

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

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FOR THE PERIOD BETWEEN 11 NOVEMBER AND 10 DECEMBER 2018

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

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## 1. Executive Summary

This monthly report covers the period from 11 November to 10 December 2018. The objective of the report is to follow the development of the economic and financial situation within the Agrokor Group over the course of this period and to outline the realization of operating activities of the Extraordinary Administration as well as the overall operations of both the parent company Agrokor d.d. and some of its major subsidiaries. The report includes the results of 16 companies from three operating segments: Retail & Wholesale, Food and Agriculture.

The YTD operations of these companies have generated almost HRK 20bn in revenues, while EBITDA for the period amounts to HRK 1,708m and is within budgeted values. The largest contribution to the operating result comes from companies in the Food segment, with EBITDA exceeding plan by almost HRK 70m, and the Retail and Wholesale sector, which outperformed the budgeted EBITDA by HRK 28.7m or 7.2 per cent.

The driver of operating profit in Retail is Konzum, having exceeded the budget both in terms of revenues and EBITDA. Hence in the period I-X/18 Konzum outperformed the planned sales revenues by 1.2%, while sales revenues in retail operations were 4.4% better than planned on an annual level. Konzum has thus increased its EBITDA by as much as HRK 143.7m compared to the budget.

The high growth of operating profits in the Food segment was accounted for by all companies covered by the report. Worth to be singled out are Ledo d.d. and Ledo Čitluk, having exceeded the budgeted values both in revenues and EBITDA, as well as Frikom, which outperformed the budgeted EBITDA by HRK 31m.

The drop of total revenues at Agrokor Group level was mostly affected by Agriculture, given that the trend of declining pork prices at the European exchange has continued, as well as the decline in semi-hard cheese prices. A slight increase in the price of piglets and pork is expected in the forthcoming period, though.

A very important event in the reporting period is the agreement on increasing Christmas allowances reached on 26 November 2018 between the Extraordinary Administration and the Management Boards of companies owned by Agrokor on the one hand and the representative Trade Unions – signatories to the Collective Agreements in companies in the majority ownership of Agrokor in Croatia on the other. It has been agreed that Christmas allowances would be raised by 50 per cent, ie. that each employee would receive an allowance of HRK 1,500, while the practice of providing a gift in the amount of HRK 600 for each child would continue. Thus the Agrokor Group companies have invested more than HRK 35m in awarding their employees as the end of the year approaches.

At the same time, this is a way to say thank you to the employees who have lately been exposed to a number of challenges as well as an indicator of the important trend of being focused on improving working conditions and corporate governance quality in all companies of the Agrokor Group. In particular, the Christmas allowance increase is yet another step in a number of measures taken lately (eg. raising the lowest salaries, changing employment contracts from temporary to permanent etc.) to improve the working environment at Agrokor and its companies.

Along with all the regular activities stated above, the Agrokor Group has intensively been working at the Settlement Plan implementation. More than 350 people are already working on the implementation steps plan. By year end all plans will be defined and the implementation is expected to start early next year. The Settlement Plan implementation project should be completed in the first half of 2019.

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

Financial information in the table below relates to the aggregated revenue and EBITDA for I-X/2018 for the key companies of the Agrokor Group. This monthly report includes data for 16 key companies. The financial results of individual companies stated in this section of the report are not audited and are estimated. The realized results are compared to the Viability Plans.

### I.-X. 2018 results

HRK m	Retail and Wholesale	Food	Agriculture
Revenue	11,137m	6,854m	1,842m
EBITDA (before management fee)	429.6m	1,117.7m	160.3m
EBITDA %	3.9%	16.3%	8.7%

**\*NOTE: The results are estimated**

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

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

Source – management reports

Preliminary results YTD

Presented budget data are related to:

- Latest budgets approved for 2018 for the companies from the Food sector
- Approved viability plans for 2018 for the companies from the Retail and Wholesale and the Agriculture sectors

The monthly budget allocation for 2018 has been prepared.

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

Within the scope of this report the Agrokor Group includes 16 companies in three operating segments; Retail and Wholesale, Food and Agriculture. Although revenues generated at Agrokor Group level are lower than budgeted, EBITDA exceeds the budget by HRK 3m.

The Retail and Wholesale segment generated a lower-than-budgeted aggregated sales revenue for the first ten months of the year, but has exceeded budget in terms of relative gross margin. Total gross profits were lower than planned as a consequence of the lower revenue, which has been set off by lower-than-planned operating costs, resulting in EBITDA and EBITDA margin outperforming the budget. The Retail and Wholesale segment generated an 0.5 p.p. higher EBITDA margin and 7.2% higher EBITDA.

