivables

How we tailored our audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

Overall materiality for separate financial statements as a whole	HRK 89.5 million
How we determined it	We based our materiality on total assets of the entity. The materiality level represents 1% of total assets.
Rationale for the materiality benchmark applied	The Company is a parent entity holding investments in operating subsidiaries where revenue is not the primary performance indicator. Hence, we considered total assets as an appropriate materiality benchmark.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans, trade receivables and recourse rights receivables The Company performed a recoverability assessment of amounts due from companies subject to Extraordinary Administration and in relation to the expected future settlement agreement as explained in more detail in note 2.2.23 (b) in the accompanying separate financial statements. The company used the Entity Priority Model (“EPM”) developed by the Company and its advisors. As a result, part of the Company’s loans, trade and other receivables were determined to be impaired as at 31 December 2017. We focused on this area because of the size of the impairment and the fact that Management made subjective judgements over enterprise value as a basis of recoverability.	We have independently analysed and assessed key inputs to the EPM model on a sample basis, such as enterprise value, obligations for issued guarantees and equity matrix. We have engaged internal PwC valuation specialists to help us assess reasonableness of the enterprise value calculations. We have compared, on a sample basis, the guarantee related inputs to the model and compared the ownership structure in the equity matrix with the underlying evidence. Consequently, we determined that we could rely on the resulting values for the purposes of our audit. Based on the results of our procedures, we did not find any material exceptions in this area as of 31 December 2017.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. As explained in Note 1 to the accompanying separate financial statements, management has concluded that going concern basis is not appropriate for the year ended 31 December 2017.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company in 2017. Our appointment has been renewed in November 2017 by the Extraordinary Commissioner representing a total period of uninterrupted engagement appointment of two years.

The certified auditor responsible for the audit resulting in this independent auditor's report is Slaven Kartelo.

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
4 May 2018

Profit and loss statement for Agrokor d.d.

For the year ended 31 December 2017

	Note	2017 000 HRK	*Restated* 2016 000 HRK
Revenue	3	242,793	398,298
Other income	4	42,089	1,105
		284,882	399,403
Cost of energy and materials	5	(3,599)	(12,686)
Cost of goods sold		(1,732)	(8,298)
Service costs	6	(249,807)	(236,783)
Personnel expenses	7	(101,530)	(111,217)
Depreciation and amortization		(6,233)	(6,508)
Impairment of long and short term assets	8	(8,647,080)	(7,888,208)
Loss on disposal of shares in subsidiaries	15	(466,609)	-
Other expenses	9	(181,551)	(1,063,250)
		(9,658,141)	(9,326,950)
Financial income	10	602,444	1,175,108
Financial expenses	11	(1,028,418)	(3,090,778)
		(425,974)	(1,915,670)
Share in result of associates	16	5,851	7,975
Loss before taxation		(9,793,382)	(10,835,242)
Income tax	28	-	-
Net loss for the year		(9,793,382)	(10,835,242)

Approved for issuance on behalf of the Company on 3 May 2018 by:

Fabris Peruško
Extraordinary Commissioner

Irena Weber
Deputy of the Extraordinary Commissioner

Statement of other comprehensive income for Agrokor d.d.

For the year ended 31 December 2017

	Note	2017 000 HRK	2016 000 HRK
NET LOSS FOR THE YEAR		(9,793,382)	(10,835,242)
Other comprehensive income			
Other comprehensive income to be reclassified as profit or loss in future periods:			
Net change on financial assets available for sale		625	(12,439)
Tax effect		(125)	-
Other comprehensive income to be reclassified as profit or loss in future periods, net	12	500	(12,439)
Other comprehensive income/(loss), net		500	(12,439)
Total comprehensive (loss) for the year, net		(9,792,882)	(10,847,681)

Approved for issuance on behalf of the Company on 3 May 2018 by:

Fabris Peruško
Extraordinary Commissioner

Irena Weber
Deputy of the Extraordinary Commissioner

Statement of financial position of Agrokor d.d.
as at 31 December 2017

ASSETS	Note	31 December 2017 000 HRK	31 December 2016 000 HRK
Non-current assets			
Intangible assets	13	3	157
Property, plant, equipment and investment properties	14	119,837	142,375
Investments in subsidiaries	15	1,328,056	7,357,303
Investments in associates	16	175,970	275,680
Financial assets	17	213,238	1,281,844
Other long term assets		45,000	-
		1,882,104	9,057,359
Current assets			
Inventories		109	661
Loans and deposits	18	3,118,007	2,874,728
Trade and other receivables	20	196,315	231,966
Receivables based on bills of exchange and recourse rights	19	2,546,009	3,222,752
Other current assets	21	765	25,105
Cash and cash equivalents	22	1,210,771	921
		7,071,976	6,356,133
TOTAL ASSETS		**8,954,080**	**15,413,492**
LIABILITIES			
Equity and reserves	23		
Share capital		180,123	180,123
Capital reserves		2,154,747	2,154,747
Reserves from profit		9,007	9,007
Treasury shares		(229,532)	(229,532)
Available for sale reserves		(25,126)	(25,626)
Accumulated loss		(25,379,366)	(15,585,984)
		(23,290,147)	(13,497,265)
Long-term liabilities			
Provisions		285	515
Loans and borrowings	25	-	18,977,749
Deferred tax liability		-	619
		285	18,978,883
Short-term liabilities			
Trade payables	26	184,537	97,682
Current portion of long-term loans	25	-	984,456
Short-term loans and borrowings	25	28,863,907	5,318,893
Liabilities for bills of exchange	19	2,546,009	3,064,071
Other short-term liabilities	27	649,489	466,772
		32,243,942	9,931,874
TOTAL LIABILITIES AND EQUITY		**8,954,080**	**15,413,492**

Approved for issuance on behalf of the Company on 3 May 2018 by:

Fabris Peruško
Extraordinary Commissioner

Fabris Peruško

Irena Weber
Deputy of the Extraordinary Commissioner

Statement of changes in equity of Agrokor d.d. for the year ended 31 December 2017

	Share capital 000 HRK	Capital reserves 000 HRK	Treasury shares 000 HRK	Reserves from profit 000 HRK	Available for sale reserves 000 HRK	Accumulated loss 000 HRK	Total 000 HRK
As at 1 January 2016	**180,123**	**2,154,747**	**-**	**9,007**	**(13,187)**	**(4,750,742)**	**(2,420,052)**
Loss for the year	-	-	-	-	-	*(10,835,242)*	*(10,835,242)*
Other comprehensive income/(loss)	-	-	-	-	*(12,439)*	-	*(12,439)*
Total comprehensive income/(loss)	-	-	-	-	*(12,439)*	*(10,835,242)*	*(10,847,681)*
Treasury shares (*Note 23*)	-	-	(229,532)	-	-	-	(229,532)
As at 31 December 2016	**180,123**	**2,154,747**	**(229,532)**	**9,007**	**(25,626)**	**(15,585,984)**	**(13,497,265)**
Loss for the year	-	-	-	-	-	(9,793,382)	(9,793,382)
Other comprehensive income	-	-	-	-	500	-	500
Total comprehensive income/(loss)	-	-	-	-	**500**	**(9,793,382)**	**(9,792,882)**
As at 31 December 2017	**180,123**	**2,154,747**	**(229,532)**	**9,007**	**(25,126)**	**(25,379,366)**	**(23,290,147)**

Cash flow statement of Agrokor d.d.

for the year ended 31 December 2017

	2017 000 HRK	2016 000 HRK
CASH FLOW FROM OPERATING ACTIIVITIES		
Result before taxation	(9,793,382)	(10,835,242)
Impairment of investments in affiliated entities (Note 8)	5,583,477	2,634,651
Impairment of intercompany loans and receivables (Note 8)	2,225,813	2,376,366
Impairment of trade receivables, loans and deposits (Note 8)	837,790	2,877,191
Interest income (Note 10)	(198,640)	(407,045)
Interest expense (Note 11)	596,016	2,747,505
Other non-cash items – previously unrecognized costs	-	1,077,680
Dividend income	(5)	(375,477)
Net foreign exchange differences	(248,920)	(94,776)
Profit / (Loss) on disposal of shares in affiliated companies	466,609	(36,051)
Depreciation and amortization	6,233	6,508
Company´s share in profit of affiliated companies (Note 16)	(5,851)	(7,975)
Gain on sale of tangible assets (Note 4)	(40,056)	-
Change in provisions	(229)	(107)
Other non-cash items	277,989	-
Cash flow before adjustments for working capital changes	(293,156)	(36,772)
Decrease in inventories	552	20
Increase in trade payables	86,855	104,628
(Increase) in other short-term assets	(149,797)	-
(Decrease)/ increase in other short-term liabilities	(374,257)	231,206
CASH FLOW FROM OPERATING ACTIVITIES	(729,803)	299,082
Income tax paid	-	-
Interest paid	(316,531)	(1,370,402)
NET CASH FLOW FROM OPERATING ACTIVITIES	**(1,046,334)**	**(1,071,320)**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of share in subsidiaries	-	(1,803)
Payments for acquisition of tangible and intangible assets	(1,095)	(7,997)
Proceeds from sale of tangible assets	56,991	41,858
Payments for acquisition of shares and increase in share capital in associates	-	(45,010)
Net cash outflow for given loans and deposits	(2,011,882)	(1,733,748)
Payments for acquisition of AFS financial instruments	-	(94,320)
Interest received	15,885	32,891
Dividends received	5	20,000
NET CASH FLOW FROM INVESTING ACTIVITIES	**(1,940,096)**	**(1,788,129)**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Net cash inflow from short-term loans and borrowings (Note 25)	4,196,280	2,807,260
Cash inflow from long-term loans and borrowings (Note 25)	-	2,956,636
Repayment of long-term loans and borrowings (Note 25)	-	(2,704,216)
Dividends paid	-	-
Acquisition of treasury shares (Note 23)	-	(229,532)
NET CASH FLOW FROM FINANCIAL ACTIVITIES	**4,196,280**	**2,830,148**
TOTAL NET CASH FLOW	**1,209,850**	**(29,301)**
Cash and cash equivalents at the beginning of the year	921	30,222
Cash and cash equivalents at the end of the year (Note 22)	1,210,771	921
Increase/ (decrease) in cash and cash equivalents	**1,209,850**	**(29,301)**

Notes to financial statements for the year ended 31 December 2017

1. Corporate information

Agrokor d.d. ("the Company") is a joint stock company which is incorporated in the Republic of Croatia.

The Company's parent is Adria Group Holding B.V. Netherlands with a share of 95.52%; ultimate parent of the Company is Agrokor projekti d.o.o. Zagreb, Croatia, while the ultimate controlling party until 10 April 2017 was Mr. Ivica Todorić. As of 10 April 2017 the ultimate controlling party of Agrokor d.d. is defined as described in the Law for the Extraordinary Administration for Companies with Systemic Importance for the Republic of Croatia ("the Law").

The Law defines the extraordinary commissioner as a person who solely and individually represents the Company and has rights and obligations of the Management Board, Supervisory Board and the General Assembly. According to the Law the extraordinary commissioner is entitled to take all actions to govern the regular operations of the Company which among others include all payments relevant for regular operations as defined in the Law on financial operations and prebankruptcy procedures (Official Gazette no 108/12, 144/12, 81/13, 112/13, 71/15, 78/15) as well as all claims from the employment relationship of employees of the Company as well as affiliated companies no matter when those occurred.

The extraordinary commissioner needs the approval of the creditors' council for transactions in excess of HRK 3,500,000 relating to disposals of real estate of the Company, transactions with shares in affiliated companies and transfer of a business unit. Also, the extraordinary commissioner needs the pre-approval of the creditors' council to obtain new financing or to settle pre-petition liabilities.

The Company's registered main office is located at Marijana Čavića 1, Zagreb.

In 2017 the Company had on average 129 employees, while in 2016 it had on average 188 employees.

Principal activities

The Company operates as the holding company for Agrokor Group ("the Group"). The principal activities of the Company and its subsidiaries (the Group) are retail, manufacturing and distribution of food products and agriculture. At 31 December 2017 the Company does not have equity or debt instruments listed on any public market.

Supervisory Board

1. Todorić Ivan	Chairman	from 29.06.2016	until 10.04.2017
2. Puljić Ljerka	Deputy Chairman	from 18.02.2015	until 10.04.2017
3. Kuštrak Damir	Member	from 18.02.2015	until 10.04.2017
4. Lučić Tomislav	Member	from 18.02.2015	until 10.04.2017
5. Rukavina Tatjana	Member	from 18.02.2015	until 10.04.2017

Management Board

1. Todorić Ivica	President	from 26.05.2016	until 10.04.2017
2. Todorić Ante	Deputy President	from 15.05.2013	until 10.04.2017
3. Balent Hrvoje	Member	from 04.07.2012	until 10.04.2017
4. Crnjac Ivan	Member	from 05.03.2013	until 10.04.2017
5. Galić Mislav	Member	from 15.05.2013	until 10.04.2017
6. Sertić Ivica	Member	from 01.03.2016	until 10.04.2017

Extraordinary Administration

Extraordinary Commissioner was appointed by the Commercial Court in Zagreb on 10 April 2017, and pursuant to the Law is acting as Management, Supervisory Board and General Assembly of the Company.

1. Ante Ramljak	Extraordinary Commissioner	from 10.04.2017	until 28.02.2018
2. Fabris Peruško	Extraordinary Commissioner	from 28.02.2018	
3. Irena Weber	Deputy of the Extraordinary Commissioner	from 28.02.2018	

2. Summary of significant accounting policies

2.1. Basis for the preparation of financial statements and going concern consideration

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Separate financial statements of Agrokor d.d. are prepared to meet statutory requirements defined in the Accounting Act (Official Gazette no 78/15, 134/15, 120/16).

The financial statements have been prepared on a historical cost basis, except for those financial assets and liabilities which are stated at fair value, as described in the following accounting policy notes.

The accounting policies have been consistently applied by the Company and are consistent with those of the previous year, except as described in note 2.2.24 *Changes in accounting policies due to new and amended Standards*. We also draw attention to the special valuation consideration stated within this note below.

The Company's financial statements are presented in Croatian Kuna (HRK) which is the functional and presentation currency of the Company. The effective exchange rate of the Croatian currency (expressed in HRK) at 31 December 2017 was HRK 6.2697 per United States Dollar (USD) (2016: HRK 7.17) and HRK 7.5136 per Euro (2016: HRK 7.56). All amounts disclosed in the financial statements are rounded to the nearest thousands of HRK, except when otherwise indicated.

Going concern consideration

At 31 December 2017 the Company's current liabilities exceed current assets by HRK 25,171,966 thousand, negative equity amounts to HRK 23,290,147 thousand and the Company incurred net loss of HRK 9,793,382 thousand for the year ended 31 December 2017. These facts along with the matters described below confirm that the Company will be unable to continue operating as a going concern and therefore the Extraordinary Administration concluded that the going concern basis is no longer an appropriate basis of preparation for the financial statements of the Company at 31 December 2017 and for the year then ended.

Extraordinary Administration

On 10 April 2017, the Zagreb Commercial Court issued a Decision to initiate the Extraordinary Administration Procedure over Agrokor d.d. ("the Company") and its affiliated and controlled companies (together 77 companies in Croatia). The court appointed Extraordinary Commissioner for Agrokor (in February 2018, when the second Extraordinary Commissioner was appointed, his Deputy was also appointed) who took over the functions of Agrokor corporate bodies, including the management of Agrokor d.d. The Extraordinary Administration effects, among other, are the prohibition of initiating litigation, enforcement and other proceedings during and until termination of the Extraordinary Administration. Creditors' pre-petition claims, are subject to filing and settlement.

As of the date of issuing these financial statements, extraordinary administration is still in force. As of 6 April 2018 the Commercial Court in Zagreb prolonged the extraordinary administration proceedings until 10 July 2018.

2.1. Basis for the preparation of financial statements and going concern consideration *(continued)*

Settlement plan
The main goal of the extraordinary administration is to propose a settlement. The settlement plan is based on viability studies for all companies (for a majority of them viability was assessed as reasonable, subject to a restructured level of debt; whilst the minority which are not assessed as viable are to be closed down and liquidated), entity priority model ("EPM") which is in more detail described in note 2.2.23 *Critical accounting judgements and estimates* and detailed structure of the overall settlement. Also, the Extraordinary Administration has assessed solvency of all companies under the extraordinary administration in accordance with the legal requirements. The methodology used for determining if a company is insolvent included sustainability criteria and insolvency criteria and, depending on the results of that test and in accordance with the proposed settlement implementation companies were categorized in the "asset transfer" or in the "share transfer" groups.

Up to the date of issuing these financial statements, the following results of the extraordinary administration have been published:
- Valuations of subsidiaries and collateral valuations,
- Viability plans and
- That the settlement is proposed to be performed through the new group in accordance with the EPM model.

As a part of year-end preparation of the financial statements, the Company assessed the likely outcome of the extraordinary administration: whether it is more likely that the settlement will be reached or not. These financial statements have been prepared under the expectation that the settlement is considered the most likely outcome of the extraordinary administration.
Irrespective of the outcome of the extraordinary administration, it is estimated that the Company is no longer a going concern:
- In case that the settlement will be reached, transfer of assets from Agrokor d.d. to the new Croatian Holding Company will be performed as a part of the settlement (transfer of shares of Agrokor d.d. in its solvent subsidiaries will be performed as transfer of shares, while transfer of shares of Agrokor d.d. in its insolvent subsidiaries will be performed as business unit transfer to the newly incorporated legal entities (all assets, all contracts, staff, concessions, permits etc. and post-petition liabilities)).

As the Company is insolvent (reported claims exceed assets) after the transfer it will be an empty shell with just excess liabilities, which will cease to exist.
Please note that in case that the settlement will be reached, given that significant change in ownership is expected as the New Group will be in the ownership of creditors, this will be considered an acquisition under IFRS 3 *Business Combinations* and there will be no continuity between the old and the new Group.

Accordingly, the Company concluded that the 2017 consolidated and separate financial statements are going to be prepared on a non-going concern basis. For the purposes of the preparation of the consolidated financial statements the same basis of preparation as for the parent company has been applied.

2.1. Basis for the preparation of financial statements and going concern consideration *(continued)*

Special valuation considerations
Given the duration of extraordinary administration, it was assessed that the assets of Agrokor do not meet the requirements (in particular there was no committed plan to sell them in place at year end) to be classified as held for sale under IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

In light of the expectation that the settlement is a more likely outcome, the Company does not consider appropriate to consider fire sale values as the appropriate fair values for the purpose of preparation of 2017 financial statements. Contrary to that, it is considered that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (consistent with IFRS 13 *Fair values*).

Furthermore, given that the realization of assets is to be performed as a part of settlement without any material transaction cost and that the required levels of impairment have been made, that effectively means that the Company will continue to value its assets and liabilities in accordance with the relevant International Financial Reporting Standards and with its existing accounting policies.

Relevant accounting policies are disclosed in note 2.2. *Significant accounting policies*.

Particular attention is drawn to the following:

- The Company performed valuation of its non-core assets and the appropriate write downs have been booked, where required;
- No fair value uplifts on assets have been recognized in the financial statements, except for assets carried at fair value;
- As asset transfer of insolvent companies will be performed as a business unit transfer which, among other things, includes transfer of all contracts (including employment contracts) the Company and the Group assessed that no provision for termination of such contracts is required at 31 December 2017;
- The Company continues to present assets and liabilities based on the current/ non-current classification due to the following:
  - the process of reaching the settlement is controlled by the Court and the deadlines in this process are greatly dependent on the Court's decisions and therefore implementation of the settlement may be prolonged beyond one year from the balance sheet date;
  - from the perspective of the Company, total assets will be realized at the same single point in time (i.e. point of sale to the NewCo) and therefore the Company decided not to present the balance sheet in order of liquidity;
  - following the transfer of business unit the current/ non-current classification will remain as currently reported by the Company.

  Criteria for current/non-current classification are disclosed in note 2.2.2 *Classification of short-term against long-term*.

The Company has also prepared consolidated financial statements in accordance with IFRS as adopted by EU. Consolidated financial statements were approved by the Extraordinary Administration on 3 May 2018. Users of these separate financial statements should read them together with the consolidated financial statements of the Group for the year ended on 31 December 2017 in order to obtain complete information on the financial position, results of operations, cash flows and changes in the financial position of the Group as a whole.

2.2. Significant accounting policies

2.2.1. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following recognition criteria must also be met before the revenue is recognized:

The income from sales of products and merchandise are recognized if substantial risks and benefits of ownership have been transferred to the buyer and if there is no considerable uncertainty regarding the sales, the corresponding expenses or potential return of goods.

Interest income arising from the use by others of the Company's resources is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably.

Interest income is recognized as it accrues (taking into account the effective yield on the asset) unless collection is in doubt.

Dividend income is recognized when the Company's right to receive the payment is established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

2.2. Significant accounting policies

2.2.2. Classification of short-term against long-term

The Company presents assets and liabilities in the statement of financial position by classifying them as either long-term or short-term.
Assets are considered as short-term when:

- It is expected that they will be realized or in case the intention is to sell them or to spend them in a normal operative cycle;
- They are primarily held for trading;
- it is expected that they will be realized within a period of 12 months after the reporting period, or
- cash equivalent, except in case there is a restriction regarding use or disposal, or it can only be used for settling liabilities in a period of at least 12 months after the end of the reporting period.

All other assets are considered as long-term.
A liability is considered as short-term when:

- It is expected that it will be settled within a normal operating cycle
- It is primarily held for trading,
- It becomes due within a period of 12 months after the reporting period, or
- There is no unconditional right to defer payment for at least 12 months after the end of the reporting period.

All other liabilities are considered as long-term.
Deferred tax assets and deferred tax liabilities are classified as long-term assets and long-term liabilities.

2.2.3. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are measured initially at fair value. On initial recognition, transaction costs directly attributable to the acquisition or issue of a financial asset and a financial liability (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial asset or financial liability, as appropriate. Transaction costs directly associated with an acquisition of a financial asset or a financial liability at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into one of the following portfolios “financial assets at fair value through profit or loss” (FVTPL), “Investments held to maturity” (HTM), “Available-for-sale financial assets” (AFS) and “Loans and receivables” (LR). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular-way purchases and sales of financial assets are recognised and derecognised on a trade date basis. Regular-way purchases or sales are those purchases or sales of financial assets that require assets to be delivered within the period established by applicable market regulation or convention.

Effective interest method (EIR)

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than financial assets designated as at FVTPL.

2.2. Significant accounting policies *(continued)*

Subsequent measurement
The subsequent measurement of financial assets depends on their classification and is described as follows:

Financial assets at fair value through profit or loss
Financial assets are classified at fair value through profit or loss (FVTPL) when the financial asset is either held for trading or it is designated at FVTPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in the profit and loss statement.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the respective criteria are satisfied. The Company has not designated any financial assets at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Available-for-sale financial investments
Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income and accumulated in the available-for-sale reserve until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified to profit or loss. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate ("EIR") method. Available-for-sale financial investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment if any.

The Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.
For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit and loss statement.

2.2. Significant accounting policies *(continued)*

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized costs using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest income in the profit and loss statement. The losses arising from impairment are recognized in the profit and loss statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the profit and loss statement. The losses arising from impairment are recognized in the profit and loss statement.

Derecognition
Financial assets are derecognized when the rights on receiving cash flows from these assets have expired or when the Company transferred the rights to receive the cash flows from assets or when it had assumed a qualifying pass-through obligation to pay received cash flows without significant delay to a third party and the Company has transferred substantially all risks and rewards of assets, or the Company has not transferred substantially all risks and benefits from assets, but has transferred control over the assets.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indications of impairment at the end of each reporting period.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost: if there is objective evidence that impairment has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset’s original EIR. The carrying value of the asset is reduced and loss is recognized in profit or loss.

For available for sale financial instruments: when there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost (or amortized cost) and the current fair value less any impairment loss on that investment previously recognized in profit and loss statement, is removed from other comprehensive income and recognized in the profit and loss statement.

2.2. Significant accounting policies *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of transaction costs to issue the instrument. Repurchase of own equity instruments is recognised as a deduction directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments that are not designated as hedging instruments in a hedge relationship. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains and losses on liabilities held for trading are recognized in the profit and loss statement.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the respective criteria are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities
Other financial liabilities (including borrowings, trade and other payables) are measured initially at fair value and subsequently at amortised cost using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.
The Company measures financial guarantee contracts initially at their fair values and subsequently, if they are not designated as FVTPL, at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

2.2. Significant accounting policies *(continued)*

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.2.4. Fair value measurement

The Company measures financial instruments and other financial assets (in case it is requested in provisions from other standards) on each balance sheet date.