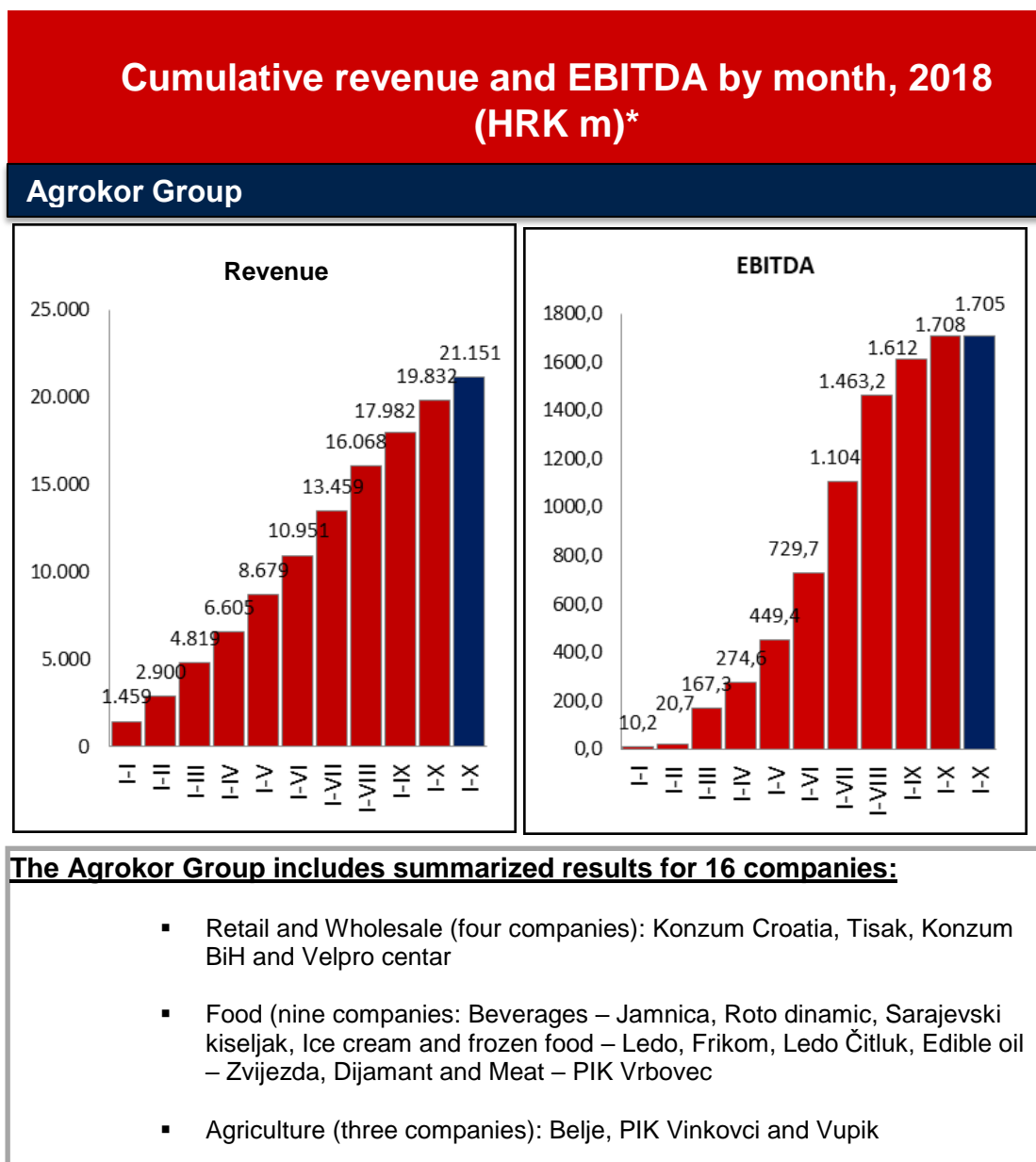
The Food segment has continued to improve operating efficiency, focusing on profitable product groups and cost control with a positive effect on the results of the business groups Beverages, Edible Oils and Meat, that outperformed the budget in EBITDA. Although sales revenues in the business group Frozen exceeded plan, the seasonal switch of assortment along with benefits provided to customers resulted in lower-than-planned EBITDA. Companies from the Food segment generated positive results in October. Generated operating profits (EBITDA) outperformed the budget, with slightly lower sales revenues than planned.

The Agriculture segment has continued to record a drop in revenues against plan in October due to the ongoing decline in pork prices on the European commodity exchange and the continuing decrease in semi-hard cheese prices. Intensified other activities were able to reduce the impact of the price drop on operating revenues, but operating profits have kept lagging behind the budget. Cost optimization and control activities were intensified with a view to additionally reducing the impact of the price drop. The forthcoming period is expected to see a slight increase in the prices of piglets and pork.