The fair values of assets and liabilities are determined using assumptions that market participants would apply in setting a price for an asset or liability, assuming that they act in their best economic interest.

The fair value measurement of financial assets takes into account the possibility that a market participant would benefit from the highest and best use of an asset or from the sale of the asset to another market participant that would benefit from the asset's highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.2. Significant accounting policies *(continued)*

2.2.5. Investments in subsidiaries

In the separate financial statements, the Company carries investments in subsidiaries at cost less impairment. Investments are tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in subsidiaries that suffered impairment in previous periods are reviewed for possible reversal of the impairment at each reporting date.

Subsidiaries are those investees that the Company controls because it (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Company has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Company may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Company assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Company from controlling an investee.

2.2.6. Investments in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In practice, associates are entities in which the Company owns between 20% and 50% of voting rights, these are the entities that are significantly influenced but not controlled by the Company.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of the net assets of the associate or joint venture since the acquisition date. According to the equity method, Company's share in profits and losses of associated companies and joint ventures are recognized through the profit or loss statement, from the date the significant influence or joint control commences until the date that the significant influence or joint control ceases.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Company's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in equity of the associate or joint venture, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

2.2. Significant accounting policies *(continued)*

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss in the statement of profit or loss. Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and fair value of the retained investment as well as proceeds from disposal is recognized in profit or loss.

2.2.7. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit and loss statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired, as described in the accounting policy Impairment of assets (Note 2.2.9). Intangible assets with finite useful lives are amortized on a straight-line basis over their expected useful lives, which do not exceed ten years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit and loss statement when the asset is derecognized.

2.2.8. Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated amortization and any accumulated impairment losses.

Items of property, plant and equipment that are retired or otherwise disposed of are eliminated from the statement of financial position, along with the corresponding accumulated depreciation. Any gain or loss arising from derecognizing of assets (calculated as the difference between net sales receipts and the carrying value of the asset at the time of disposal) is taken to the profit and loss statement in the year of derecognition.

When significant parts of buildings, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Also, when there are significant overhauls, their costs are recognized as carrying value of buildings, plant and equipment, as replacement in case that the conditions for recognition are met. All other costs relating to repairs and maintenance are recognized in the profit and loss statement at the time when they occur.

2.2. Significant accounting policies *(continued)*

Depreciation is recorded by a charge to profit or loss computed on a straight-line basis over the estimated useful life of the asset, as follows:

Buildings	up to 20 years
Plant and Equipment	2 to 5 years
Other fixed assets	5 to 20 years

The useful life, depreciation method and residual values are reviewed at each financial year-end and if expectations differ from previous estimates, any changes are accounted for as a change in an accounting estimate.

2.2.9. Impairment of assets

The Company assesses at each financial year-end whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.
The recoverable amount is estimated as the higher of an assets or cash-generating unit's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs. Cash-generating units are primarily identified at entity level. Where carrying values exceed this estimated recoverable amount, the assets are written down to their recoverable value.

2.2.10. Investment property

Investment property, principally comprising holiday residence and land, is held for long-term rental yields or appreciation and is not occupied by the Company. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified, in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment, where required. Depreciation for buildings is calculated using the straight-line method to allocate cost over estimated useful life (up to 20 years).

Subsequent costs are capitalised only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.2.11. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; whether fulfillment of the arrangement is dependent on use of a specific asset or the arrangement conveys a right to use the asset.
Company as a lessee
Finance leases, which effectively transfer to the Company substantially all the risk and rewards incidental to ownership of the leased item, are capitalized at the lower of the fair value of the leased property or present value of the minimum lease payments at the commencement date of the lease term and are disclosed as leased property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the profit and loss statement.
Capitalized leased assets are depreciated over the shorter of lease term and their useful life. Leases where the lessor effectively did not transfer substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss statement on a straight-line basis over the lease term.

2.2. Significant accounting policies *(continued)*

The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and the transaction is established at fair value, any profit or loss is recognized immediately.

The Company as a lessor
Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.2.12. Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
In the profit and loss statement of the reporting period, and of the comparative period, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the profit and loss statement.
Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

2.2.13. Inventories

Inventories are measured at the lower of cost and net realizable value.
Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials – purchase cost on a weighted average basis.
- Finished products and work in progress are recorded in the value which comprises the costs of direct materials and work and the corresponding part of general production expenses based on the normal production capacity.
- Merchandise is recognized at the lower of cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.2.14. Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, balances with banks, demand deposits, bank deposits with contractual maturity of less than 3 months, which are subject to an insignificant risk of changes in value.

2.2. Significant accounting policies *(continued)*

2.2.15. Taxation

Corporate taxation is based on the accounting profit for the year adjusted for permanent and temporary differences between taxable and accounting income. Corporate taxation is provided for in accordance with Croatian tax regulations. Companies' income tax returns are subject to examination by the Tax Authorities. Since the application of tax laws and regulations to several types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the Tax Authorities.

Deferred income tax is calculated, using the balance sheet liability method, on all temporary differences at the reporting date due to differences in treatment of certain items for taxation and for accounting purposes within these financial statements. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each reporting date, the Company re-assesses unrecognized deferred tax assets and the appropriateness of carrying amount of the tax assets.

2.2.16. Transactions in foreign currencies

Financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (in its functional currency) which is the Croatian Kuna (HRK).

Transactions and balances:

Transactions in foreign currencies are initially recognized at the exchange rates that are valid on the day the transaction is performed.

Monetary assets and liabilities in a foreign currency are translated into the functional currency using the reporting period closing exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are recalculated using the exchange rates at the date when the fair value is determined.

Exchange rate gains and losses from transactions in foreign currency and from translation of monetary assets and liabilities are recognized in the profit and loss statement in the period in which they occur.

2.2.17. Treasury shares

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

2.2.18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.2. Significant accounting policies *(continued)*

2.2.19. Pensions and employee benefits

The Company, in the normal course of business, makes fixed contributions into the State mandatory pension funds on behalf of its employees. The Company does not operate any other pension scheme or postretirement benefit plan, and consequently, has no legal or constructive obligation to make further contributions if the funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Company makes payments to employees that include one-off retirement and jubilee benefits. The obligation and costs of these benefits are determined using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Past service costs are recognized immediately in profit or loss. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

2.2.20. Provisions

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

Provisions for restructuring costs are recognized when the Company has a detailed formal plan for the restructuring that has been communicated to parties concerned.

When the Company expects that part or all of the provision will be reimbursed, for example, under an insurance contract, such collection is recognized as a separate asset, but only when the payment is fully secure. Costs associated with the provision are shown in the profit and loss statement as a net amount less all collection charges.

2.2.21. Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.2.22. Subsequent events

Post year-end events that provide additional information about a Company’s position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

2.2. Significant accounting policies *(continued)*

2.2.23. Critical accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the use of judgements and estimates that affect the amounts reported in the financial statements and notes thereto. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within next financial year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to changes in circumstances arising that are beyond control of the Company. Such changes are reflected in the assumptions when they occur.

a) Impairment of investments in subsidiaries and associates

Impairment of investments in subsidiaries exists when carrying value of the investment exceeds its recoverable amount.

As at 31 December 2017 the Company recognized impairment of its investments in subsidiaries of HRK 5,456,499 thousand (2016: HRK 2,634,651 thousand) relating to several subsidiaries.

The Company's investments in associates are accounted for using the equity method. Under the equity method the carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. After application of the equity method the Company determines whether it is necessary to recognize an impairment loss on its investments in associates. As at 31 December 2017, the Company recognized impairment of HRK 126,978 thousand as the difference between the recoverable amount of the associate and its carrying value.

Derived equity values used in the impairment test have been calculated by external financial advisors and are calculated from assets / enterprise values ("EV") fair value and the carrying value of financial debt (including allocated amount of financial guarantees for liabilities of related party entities based on the Entity Priority Model ("EPM").

EV reflects the value of the operating business in a scenario that does not assume forced sale and is assessed using three valuation methods: trading multiples, precedent transactions using EBITDAR, EBITDA and EBIT multiples, and discounted cash flow analysis ("DCF"). For core companies including the following companies owned by Agrokor d.d.: Agrokor – Trgovina d.d., Belje d.d., Dijamant a.d., Jamnica d.d., Konzum d.d., Konzum Sarajevo d.o.o., Ledo d.d., Nova sloga d.o.o., PIK Vinkovci d.d., Poslovni sistem Mercator d.d., Tisak d.d., Vupik d.d. and Zvijezda d.d. valuations were based on the bottom-up viability plan developed by the companies in coordination with the restructuring advisors and including 5 year projections of income statement, working capital movements and cash flows.

For the remaining investments which were outside the viability planning exercise, projections were separately prepared by management of those companies. In cases where the company's main operations consists of holding and renting out real estate (mainly to other group companies) or holding other real assets or financial claims against non-group entities the valuation approach based on profitability was not appropriate and accordingly EV was based on asset appraisals prepared by independent valuators.

2.2. Significant accounting policies *(continued)*

2.2.23 Critical accounting judgements and estimates *(continued)*

a) Impairment of investments in subsidiaries and associates *(continued)*

Relating to determining the recoverable amount of investments in subsidiaries and associates attention should be drawn to the following:

- EV is based on the single point estimate used in the EPM model and calculated for the purposes of determination of recoveries in the settlement. Although these values are still subject to creditors' confirmation, the Extraordinary Administration believes that to the best of their knowledge these amounts represent the best estimate at the date of preparation of these financial statements;
- Single point estimate means that in determining EV the Company combined several valuation methods. In arriving to a single point estimate for EV, It has been assumed that the values derived from the discounted cash flows ("DCF") methodology will have a 50% weighting, while values derived from trading multiples and transaction multiples will have a 30% and 20% weighting, respectively;
- For the purposes of the DCF analysis the Company used only cost of equity for discounting cash flows for companies within the extraordinary administration. The Extraordinary Administration believes that, due to the distress of the Group, the cost of debt would be approximately the same as the cost of equity and it is assumed that there would be no additional benefits if weighted average cost of capital ("WACC") was applied. For non-Croatian companies with leverage "in place", weighted average cost-of-capital (WACC) including actual cost of debt (based on 2016 results) has been used as discount rate;
- The recoverable amount of the Company's equity share was calculated from assets / enterprise values ("EV") fair value and the carrying value of financial debt (including allocated amount of financial guarantees based on the EPM). Benefits for the parent from receivables based on guarantees allocated to subsidiaries have not been accounted for.

Relating to investments in Croatian entities, upon allocation of the best estimate of the financial guarantees relating to liabilities of related party companies, the remaining recoverable amount of equity share for the majority of companies amounts to HRK 0 and with the assumption taken by the Extraordinary Administration that the value of guarantees significantly exceeds the enterprise value of those investments, the Extraordinary Administration concluded that changes in the valuation method used for calculation of EV of Company's investments would not have a significant impact on the amount of impairment recognized.

In respect of investments in foreign entities where no financial guarantees have been allocated to the companies, the Extraordinary Administration assessed the impact on the impairment provision relating to investment in Poslovni sistem Mercator d.d. as the most significant outstanding amount of investment before impairment at 31 December 2017. Under the assumption that only the DCF method was applied with no other changes in assumptions, estimate of the impact on the recognized impairment in 2017 is shown in the table below:

	Recognized impairment in 2017	Impairment allowance assuming DCF was applied (EV DCF Mid WACC) and related sensitivity		
HRK 000	EV single point estimate	EV DCF +1% WACC	EV DCF Mid WACC	EV DCF -1% WACC
Poslovni sistem Mercator d.d.	2,244,133	1,112,621	2,065,557	2,684,372

Key assumptions for determination of EV are further explained below as one of the main inputs into the Entity Priority Model ("EPM").

2.2. Significant accounting policies *(continued)*

2.2.23 Critical accounting judgements and estimates *(continued)*

b) Impairment of receivables from Agrokor group companies (trade receivables, loans and bills of exchange recourse rights receivables)

As at 31 December 2017 the Company recognized impairment of trade and loan receivables from Agrokor group companies of HRK 2,225,814 thousand in 2017 (2016: HRK 2,376,366 thousand). Impairment relates to intercompany receivables that were outstanding at 10 April 2017 (start of Extraordinary Administration) but not collected until the date of these financial statements.
Due to the fact that collection of these receivables is subject to the settlement process the Company assessed that there is objective evidence of impairment.

Recoverability assessment of receivables from Agrokor group companies under the Extraordinary Administration was based on the recovery model also known as an Entity Priority Model ("EPM"). An EPM is, in its simplest form, a waterfall analysis to determine creditor recoveries.

Recovery allocations are to be determined by allocating distributable value to stakeholder claims at each entity under Extraordinary Administration ("EA") within the Agrokor Group (the "Group") based on legal rights and priorities.

Distributable value is calculated as the aggregate of enterprise value ("EV"), excess cash, appraised value of non-core assets, and value from intercompany receivables and equity holdings in subsidiaries. EV reflects the value of the operating business in a scenario that does not assume forced sale and is assessed using three valuation methods: trading multiples, precedent transactions using EBITDAR, EBITDA and EBIT multiples, and discounted cash flow analysis ("DCF").

Cost of capital in the DCF is determined using a multi-factor model which incorporates premiums for size (1.66-5.59%), country risk (0.73% for Slovenia, 1.26% for Hungary, 1.79% for Croatia, 2.50% for Kosovo, 2.50% for Serbia, 2.95% for Macedonia, 3.57% for Montenegro and 7.80% for Bosnia-Herzegovina), market risk (6.15%) and restructuring execution risk of 3.00% for entities which are in significant turnaround mode.

After the viability plan horizon (2021+), companies are assumed to be in a steady state with a terminal free cash flow consisting of 2021 EBITDA minus cash taxes and steady state capex and experiencing growth equal to overall CPI inflation.

In arriving to a single point estimate for EV, it has been assumed that the values derived from the DCF methodology will have a 50% weighting, while values derived from trading multiples and transaction multiples will have a 30% and 20% weighting, respectively.

Distributable value is allocated to each claim according to its legal (contractual) rights, ranking and characteristics. This creates a waterfall priority structure within each entity in which claims are broadly grouped and ranked in the following order of priority: estate claims, secured claims, Super Priority Facility Agreement ("SPFA") claims and unsecured claims. Any value remaining in a particular entity's waterfall is then distributed to equity holders.

SPFA claims rank ahead of all unsecured claims and have security over on-lent amounts (i.e. amounts borrowed by Agrokor d.d. under the SPFA and subsequently lent to subsidiaries) and all assets in the Group which were unencumbered at the time of the SPFA.

2.2. Significant accounting policies *(continued)*

2.2.23 Critical accounting judgements and estimates *(continued)*

b) **Impairment of receivables from Agrokor group companies (trade receivables, loans and bills of exchange recourse rights receivables)** *(continued)*

Guaranteed claims (i.e. claims with co-debtorship) are a subgrouping of claims which are guaranteed by entities other than the initial debtor. Both the debtor and the guarantors are jointly and severally liable for guaranteed claims. As such, creditors can seek to recover the total guaranteed amount from each of the debtor and the guarantors. It is assumed that all guarantees from guaranteed claims for entities under EA are called concurrently and equally against all guarantors under EA. Guarantees rank pari passu to other unsecured claims in order of priority.

Certain guaranteed claims have separate satisfaction rights ("SSR") against certain assets of the Group. Appraised value of these assets will be applied against the SSR to determine any impairment. If there is an impairment to be assumed, the difference between the SSR and the appraised value of the assets forms a deficiency claim which ranks pari passu to unsecured claims. If the initial claim was guaranteed, the deficiency claim would also be guaranteed by the same guarantors.

Because a guaranteed claim seeks to recover from multiple guarantors, its recovery consists of the cumulative recoveries from the initial debtor and all guarantors. As such, a guaranteed claim will recover equal to or higher than unsecured claims at the initial debtor. In certain situations, this approach would imply that guaranteed claims could over recover through their guarantees. In those situations, any excess recovery is assumed to be redistributed back to the relevant guarantors pro rata based on the amount that was initially recovered. No guaranteed claim can recover more than its claimed amount.

As explained in Note 19 *Receivables for bills of exchange and recourse rights,* during 2016 and the first quarter of 2017 the Company was accepting bills of exchange as a means of payment by the customer. These bills of exchange were discounted by the factoring companies or banks. As factoring arrangements were with recourse the Company guarantees repayment to the factoring companies and banks should they fail to collect the receivables from the main debtor. At 31 December 2017 the outstanding amount of recognized receivables and liabilities based on the bills of exchange recourse rights amounts to HRK 2,564,009 thousand. Total amount relates to bills of exchange issued by the related party companies under the extraordinary administration before the opening of the extraordinary administration procedure. Consequently measurement of such receivables and liabilities should be assessed in the context of the proposed settlement.

As previously explained within this section, recoverability assessment of receivables from the Agrokor group companies under the extraordinary administration should be based on the EPM model. Bills of exchange were issued based on the frame agreements signed by several group companies under EA and as such are considered guaranteed claims (i.e. claims with co-debtorship). Such guarantees rank pari passu to other unsecured claims in order of priority.

The EPM model assumes that any valid claims for bills of exchange would be initially collected from the main debtor following the waterfall rules however as both the debtor and the guarantors are jointly and severally liable for guaranteed claims any uncollected amount from the main debtor would, in line with the EPM model, be allocated to the guarantors up to the recoverable amount. Based on the preliminary results of the EPM model no such guarantees would be allocated to the Company while in the case of successful outcome of the settlement recourse rights already recognized in the financial statements of the Company would not be realized. As a result, the Extraordinary Administration expects to set off the full amount of receivables based on bills of exchange recourse rights with the corresponding liability.

2.2. Significant accounting policies *(continued)*

2.2.23 Critical accounting judgements and estimates *(continued)*

b) **Impairment of receivables from Agrokor group companies (trade receivables, loans and bills of exchange recourse rights receivables)** *(continued)*

The Company prepared a sensitivity analysis of recoveries and consequently impairment of intercompany trade and loan receivables based on changes in the distributable value. The table below shows the impact on the impairment recognized in 2017 in case of a 15% change in enterprise value for 15%:

	Change in enterprise value	
HRK 000	-15%	+15%
Impairment of intercompany receivables (change)	127,023*	(130,747)**

*increase in impairment loss
** decrease in impairment loss

c) Impairment of loan receivables, deposits and trade receivables (external)
As at 31 December 2017 the Company performed a recoverability analysis of the outstanding balance of loan receivables, deposits and trade receivables (external) and as a result of that analysis the Company recognized impairment relating to those assets of HRK 837,790 thousand in 2017 (2016: HRK 2,877,191 thousand). Impairment analysis was performed on individual basis by taking into account analysis of overdue amounts, counterparty payment history and financial viability as well as available collaterals and collection success during 2017.

In cases where outstanding amounts were not managed to be collected during 2017 and up to the date of these financial statements and no collateral is available or the counterparty has no assets from which these receivables could be collected outstanding receivables have been fully impaired while for those where any collateral is available the recoverable amount has been set to the estimated value of collateral.

2.2.24. Changes in accounting policies due to new and amended Standards

During the year, the Company adopted the following new and amended IFRS and interpretations which have been adopted by the EU. When assessing whether the application of standards or interpretations has an impact on the financial statements or the results of the Company, their impact is described below:

(a) New and amended standards - applicable from 1 January 2017

The following relevant standards and interpretations are applicable for the first time for financial reporting periods beginning on or after 1 January 2017:

Disclosure Initiative - Amendments to IAS 7
The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information for the current period in Note 25 *Loans and borrowings*.

2.2. Significant accounting policies *(continued)*

2.2.24. Changes in accounting policies due to new and amended Standards

Standards, amendments and interpretations of existing standards that are not yet effective and which the Company has not early adopted

IFRS 9 Financial Instruments
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 initially on 1 January 2018.

As the financial statements are not prepared on a going concern basis due to facts explained in more detail in Note 2.1 *Basis for preparation of financial statements and going concern consideration* the Company does not expect to implement this standard and hence the Company did not assess the impact of adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes* and IFRIC 15 Agreements for construction of real estate. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

As financial statements are not prepared on a going concern basis due to facts explained in more detail in Note 2.1 *Basis for preparation of financial statements and going concern consideration* and the fact the Company is the holding entity and its main revenue source are services recognized when provided and has no other significant activities, the Company does not expect implementation of this standard would have a significant impact on the financial statements of the Company.

IFRS 16 Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.
Assets leased by the Company mainly relate to cars.

As financial statements are not prepared on the going concern basis due to the fact explained in more detail in Note 2.1 *Basis for preparation of financial statements and going concern consideration* the Company did not estimate yet the impact of this new standard.

The other new standards and amendments published by the IASB and IFRS IC are not expected to have a material impact on the Company.

2.3. Restatement of prior period financial statements

Financial information as of 31 December 2016 and for the period then ended have been restated for the correction of errors, which are identified as follows:

	000 HRK	Previous classification	Current classification	Note
Profit and loss statement	129,741	Other expenses	Financial expenses	Reclassification of bank charges and fees that are integral to the effective interest rate on borrowings

3. Revenue

Revenue consists of:

	2017 000 HRK	2016 000 HRK
Income from sales of services – domestic	196,607	317,119
Income from sales of services – abroad	26,041	48,721
Other sales	20,145	32,458
Total	242,793	398,298

4. Other income

Other income consists of:

	2017 000 HRK	2016 000 HRK
Collected previously written-off receivables	628	757
Gain on sale of tangible assets	40,056	79
Subsequently determined income from previous years	1,176	163
Release of provisions	229	106
Total	42,089	1,105

5. Cost of energy and materials

Costs of raw materials and materials consist of:

	2017 000 HRK	2016 000 HRK
Energy	2,267	7,371
Materials used	1,197	4,670
Small inventory write offs	135	645
Total	3,599	12,686

6. Service costs

	2017 000 HRK	2016 000 HRK
Professional services	188,862	103,332
Agency services	19,043	51,510
IT services	12,651	13,088
Rent	4,723	30,280
External maintenance services	8,377	6,865
Postal and telephone expenses	1,254	1,833
Marketing, fairs and advertising	88	2,254
Transportation services	813	5,450
Other services	13,996	22,171
Total	249,807	236,783

7. Personnel expenses

Personnel expenses consist of:

	2017 000 HRK	2016 000 HRK
Salaries (net)	48,682	52,754
Tax and surtax from salaries	23,547	26,441
Pensions contributions	14,092	15,633
Contributions on salaries	15,209	16,389
Total	101,530	111,217

Compensations for managers (salaries) are included in personnel expenses and bonuses are not being paid out.

8. Impairment of long and short term assets

Impairment of long and short term assets consists of:

	2017 000 HRK	2016 000 HRK
Impairment of investments in subsidiaries (Note 15)	5,456,499	2,634,651
Impairment of investments in associates (Note 16)	126,978	-
Impairment of loan receivables – Agrokor group	2,212,870	2,373,597
Impairment of receivables – Agrokor group	12,943	2,769
Impairment of financial assets (loans, deposits and securities)	458,190	1,915,353
Impairment of trade receivables (external)	-	-
Impairment of other receivables (external)	379,600	961,838
Total	8,647,080	7,888,208

9. Other expenses

Other expenses consist of:

	2017 000 HRK	*Restated* 2016 000 HRK
Attorneys and legal advisors	131,117	111,489
Bank charges and fees	12,587	383,411
Tax and accounting services	9,739	115,168
Insurance premium	6,022	3,190
Representation	1,606	21,956
Business trips	1,172	6,923
Compensation of expenses to employees	413	757
Professional education and literature	160	817
Penalties	10	110,487
Subsequently determined costs of previous periods	164	160,990
Other expenses	18,561	148,062
Total	181,551	1,063,250

10. Financial income

Financial income consists of:

	2017 000 HRK	2016 000 HRK
Interest income	198,640	407,045
Dividends from subsidiaries	5	375,775
Other financial income	13	209,012
FX gains	403,786	183,276
Total	602,444	1,175,108

In 2017 foreign exchange differences on both financial assets and financial liabilities have been calculated for the whole year. Net foreign exchange differences up to 10 April 2017 amount to approximately HRK 357,826 thousand.

11. Financial expenses

Financial expenses consist of:

	2017 000 HRK	*Restated* 2016 000 HRK
Interest expense	596,016	2,747,505
Bank charges and fees	178,724	129,741
FX losses	154,876	88,500
Net loss from sale of shares	46	3,408
Other financial expenses	98,756	121,624
Total	1,028,418	3,090,778

Interest expense relates to interest expense calculated for the period 1 January 2017 until 10 April 2017 as well as accrued interest for 2017 on loans granted after 10 April 2017, but not penalty or default interest – refer to Note 30 *Contingencies*.

12. Components of other comprehensive income

	2017 000 HRK	2016 000 HRK
Investments available for sale:		
Fair value gains during the year	500	-
Fair value losses during the year	-	(12,439)
Total	500	(12,439)

Notes to financial statements for the year ended 31 December 2017

13. Intangible assets

Changes in the carrying amount of intangible assets in 2017 were as follows:

Cost	Other intangible assets 000 HRK	Total 000 HRK
As at 01 January 2017	6,102	6,102
Disposal	1	1
As at 31 December 2017	6,103	6,103
Accumulated amortization		
As at 01 January 2017	5,945	5,945
Charge for the year	155	155
As at 31 December 2017	6,100	6,100
Net book value		
As at 01 January 2017	157	157
As at 31 December 2017	3	3

Changes in the carrying amount of intangible assets in 2016 were as follows:

Cost	Other intangible assets 000 HRK	Total 000 HRK
As at 01 January 2016	6,254	6,254
Disposal	(152)	(152)
As at 31 December 2016	6,102	6,102
Accumulated amortization		
As at 01 January 2016	5,132	5,132
Charge for the year	924	924
Disposal	(111)	(111)
As at 31 December 2016	5,945	5,945
Net book value		
As at 01 January 2016	1.122	1.122
As at 31 December 2016	157	157

14. Property, plant and equipment and investment properties

Changes in carrying amount of property, plant and equipment in 2017 were as follows:

Cost	Buildings 000 HRK	Plant and equipment 000 HRK	Other assets 000 HRK	Investment properties 000 HRK	Assets not yet in use 000 HRK	Total 000 HRK
As at 01 January 2017	135,467	34,670	3,295	73,407	7,160	253,999
Additions during the year	-	-	-	462	8,024	8,486
Transfer from assets under construction	-	15,184	-	-	(15,184)	-
Disposal	-	(6,881)	(519)	(37,773)	-	(45,173)
Write off	-	(21,286)	(2,761)	-	-	(24,047)
As at 31 December 2017	135,467	21,687	15	36,096	-	193,265
Accumulated amortization						
As at 01 January 2017	45,625	33,192	-	32,808	-	111,625
Charge during the year	3,387	1,694	-	997	-	6,078
Disposal	-	(6,474)	-	(16,845)	-	(23,319)
Write off	-	(20,956)	-	-	-	(20,956)
As at 31 December 2017	49,012	7,456	-	16,960	-	73,428
Net book value						
As at 01 January 2017	89,842	1,478	3,295	40,599	7,160	142,375
As at 31 December 2017	86,455	14,231	15	19,136	-	119,837

Changes in carrying amount of property, plant and equipment in 2016 were as follows:

Cost	Buildings 000 HRK	Plant and equipment 000 HRK	Other assets 000 HRK	Investments in real estate 000 HRK	Assets not yet in use 000 HRK	Total 000 HRK
As at 01 January 2016	135,467	36,073	3,295	115,596	15	290,446
Additions during the year	-	-	-	-	7,997	7,997
Transfer from assets under construction	-	554	-	298	(852)	-
Disposal	-	(1,721)	-	(42,486)	-	(44,207)
Write off	-	(236)	-	-	-	(236)
As at 31 December 2016	135,467	34,670	3,295	73,407	7,160	253,999
Accumulated amortization						
As at 01 January 2016	42,238	34,083	-	32,346	-	108,667
Charge during the year	3,387	620	-	1,577	-	5,584
Disposal	-	(1,279)	-	(1,115)	-	(2,394)
Write off	-	(231)	-	-	-	(231)
As at 31 December 2016	45,625	33,192	-	32,808	-	111,625
Net book value						
As at 01 January 2016	93,229	1,990	3,295	83,250	15	181,779
As at 31 December 2016	89,842	1,478	3,295	40,599	7,160	142,375

The Company has adequate proof regarding ownership over the above stated property.

In February 2017 assets of the Company (corporate building) were pledged as collateral for liabilities of HRK 65.4 million (EUR 8.7million). During the process of extraordinary administration, the basis for such transaction is being examined and as of 9 June 2017, the extraordinary administration initiated court proceedings with the main purpose to determine this transaction as null and void.

In addition, pledges of HRK 18.8 million (EUR 2.5m), HRK 11 million and HRK 7,964.4 million (EUR 1,060m out of which at 31 December 2017 HRK 7,213.1 million has been outstanding) have been registered on the same corporate building and pledges of HRK 23.3 million (EUR 3.1m) on other assets of the Company (movables). Total carrying value of assets pledged as collateral at 31 December 2017 amounts to HRK 100,166 thousand.

15. Investments in subsidiaries

Shares in subsidiaries are as follows:

	Country	Ownership interest 31 December 2017	Ownership interest 31 December 2016	31 December 2017 000 HRK	31 December 2016 000 HRK
Adriatica.net d.o.o.	Croatia	92.35%	92.35%	-	148,172
Agrokor-trgovina d.o.o.	Croatia	100.00%	100.00%	-	1,532
Agrokor Ag	Switzerland	100.00%	100.00%	-	-
Agrolaguna d.d.	Croatia	n/a*	85.22%	-	127,030
Belje d.d.	Croatia	66,57%	94.23%	-	1,773,469
Dijamant a.d.	Serbia	96.15%	96.15%	460,480	602,995
Jamnica d.d.	Croatia	75.92%	80.44%	-	63,947
Konzum d.d.	Croatia	61.78%	88.01%	-	-
Konzum Sarajevo d.o.o.	Bosnia and Herzegovina	26.90%	100.00%	-	-
Kron d.o.o.	Serbia	100.00%	100.00%	-	171,425
Ledo d.d.	Croatia	48.11%	55.30%	-	62,396
L.G. Moslavina d.o.o.	Croatia	100.00%	100.00%	-	50,929
mStart d.o.o.	Croatia	100.00%	100.00%	147,668	147,668
Nova Sloga d.o.o.	Serbia	100.00%	100.00%	95,475	128,760
PIK Vinkovci d.d.	Croatia	42.06%	70.87%	-	89,131
Poslovni sistem Mercator d.d.	Slovenia	69.57%	59.47%	596,957	2,544,638
Projektgradnja d.o.o.	Croatia	77.62%	77.62%	-	77,176
Rivijera d.d.	Croatia	91.32%	91.32%	-	-
Roto Ulaganja d.o.o.	Croatia	100.00%	100.00%	-	179,525
Solana Pag d.d.	Croatia	96.93%	96.93%	1,096	27,329
Tisak d.d.	Croatia	51.34%	51.34%	-	328,781
TPDC Sarajevo d.d.	Bosnia and Herzegovina	51.00%	51.00%	26,172	49,710
Vupik d.d.	Croatia	64.97%	88.34%	-	657,558
Zvijezda d.d.	Croatia	51.84%	51.84%	-	93,482
Other				208	31,650
Total				1,328,056	7,357,303

**during 2017 transferred to associates*

Movement in investments in subsidiaries is as follows:

	2017 000 HRK	2016 000 HRK
As at 01 January	7,357,303	10,114,100
Acquisition of additional share	296,715	9,631
Disposal of share in subsidiary without loss of control	(817,884)	(131,777)
Disposal of share in subsidiary with loss of control *(transfer to associates)*	(51,579)	-
Impairment during the year (Note 8)	(5,456,499)	(2,634,651)
As at 31 December	1,328,056	7,357,303

In 2016 the Company sold 16% in Tisak d.d. and acquired 3.43% in Projektgradnja d.o.o.

On 10 March 2017 the Company signed a contract with Agrokor Investments B.V. for the sale and purchase of shares in Poslovni sistem Mercator d.d., whereby the Company acquired an additional 615,384 shares (10.10%) in Poslovni sistem Mercator d.d. for total consideration of HRK 296,451 thousand (EUR 39,999,960), increasing its overall shareholding to 69.57%.

15. Investments in subsidiaries *(continued)*

In the period from December 2012 until April 2017 the Company entered into over 1,200 repurchase agreement transactions relating to the shares of its controlled and affiliated companies. At the end of March 2017 the Company did not repay outstanding liabilities relating to repurchase agreements when those became due. Upon notice of default, counterparties in these transactions took over the ownership over a certain number of shares in several subsidiaries.
Also, shares in subsidiaries were used as a collateral for a Lombard Loan Agreement with a foreign bank and were sold by the bank upon opening of the Extraordinary Administration in Agrokor d.d.
During 2017 the Company performed an analysis of those transactions and it has been concluded that the Company lost a certain number of shares in Agrolaguna d.d., Belje d.d., Jamnica d.d., Konzum d.d., Ledo d.d., Vupik d.d. and PIK Vinkovci d.d. resulting in a decrease in ownership percentage (*as disclosed in the table above within this note*) and loss on disposal of HRK 466,609 thousand.

Decrease in ownership percentages in those companies resulted in loss of control only in Agrolaguna d.d., while in all other companies the extraordinary administration considers that the Company has control as it has the power over relevant activities of those entities, either as the majority shareholder or through the majority of members in supervisory boards. For the change of the supervisory board members before the expiry of their mandate it is required to have 75% of total votes present at the General Assembly. Based on the relative size of the Company votes, comparing to other shareholders votes, the extraordinary administration concluded that de facto control exists.

On 30 January 2017 the Company transferred 51% of its shares (29,830 shares) in Agrolaguna d.d. to Agram Invest d.o.o. based on the Frame agreement on repurchase of securities from 20 February 2012. It was assessed that control over these shares was lost at the end of March 2017. During the process of extraordinary administration, the basis for such transaction is being examined and as of 9 June 2017, the extraordinary administration initiated court proceedings with the main purpose to determine this transaction as null and void.

In respect of Konzum Sarajevo d.o.o., Agrokor's share was diluted as Agrokor did not participate in the increase of share capital performed in December 2017. Increase of share capital was performed by Sarajevski kiseljak d.d. which is 99.86% owned by Jamnica d.d. and Ledo Čitluk d.o.o. which is 100% owned by Ledo d.d. As the investment in Konzum Sarajevo d.o.o. was already fully impaired at 31 December 2017 this had no impact on 2017 results.

Based on the performed analysis of repo transactions there were indications that the Company already disposed of certain minor ownership percentages in Konzum d.d., Belje d.d. and Ledo d.d in prior periods or the ownership was never formally transferred to the Company. Based on the performed analysis this had no material impact on the financial statements of the Company and all corrections, if any required, are reflected in 2017.

As at 31 December 2017, the Company performed an assessment of the recoverability of investments in subsidiaries and based on this assessment the Company recorded an impairment provision of HRK 5,456,499 thousand further described in Note 2.2.23 *Critical accounting estimates and judgments*.

Movement of impairment provision for investments in subsidiaries is as follows:

	2017	2016
	000 HRK	000 HRK
As at 01 January	3,656,437	1,021,786
Charge for the year (Note 8)	5,456,499	2,634,651
As at 31 December	9,112,936	3,656,437

15. Investments in subsidiaries *(continued)*

The following shares have been pledged as collateral for liabilities of the Company:

	Pledged share %
Belje d.d.	8.75
Jamnica d.d.	75.92
Konzum d.d.	54.38
Ledo d.d.	33.16
Tisak d.d.	50.70
Zvijezda d.d.	51.84

The carrying value of investments pledged at 31 December 2017 amounts to HRK 0.
Several temporary injunctions have been granted in 2017 against the Company and its subsidiaries.

The following temporary injunctions have been granted in 2017 in Serbia with respect to the Company's and its subsidiaries' holdings:

– A temporary injunction has been granted in favor of Banca Intesa (for a claim in the amount of EUR 15,391,555.89) and Sberbank of Russia (for a claim in the principal amount of EUR 350,000,000.00 with interest in the amount of EUR 8,657,651.86) against Konzum d.d. prohibiting the encumbrance and disposal of Konzum's shares in Idea d.o.o.

– A temporary injunction has been granted in favor of Banca Intesa (for a claim in the amount of EUR 15,194,996.44) against Agrokor d.d. prohibiting the encumbrance and disposal of Agrokor's shares in Dijamant a.d. Zrenjanin and prohibiting Agrokor to vote its shares in Dijamant a.d. Zrenjanin. Both management and the supervisory board were appointed by Agrokor d.d. as the majority owner with the new mandate starting in 2017 and were in place at 31 December 2017 and up to the date of these financial statements. Extraordinary General Assembly may not be called by the minority shareholders while the regular general assembly was not called as of the date of these financial statements.

– A temporary injunction has been granted in favor of Sberbank of Russia (for a claim in the amount of EUR 101,323,493.44) against Agrokor d.d. prohibiting the encumbrance and disposal of Agrokor's shares in Dijamant a.d. Zrenjanin.

– Temporary injunctions have been granted in favor of Sberbank of Russia against Agrokor d.d. prohibiting the encumbrance and disposal of Agrokor's shares in Nova Sloga d.o.o. Trstenik (for a principal amount of EUR 350,000,000 with interest in the amount of EUR 7,827,088.89) and prohibiting the encumbrance and disposal of Agrokor's shares in KRON d.o.o. and M-Profil SPV d.o.o (for a principal amount of EUR 350,000,000.00 with interest in the amount of EUR 8,657,651.86).

– Temporary injunctions have been granted in favor of Sberbank of Russia (for a claim in the amount of EUR 101,323,493.44) against Ledo d.d. prohibiting the encumbrance and disposal of Ledo's shares in Frikom d.o.o.

The following temporary injunction has been granted in 2017 in Slovenia with respect to the Company's and its subsidiaries' holdings:

– A temporary injunction has been granted in favor of Sberbank of Russia (for a claim in the amount of EUR 450,000,000.00) against Agrokor d.d. prohibiting the encumbrance and disposal of Agrokor's shares in Poslovni sistem Mercator d.d.

Notes to financial statements for the year ended 31 December 2017

16. Investments in associates

Investments in associates are as follows:

	2017	2016
	000 HRK	000 HRK
As at 01 January	275,680	198,186
Loss of control in subsidiary and transfer to associates (Note 15)	51,579	-
Loss of significant influence in associate	(30,162)	-
Acquisition/paid in capital	-	69,519
Share in profit of associates	5,851	7,975
Impairment (Note 8)	(126,978)	-
As at 31 December	175,970	275,680

Increase in 2016 mainly relates to recapitalization of KHA četiri d.o.o. and Karisma Hotel Adriatic d.o.o. All associates, except Jana North America Inc. are incorporated in Croatia. Jana North America Inc. is incorporated in the USA.

At the end of March 2017 the Company lost control in Agrolaguna d.d. through repo transactions as described in Note 15 *Investments in subsidiaries* and at 31 December 2017 holds 34% in Agrolaguna d.d. As the Company assessed that it has significant influence but no control over Agrolaguna d.d. the Company transferred this investment from investments in subsidiaries to investments in associates. Starting from 1 April 2017 investment in Agrolaguna d.d. is accounted for using the equity method.

Also, during 2017 the Company recorded impairment in associates of HRK 126,978 thousand mainly relating to investments in Zagreb plakat d.o.o. of HRK 48,126 thousand, impairment of investment in KHA četiri d.o.o. of HRK 44,918 thousand and Agrolaguna d.d. of HRK 33,934 thousand.

The Company's share of 25% in KHA 4 d.o.o. which has a carrying value of HRK 6,170 thousand has been pledged as collateral for liabilities.

17. Financial assets

Financial assets consist of:

	31 December 2017	31 December 2016
	000 HRK	000 HRK
Loan receivables	-	287,612
Loan receivables – Agrokor Group	150,273	151,156
Deposits	29,487	546,943
Available for sale investments	33,478	213,943
Held to maturity investments	-	82,190
Total	213,238	1,281,844

Long-term deposits mainly relate to cash deposits used as collateral for long term borrowings and to leasing deposits that bear no interest and whose maturity is on the repayment date of contracted liabilities.

The structure of long-term loan receivables at 31 December 2016 was as follows:

	31 December 2016		
	000 HRK	Maturity	Interest rate
Investment loans	1,750	3 years	10%
Loans for business support	97,540	4 years	3%
Other loans	188,322	Up to 4 years	7%
Total	287,612		

Outstanding amount of long term external loans at 31 December 2017 has been fully impaired.
Loans are mainly unsecured.

17. Financial assets *(continued)*

Loans granted to companies that are members of Agrokor Group are as follows:

	31 December 2017 000 HRK	31 December 2016 000 HRK
Mercator Grupa	150,273	151,156
Total	150,273	151,156

As at 31 December 2017 ageing analysis of long term loans and deposits is as follows:

		Past due but not impaired				
	Neither past due nor impaired 000 HRK	0-90 days 000 HRK	90 -180 days 000 HRK	180 – 270 days 000 HRK	Over 270 days 000 HRK	Total 000 HRK
Loan receivables – Agrokor Group	150,273	-	-	-	-	150,273
Deposits	29,487	-	-	-	-	29,487

Investments in equity securities available for sale

	31 December 2017 000 HRK	31 December 2016 000 HRK
Securities valued at cost	32,333	194,926
Securities quoted in active market – at fair value	1,145	19,017
Total	33,478	213,943

Investments in securities available for sale that are not quoted on the active market and otherwise could not be reliably measured at fair value are valued at cost less impairment, if any.

18. Short term loan receivables and deposits

Short-term investments consist of:

	31 December 2017	31 December 2016
	000 HRK	000 HRK
Loan receivables – Agrokor Group	2,994,093	2,601,011
Short-term loans and deposits	123,914	273,717
Total	3,118,007	2,874,728

Deposits have a maturity between 3 and 12 months and bear an annual interest rate of up to 7% (2016: up to 6%). Loans have a maturity of 12 months with an annual interest rate of up to 9% (2016: up to 8.95%).

Loans granted to companies that are members of Agrokor Group are as follows:

	31 December 2017	31 December 2016
	000 HRK	000 HRK
360 Marketing d.o.o.	2,811	-
A007 d.o.o.	30,420	10,895
Adriatica.net d.o.o.	336,582	323,965
Agrokor AG	425,153	491,268
Agrokor-trgovina d.o.o.	232,320	-
Agrolaguna d.d.	n/a*	206,546
Aliquantum ulaganja d.o.o.	119,274	117,944
Atlas d.d.	9,002	-
Belje Agro-vet d.o.o.	6,627	-
Belje d.d.	1,004,318	957,196
Dalmarina d.o.o.	42,844	42,563
Dijamant a.d.	75,335	-
INIT d.o.o. Sarajevo	5,245	5,134
Irida d.o.o.	626	-
Jamnica d.d.	50,132	-
Konzum d.d.	2,882,578	1,252,181
Konzum d.o.o Sarajevo	113,945	-
Ledo d.d.	58,431	-
L. G. Moslavina d.o.o.	144,566	139,188
Mercator Grupa	10,082	10,164
Mladina d.d.	314	-
mStart d.o.o.	51,255	-
Nova sloga d.o.o.	-	3,058
PIK Vinkovci d.d.	880,031	782,719
PIK Vrbovec d.d.	136,607	-
Plodovi Podravine d.o.o.	2,896	2,864
Poliklinika Aviva d.o.o.	34,969	34,382
Projektgradnja d.o.o.	40,798	31,615
Rivijera d.d.	27,090	22,010
Roto dinamic d.o.o.	93,471	-
Roto Ulaganja d.o.o.	14,235	13,754
SK-735 d.o.o.	22,283	25,276
Solana Pag d.d.	1,779	793
Sojara d.d.	101,352	97,966
Tisak d.d.	66,270	55,808
TPDC Sarajevo d.o.o.	11,101	12,665
Velpro-centar d.o.o.	108,045	-
Vupik d.d.	501,754	511,566
Zvijezda d.d.	163,236	-
Other	2,178	-
Value adjustment	(4,815,862)	(2,550,509)
Total	2,994,093	2,601,011

**in 2017 transferred to investments in associates. Transactions and outstanding balances with associates are disclosed in Note 31. Transactions with associates*

Loans to related parties are loans granted for current liquidity. At 31 December 2017 the interest rate was 4.97% for loans granted to companies in Croatia and 7% for loans granted to foreign companies. Loans between related parties are mainly unsecured.

18. Short term loan receivables and deposits *(continued)*

As at 31 December 2017 ageing analysis of short term loan receivables and deposits is as follows:

		Past due but not impaired				
	Neither past due nor impaired 000 HRK	0-90 days 000 HRK	90 -180 days 000 HRK	180 – 270 days 000 HRK	Over 270 days 000 HRK	Total 000 HRK
Loan receivables – Agrokor Group	2,480,609	-	-	-	513,484	2,994,093
Loans and deposits - external	-	-	-	-	123,914	123,914

19. Receivables for bills of exchanges and recourse rights

	31 December 2017 000 HRK	31 December 2016 000 HRK
Bills of Exchange	-	158,681
Receivables for bills of exchange - recourse right	2,564,009	3,064,071
Total	2,564,009	3,222,752

During 2016 and the first quarter of 2017 the Company was accepting bills of exchange as a means of payment of the customer. These bills of exchange can be discounted by factoring companies or banks. The factoring arrangement is with recourse and the Company thus guarantees repayment to the factoring companies or banks should they fail to collect the receivables from the customer. In the case of activation of recourse, liability for bill payment is transferred to the Company whilst the Company is entitled to a receivable for unpaid bills to the original issuer of the bill. As at 31 December 2017 the Company recognized receivables and liabilities based on the bills of exchange recourse rights of HRK 2,564,009 thousand (2016: HRK 3,064,071 thousand). Based on the proposed settlement no payments relating to liabilities recognized in this respect are expected.

20. Trade and other receivables

Receivables consist of:

	31 December 2017 000 HRK	31 December 2016 000 HRK
Trade receivables	224,588	235,066
Trade receivables – Agrokor Group	131,277	75,626
Receivables from employees	323	336
Other receivables	1,302,388	999,627
Provision for impairment of trade and other receivables	(1,462,261)	(1,078,689)
Total	196,315	231,966

Other receivables relate to receivables from pre-bankruptcy proceedings settlements and to receivables for interest.

Movement in the impairment provision for trade receivables is as follows:

	2017 000 HRK	2016 000 HRK
As at 01 January	234,961	125,585
Charge for the year	12,943	118,110
Amounts written off	(8,972)	(8,734)
As at 31 December	238,932	234,961

20. Receivables *(continued)*

Movement in the impairment provision for other receivables is as follows:

	2017 000 HRK	2016 000 HRK
As at 01 January	843,728	-
Charge for the year	379,601	843,728
Amounts written off	-	-
As at 31 December	1,223,329	843,728

As at 31 December 2017 ageing analysis of receivables is as follows:

		Past due but not impaired				
	Neither past due nor impaired 000 HRK	0-90 days 000 HRK	90 -180 days 000 HRK	180 – 270 days 000 HRK	Over 270 days 000 HRK	Total 000 HRK
Trade receivables	-	-	-	-	1,369	1,369
Trade receivables – Agrokor group	59,208	-	-	-	56,356	115,564
Receivables from employees	-	323	-	-	-	323
Other receivables	-	-	-	-	79,060	79,059

Trade receivables from companies that are members of Agrokor Group are as follows:

	31 December 2017 000 HRK	31 December 2016 000 HRK
A007 d.o.o.	1,403	1,322
Adriatica.net d.o.o.	600	-
Agrokor-trgovina d.o.o.	2,506	10
Agrokor-Energija d.o.o.	451	739
Belje d.d.	2,538	3,286
Dijamant a.d.	2,679	43
Frikom d.o.o.	4,456	1,423
Jamnica d.d.	3,983	-
Konzum d.d.	30,769	-
Konzum d.o.o. Sarajevo	32,605	22,294
Ledo d.d.	1,681	-
Ledo d.o.o. Čitluk	60	583
Mg Mivela d.o.o.	896	649
Nova sloga d.o.o.	926	746
PIK Vinkovci d.d.	964	173
PIK Vrbovec d.d.	1,906	-
Projektgradnja d.o.o.	1,850	-
Roto dynamic d.o.o.	4,406	-
Sarajevski kiseljak d.d.	2,266	40,554
Tisak d.d.	22,196	-
Velpro-centar d.o.o.	6,923	-
Velpro d.o.o. Sarajevo	-	1,450
Vupik d.d.	1,648	-
Zvijezda d.d.	1,059	-
Other	2,506	2,354
Value adjustment	(15,713)	(2,769)
Total	115,564	72,857

21. Other current assets

Other current assets consist of:

	31 December 2017 000 HRK	31 December 2016 000 HRK
Deferred finance costs	-	6,879
Other prepaid expenses	765	18,226
Total	765	25,105

22. Cash and cash equivalents

Cash in bank and on hand consists of:

	31 December 2017 000 HRK	31 December 2016 000 HRK
Cash in bank and on hand	1,210,771	921
Total	1,210,771	921

Total amount of cash balance at 31 December 2017 is held in gyro account and bears annual interest of 0.01%.

23. Equity and reserves

Equity and reserves represent total amount of own resources. It comprises share capital together with capital reserves, reserves from profit, available-for-sale reserve, accumulated loss and loss for the year. Share capital (share equity) in the court registry amounts to HRK 180,123 thousand. Share capital is divided into 360,246 ordinary shares with a nominal value of 500 HRK per share. Share capital is paid in full. Legal reserves of HRK 9,007 thousand are not distributable.

Reserves from profit or statutory reserves and capital reserves relate to statutory and capital reserves as defined by the Company Law (Official Gazette no 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15). These reserves may be used to cover losses from the current or previous period and are not distributable to owners.

Available-for-sale reserve is used to recognize changes in the fair value of financial investments classified as “available for sale”.

Ownership structure at 31 December 2017 and at 31 December 2016:

	Number of shares	Nominal value of 1 share In HRK	Total nominal value 000 HRK	Particip. in share capital (%)
Adria Group Holding B.V.	344,120	500	172,060	95.52%
Banks	7,468	500	3,734	2.07%
Small shareholders	5,698	500	2,849	1.58%
Treasury shares	2,960	500	1,480	0.82%
Total number of shares	360,246		180,123	100.00%

During 2016 the Company acquired 2,965 treasury shares (0.82%) which are included in the *Small shareholders* line as the process of registering those shares to the Company is still ongoing.

24. Lease liabilities

Operating lease liabilities

Operating leases include lease of buildings, equipment and vehicles.

Maturity of non-cancellable future lease payments	31 December 2017 000 HRK	31 December 2016 000 HRK
Payable from 2 to 5 years	4,396	4,468
Payable from 1 to 2 years	833	3,641
Payable within 1 year	183	4,422
Total	5,412	12,531

The significant decrease in future lease payments mainly relates to the fact that part of the vehicles used by operating companies was transferred to those companies and all excess vehicles were returned to the leasing companies.

25. Loans and borrowings

Long-term and short-term borrowings are as follows:

	31 December 2017 000 HRK	31 December 2016 000 HRK
Long-term liabilities		
Bank loans	-	12,831,323
Bonds (Senior Notes)	-	6,828,570
Non-bank loans	-	302,312
Total long-term liabilities	-	19,962,205
Current portion of long-term liabilities		
Bank loans	-	(984,456)
Total current portion of long term liabilities	-	(984,456)
Long-term liabilities	-	18,977,749
Short-term loans		
Bank loans and bonds	17,601,318	914,924
SPFA	7,213,104	-
Non-bank loans	1,769,307	1,788,363
Borrowings – Agrokor Group	2,123,139	2,231,826
Bills of exchange	157,039	383,780
Total short-term loans	28,863,907	5,318,893
Total loans	28,863,907	25,281,098

25. Loans and borrowings *(continued)*

During 2016 and earlier periods the Agrokor Group financed itself mainly through Agrokor d.d. via a combination of fixed income instruments and variable rate loans. Variable interest rates were predominantly linked to EURIBOR. The coupons/interest rates ranged between 3% and 10% p.a.

Bonds

Senior Notes

Company's debt consists primarily of two Senior Notes and other bilateral facilities with banks and financial and non-financial institutions. The 2019 Senior Notes were issued at par in an aggregate principal amount of €300 million. The 2019 Senior Notes were scheduled to mature on May 1, 2019 and accrued interest at a rate of 9.875% per annum. The euro-denominated 2020 Notes were issued at par in an aggregate principal amount of €325 million. The euro-denominated 2020 Notes are scheduled to mature on February 1, 2020 and accrue interest at a rate of 9.125% per annum. The dollar-denominated 2020 Notes were issued at par in an aggregate principal amount of $300 million. The dollar-denominated 2020 Notes are scheduled to mature on February 1, 2020 and accrue interest at a rate of 8.875% per annum.
In August 2017 the Company's bonds have been delisted from the Irish Stock Exchange.

Bank debt

Refinanced debt

In the second half of 2016 the Company completed a wider refinancing exercise, extending c. €840 million of existing debt to approximately 2-3 year maturities. Refinanced bilateral facilities consisted of two club facilities with BNP Paribas, Credit Suisse AG, London Branch, Goldman Sachs International Bank, J.P. Morgan Securities plc in the amount of €100 million each, one scheduled to mature on September 14, 2018 and the other on September 14, 2019. Both facilities accrue interest at a rate of EURIBOR plus a margin of 5.00%.

Sberbank loans

At 31 December 2016 the Company has a €600 million loan with Sberbank of Russia and Sberbank Europe AG and a €350 million loan with Sberbank of Russia, the former scheduled to mature on September 14, 2023 with interest rate of EURIBOR plus a margin of 5.30% and the latter scheduled to mature on September 14, 2022 with interest rate of 6.00% fixed. The Company also had a €50 million loan with Sberbank Europe AG scheduled to mature on September 14, 2018 with interest rate of EURIBOR plus a margin of 5.00%.

VTB loans

At 31 December 2016 the Company had a €360 million with VTB Bank Austria AG, of which €50 million scheduled to mature on September 14, 2018 with interest rate of EURIBOR plus a margin of 5.00%, €250 million scheduled to mature on September 14, 2019 with interest rate of EURIBOR plus a margin of 5.00% and €60 million scheduled to mature on June 21, 2020 with interest rate of EURIBOR plus a margin of 3.62%.

Non bank loans

At 31 December 2016 Agrokor Restricted Group also had several other facilities with local and international institutions with fixed and variable interest rates of which the most significant were €130 million from Adris grupa d.d. scheduled to mature on December 31, 2017 with an interest rate of 4.00% p.a., €50 million from Zagrebačka banka d.d. scheduled to mature on April 17, 2017 with an interest rate of EURIBOR plus a margin of 4.75% p.a., €50 million from Aquarius scheduled to mature on August 8, 2017 with an interest rate of EURIBOR plus a margin of 5.50% p.a., €50 million from Tvornica duhana Rovinj d.d. scheduled to mature on November 30, 2021 with an interest rate of 2.50% p.a. Other smaller facilities were scheduled to mature between 2017 and 2028 with interest rates ranging between 3% and 10% p.a.

25. Loans and borrowings *(continued)*

Loans obtained during 2017

On 21 February 2017 the Company signed a loan agreement with Sberbank of Russia as Lender. The total loan amount is EUR 100,000,000 with the bullet repayment on 1 October 2017. The loan is guaranteed by the following subsidiary companies: Agrokor-trgovina d.o.o., Belje d.d. Darda, Jamnica d.d., Konzum d.d., Konzum d.o.o. Sarajevo, Ledo d.d., Ledo d.o.o. Čitluk, Pik-Vinkovci d.d., Sarajevski kiseljak d.d., Vupik d.d. and Zvijezda d.d.

On 13 April 2017 the Company signed a loan agreement as a borrower with Zagrebačka banka d.d., Privredna banka Zagreb d.d., ERSTE Steiermärkische d.d. and Raiffeisenbank Austria d.d. as loan providers. The total loan amount was EUR 80,000,000. The loan has a bullet repayment at the expiration of 12 months from the date of the opening of the Extraordinary Administration proceeding or at the expiration of 15 months from the date of the opening of the Extraordinary Administration proceeding if the Extraordinary Administration proceeding is prolonged. The loan is signed as co-debtors by the following subsidiary companies: Belje d.d. Darda, Jamnica d.d., Konzum d.d., Ledo d.d., Pik Vrbovec – mesna industrija d.d., Pik-Vinkovci d.d., Vupik d.d. and Zvijezda d.d. The loan has since been repaid in full from the proceeds of the loan concluded on 8 June 2017.

On 8 June 2017, the Company signed a loan agreement with various investors (such as Knighthead Capital Investments) as loan providers. The total loan amount is up to EUR 1,060,000,000. The loan has a bullet repayment on the earlier of 10 July 2018, the settlement date under the extraordinary administration proceeding and opening of insolvency proceedings. The loan is guaranteed by the subsidiary companies incorporated in Croatia and are subject to the extraordinary administration proceeding which include but are not limited to: Agrokor-trgovina d.o.o., Belje d.d. Darda, Jamnica d.d., Konzum d.d., Ledo d.d., Pik-Vinkovci d.d., Vupik d.d., Tisak d.d. (from February 2018) and Zvijezda d.d. In addition the loan is also secured by long-term tangible and intangible assets of the obligors. The loan has a super-priority status as provided for in the Law on extraordinary administration proceeding in companies of systemic importance for the Republic of Croatia and allows for the refinancing of debt incurred prior to entering into the extraordinary administration applying a 1:1 ratio between new money and refinanced debt. Interest is calculated as Euribor + 4% per annum PIK accruing yearly or 3.8% cash payable annually at the election of each individual Lender. Default interest amounts to Euribor + 10 per cent, per annum payable annually in arrears in cash, Euribor floor at 0. The outstanding amount at 31 December 2017 is HRK 7,213,104 thousand.

As at 31 December 2017 all liabilities have been classified as short term as in accordance with the Law all claims towards the Company which were outstanding as of 10 April 2017 became due with the opening of the Extraordinary Administration and therefore at 31 December 2017 there is no unconditional right to defer the repayment of the principal beyond 12 months after the balance sheet date. The Super Priority Facility Agreement has a bullet repayment on the earlier of 10 July 2018, the settlement date under the extraordinary administration proceeding and opening of insolvency proceedings which makes it short term as at 31 December 2017.

25. Loans and borrowings *(continued)*

Liabilities for borrowings from Agrokor Group members are as follows:

	31 December 2017 000 HRK	31 December 2016 000 HRK
360 Marketing d.o.o.	2	-
Agrokor AG	11,978	151,339
Agrokor trgovina d.d.	195,336	168,635
Irida d.o.o.	6,594	6,679
Jamnica d.d.	1,058,499	925,731
Kor Broker d.o.o.	1,822	1,153
Ledo d.d.	55,928	40,493
Multiplus card d.o.o.	2,976	-
PIK Vrbovec d.d.	4,794	-
Mercator Grupa	4,642	-
Projektgradnja d.o.o.	1,239	-
Roto dinamic d.o.o.	48,352	34,949
Solana Pag d.d.	1,249	-
Tisak d.d.	338,388	411,041
Velpro-centar d.o.o.	17,537	82,825
Zvijezda d.d.	373,803	408,981
Total	2,123,139	2,231,826

Financing between related parties is performed based on the frame agreement with terms as disclosed in note 18.

Changes in liabilities arising from financing activities

000 HRK	1 January 2017	Net cash flow	Foreign exchange movement	Other	31 December 2017
Non-current loans and borrowings	18,977,749	-	-	(18,977,749)	-
Current loans and borrowings	6,303,349	4,196,280	(246,834)	18,611,112	28,863,907
Total	25,281,098	4,196,280	(246,834)	(366,637)	28,863,907

26. Trade payables

Trade payables consist of:

	31 December 2017	31 December 2015
	000 HRK	000 HRK
Trade payables - domestic	52,478	41,803
Trade payables – foreign	66,468	19,383
Trade payables – Agrokor Group	65,457	36,389
Accruals	134	107
Total	184,537	97,682

Liabilities towards related parties, members of Agrokor Group are as follows:

	31 December 2017	31 December 2016
	000 HRK	000 HRK
Konzum d.d.	448	-
Ledo d.o.o. Podgorica	26,298	-
Mercator Grupa	25,057	25,405
Mondo-Tera d.o.o.	693	-
mStart d.o.o.	3,707	2,165
Tisak d.d.	8,580	8,466
Other	674	353
Total	65,457	36,389

27. Other short-term liabilities

Other short-term liabilities consist of:

	31 December 2017	31 December 2016
	000 HRK	000 HRK
Interest liability	393,477	68,912
Deferred income and accrued expenses	130,752	311,073
Liabilities for tax and contributions	-	50,877
Liabilities towards employees	3,316	4,732
Other short-term liabilities	121,944	31,178
Total	649,489	466,772

Deferred income and accrued expenses consist of:

	31 December 2017	31 December 2016
	000 HRK	000 HRK
Accrued interest expenses	127,640	248,311
Other accrued expenses	-	59,642
Deferred income	3,112	3,120
Total	130,752	311,073

28. Income Tax

Due to the significant tax losses carried forward the Company had no income tax expense in 2016 and 2017.

Reconciliation of tax expense and accounting loss for 2017:

	2017 000 HRK	2016 000 HRK
Accounting loss before tax	(9,793,382)	(10,835,242)
Applicable income tax rate	18%	20%
Theoretical income tax expense/ (credit) at the applicable tax rate	(1,762,808)	(2,167,048)
Effect of non-taxable income	-	(76,750)
Effect of non-tax deductible expenses	1,724,070	2,014,146
Tax effect of tax losses carry forwards	(38,738)	(229,652)
Actual tax expense for the year	-	-

Reconciliation and expiry of unutilised tax losses carry forward at 31 December 2017 is as follows:

	Tax loss 000 HRK	Unrecognized deferred tax asset on tax losses 18% 000 HRK
31 December 2016	2,359,877	424,778
2017 tax loss	215,213	38,738
31 December 2017	2,575,090	463,516
Expiry of unutilised tax losses		
2018	-	
2019	-	
2020	1,211,616	
2021	1,148,261	
2022	215,213	

At 31 December 2016 and at 31 December 2017 the Company did not recognize a deferred tax asset in respect of unutilized tax losses carry forward as it is not probable that future taxable income will be available against which those tax losses may be utilized.

29. Transactions with related parties

The Company has transactions with the following related parties: significant shareholders, other companies owned or controlled by the ultimate owner of the Company ('other affiliated parties') and key management.

Revenues and income from transactions performed with subsidiaries are as follows:

	2017 000 HRK	2016 000 HRK
A007 d.o.o.	1,612	1,405
Adriatica.net d.o.o.	5,039	13,813
Agrokor AG	13,704	22,190
Agrokor-Energija d.o.o.	784	1,000
Agrokor-trgovina d.o.o.	10,654	26,909
Agrolaguna d.d. (until 31 March 2017)	2,733	10,596
Belje d.d.	23,406	51,552
Dijamant a.d.	3,129	19,115
Frikom d.o.o.	3,033	6,259
Jamnica d.d.	11,463	47,346
Kompas d.o.o. Poreč	2,713	-
Konzum d.d.	137,594	300,616
Konzum d.o.o. Sarajevo	14,820	22,237
Kor-Broker d.o.o.	101	4,112
Ledo d.d.	10,930	79,441
Ledo d.o.o. Čitluk	1,447	4,036
L. G. Moslavina d.o.o.	2,022	6,786
Mercator Grupa	7,139	10,715
Mg Mivela d.o.o.	247	1,007
mStart d.o.o.	1,791	38,938
PIK Vinkovci d.d.	15,140	37,105
PIK Vrbovec d.d.	13,072	8,239
Projektgradnja d.o.o.	1,961	1,652
Rivijera d.d.	4	1,695
Roto dinamic d.o.o.	10,017	-
Roto Ulaganja d.o.o.	199	8,243
Sarajevski kiseljak d.d.	2,328	3,144
Solana Pag d.d.	439	5,368
Sojara d.d.	1,412	4,737
Tisak d.d.	23,668	22,269
Velpro-centar d.o.o.	20,414	19,054
Velpro d.o.o. Sarajevo	350	1,444
Vupik d.d.	10,414	28,488
Zvijezda d.d.	9,597	4,230
Žitnjak d.d.	465	-
Other	3,196	9,818
Total	367,037	823,559

29. Transactions with related parties *(continued)*

Transactions and balances with other related parties

	2017	2016
	000 HRK	000 HRK
Ultimate parent - gross	209,827	200,153
Ultimate parent – impairment provision	(209,824)	(200,153)
Mr. Ivica Todorić	-	219,163

Until 10 April 2017 ultimate controlling party of Agrokor d.d. was Mr. Ivica Todorić while starting from 10 April 2017 the ultimate controlling party of Agrokor d.d. is defined as described in the Law for the Extraordinary Administration for Companies with Systemic Importance for the Republic of Croatia and further explained in note 1 *Corporate information*.

Remuneration paid to key management personnel

The remuneration paid to the members of the Extraordinary Administration and other key management personnel during the year was as follows:

	2017	2016
	000 HRK	000 HRK
Wages and salaries (net) and other current benefits	1,455	4,481
Taxes and contributions out of salaries	1,229	3,596
Contributions on salaries	461	1,388
Retirement/ termination benefits	-	1,306
Total	3,145	10,771

30. Contingencies

Contingencies mainly relate to guarantees that the Company issued for liabilities of related party companies, bank guarantees and other corporate guarantees. Total amount of issued guarantees at 31 December 2017 amounts to HRK 5,728,534 thousand out of which HRK 914,914 thousand have been disputed by the main debtor. Recovery of guaranteed claims (i.e. claims with co-debtorship) within the Extraordinary Administration is calculated based on the EPM as described in note 2.2.24 *Significant estimates and judgements*. Based on the preliminary outputs of the EPM no recovery based on the guaranteed claims of other Group entities is expected from Agrokor d.d. and therefore no liability in this respect has been recognized by the Company at 31 December 2017.

Based on the legal interpretation of the Law penalty interest cannot be charged during the period of Extraordinary Administration and in case of successful finalization of the Settlement creditors would not be entitled to such charges.

However, in the case the Company would breach the conditions of the Law and/or the Settlement Plan would not be approved by the majority of creditors, the bankruptcy process would trigger charging of a penalty interest on related payables. The Company has estimated that penalty interest charges for the period 10 April 2017 to 31 December 2017 would amount to HRK 1,488,637 thousand. As the Extraordinary Administration believes that outcome with successful Settlement is probable no penalty interest has been recognized in the financial statements for the year ended 31 December 2017.

30. Contingencies *(continued)*

Significant court proceedings against the Company

As stated above, the Law prescribes a prohibition or freeze of all proceedings in Croatia against the Company and its affiliated and controlled companies subject to Extraordinary Administration. Therefore no proceedings have been initiated or continued during the Extraordinary Administration in Croatia. Requests for recognition of the Extraordinary Administration Proceeding have been filed in 2017 in the UK, Slovenia, Serbia, Montenegro and Bosnia and Herzegovina, for the prohibition or stay of proceedings to take effect in those jurisdictions, and has been granted in the UK, while rejected in Serbia. In Slovenia and Bosnia and Herzegovina, the respective supreme courts have issued a final decision rejecting the Company's request for recognition of the Extraordinary Administration Proceeding. With respect to Slovenia this means that the enforcement (EUR 3,281,908.18) and temporary injunction proceedings (security for EUR 450,000,000.00) initiated by Sberbank entities will continue. In Serbia, decisions on three temporary injunctions (for claims of EUR 15,391,555.89 and EUR 350,000,000.00) with respect to shares in Serbian companies have become final, while certain pledges over shares in Serbian companies have been removed after unsuccessful enforcement proceedings. In certain litigation proceedings Serbian courts have declared themselves incompetent. In Bosnia and Herzegovina, courts have declared themselves incompetent to hear proceedings regarding temporary injunctions.

31. Transactions with associates

Transactions with associates (Agrolaguna d.d., Jana North America, Inc., Gulliver travel d.o.o., Karisma Hotels Adriatic d.o.o., KHA četiri d.o.o. and Zagreb plakat d.o.o.), positions at the end of the year and related income were as follows:

(000 HRK)

Receivables	**2017**	**2016**
Trade receivables	183	34,969
Other	110,778	51,094
	110,961	**86,063**

Liabilities	**2017**	**2016**
Trade payables	21	-
Other	30,794	53,499
	30,815	**53,499**

Income	**2017**	**2016**
Income from sales	650	205
Other income	9,021	2,836
	9,671	**3,041**

32. Fair value measurement

Based on the calculation of their fair value, financial instruments are divided into three levels:

- Level 1: quoted (stock) prices for assets or liabilities in active market
- Level 2: assets or liabilities not included in Level 1, the value of which is determined directly or indirectly based on observable market data
- Level 3: assets or liabilities, the value of which is not based on observable market data.

Taking into account events relating to the extraordinary administration as disclosed in note 2.1. *Basis for the preparation of financial statements and going concern consideration* and note 2.2.23 *Significant estimates and judgements* which would affect the fair value of financial instruments, the Company did not disclose the fair value hierarchy of financial instruments at 31 December 2016 and at 31 December 2017.

33. Risk management

Credit risk

The Company is exposed to credit risk representing risk that the debtor will not be able to repay its liabilities to the Company as they fall due. Within the period of the extraordinary administration the company provides loans only to its related party companies. The Company is a significant lender to its subsidiaries. This credit risk is mitigated by super priority status of all such new loans originated after 10 April 2017 as this status is provided for in the Extraordinary Administration Law.

The Company considers that its maximum exposure is reflected by the amount of debt financial assets net of provisions for impairment recognized at the balance sheet date.

Liquidity risk

Liquidity risk, also referred to as financing risk, is the risk that an enterprise will encounter difficulty in raising funds to meet obligations associated with financial instruments.

As part of its activities in 2017, the Company continually monitors liquidity to provide sufficient funds for its operations. Currently available cash from the SPFA is assumed to be sufficient for managing the Company's operations until the planned settlement date while repayment of the SPFA will be agreed as part of the settlement. Based on the non-binding term sheet signed in April 2018 the SPFA is expected to be refinanced by a new loan at the Croatian holding company level in the new group structure, or maturity extended by the current SPFA creditors. Terms of that loan are yet to be determined.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate which applies to the financial instrument. Interest rate risk related to cash flow is the risk that the interest cost of an instrument will fluctuate over time.

Based on the legal interpretation of the Law interest on outstanding liabilities at 10 April 2017 cannot be charged during the period of Extraordinary Administration and in case of successful finalization of the settlement creditors would not be entitled to such charges.

The Company has no long term liabilities and therefore the Company considers that its exposure to risk of adverse change in interest rates is limited.

Foreign currency risk

Most of the assets of the Company are denominated in Croatian Kuna. A significant portion of loan liabilities is linked to foreign currency (predominantly EUR). Accordingly, the Company is exposed to the risk of changes in foreign exchange rates. Considering the long term policy of the Republic of Croatia related to maintenance of the Croatian kuna exchange rate to the EUR and the fact that all liabilities are short term, the Company does not consider this risk to be significant.

34. Events after the balance sheet date

In connection to the Super-Priority Term Facilities Agreement (up to EUR 1,060,000,000) dated 8 June 2017, the Company has established in 2018 the Incremental Facility tranche by utilizing, during February, March and April, additional amounts from Trade Creditors. With these additional amounts drawn as at the date of this report the Company utilized a total of EUR 1,056,384 thousand of the maximum EUR 1,060,000 thousand.

Extraordinary Administration Procedure

In April 2018 the Company, the members of the Interim Creditors' Council and certain other creditors have signed a non-binding term sheet on key elements for a settlement plan.

The non-binding term sheet includes the corporate structure of the new Agrokor Group, treatment and form of the proposed settlement of pre-petition claims, new debt of the new Agrokor Group and its capital structure, special arrangement with suppliers on settlement of the so-called border debt and settlement implementation. The business operations of the future group will rely on the arm's length principle in company relationships within the group meaning that parties will be equal and independent in mutual relations.

It has particularly been established that the main criteria for determining individual claim recoveries is the EPM model (Entity Priority Model) which has been developed by international institutions and used in the largest international corporate restructurings.

Given that the creditors have signed a non-binding term sheet, the Extraordinary Commissioner has proposed to the Commercial Court of Zagreb that the period of the Extraordinary Administration Proceeding be extended by an additional three months because creditors require additional time to agree and finalize the text of the settlement. The Commercial Court of Zagreb has issued a decision on 6 April 2018 approving the Extraordinary Commissioner's proposal and extending the duration of the Extraordinary Administration Proceeding by three months until 10 July 2018.

The creditors of the Agrokor Group will use the additional period in the proceeding to agree and finalize the final text of the settlement. The Extraordinary Commissioner will deliver such a final settlement proposal to the Creditors' Council, which will, once established, replace the Interim Creditors' Council, for its approval. When the Creditors' Counsel approves the settlement proposal the Extraordinary Commissioner shall submit the proposal to the court and the Commercial Court of Zagreb shall set a settlement voting hearing.