## 2.1. Agrokor Group

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

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

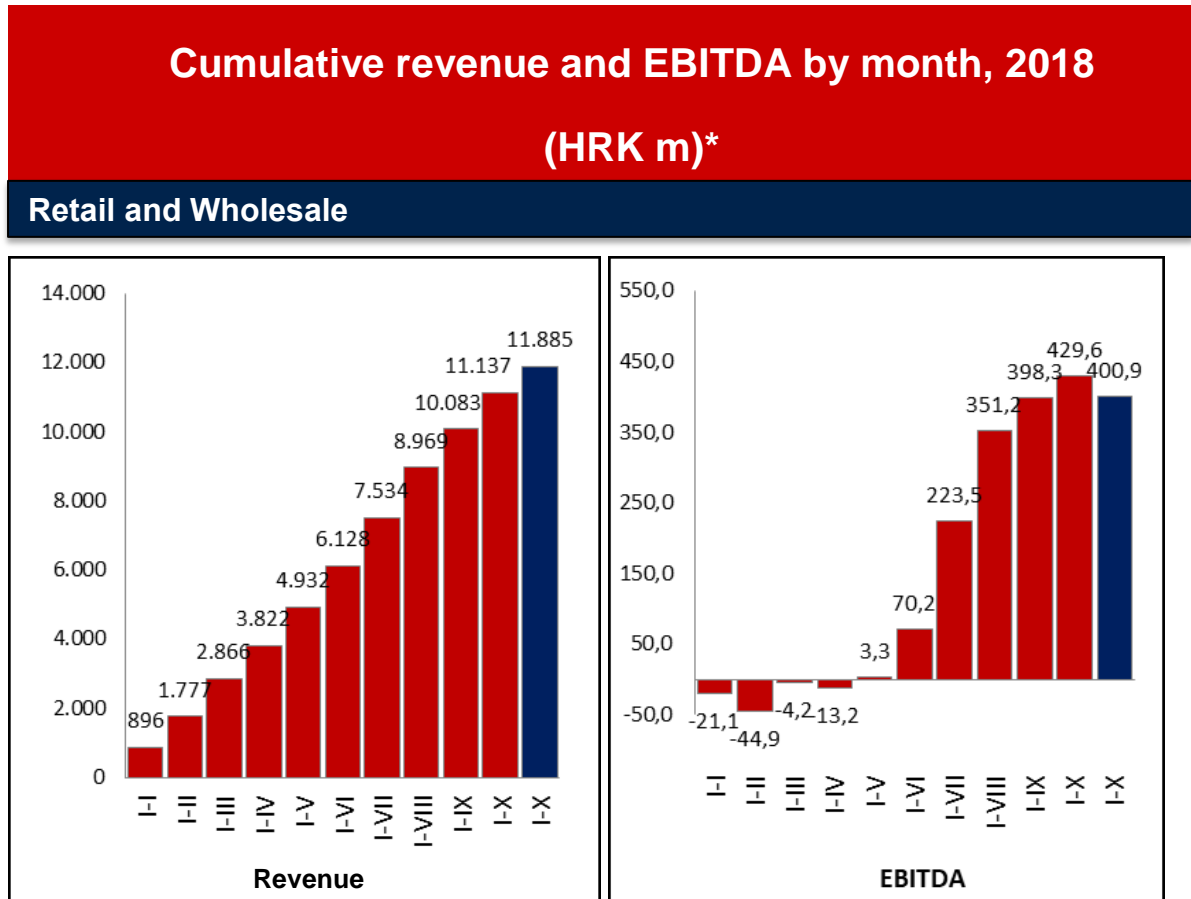


**\*NOTE: The results are estimated**

■ Cumulative YTD budget      ■ Cumulative YTD actual

## 2.2. Companies in the Retail and Wholesale segment

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



Includes summarized results for 4 companies:

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

\*NOTE: The results are estimated

■ Cumulative YTD budget    
 ■ Cumulative YTD actual



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

### 2.2.1.1. Financial results YTD and KPI's

Financial results*	I. - X. 2018 (HRK m)	I. - X. Plan 2018 (HRK m)
Revenue	7,465	7,380
EBITDA	429.5	285.8
EBITDA %	5.8 %	3.9%

\*NOTE: The results are estimated

### 2.2.1.2. Commentary on recent trading

- Sales revenue realized YTD exceeded plan by 1.2%. Sales revenue in retail outperformed the budget by 4.4% at annual level.
- October saw an increased number of transactions and a larger average basket than expected. This positive trend started earlier this year due to strong promotional activities and quality assortment and the increase resulted in both October and aggregated revenues exceeding budget.
- The strict operating cost management accompanied by higher-than-planned revenues resulted in EBITDA exceeding plan in October, just like in the previous months. Aggregated EBITDA margin outperformed plan by 1.88 p.p.
- In late August Konzum introduced the loyalty program called „Zdravoljupci“ (Health Lovers), which has proved to be one of the best ever implemented. The program ended in mid November with more than 300 thousand customers having bought the plush toys and an increase in sales of fruit and vegetables by 10-15%. The „Zdravoljupci“ YouTube video clip is Konzum's most viewed YouTube video with more than 3.5 million views and since the beginning of the program more than 570 thousand plush toys were sold.

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

### 2.2.2.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I. - X. Plan 2018 (HRK m)
Revenue	1,063	1,197
EBITDA	-18.0	12.4
EBITDA %	-1.7%	1.0%

*\*NOTE: The results are estimated*

### 2.2.2.2. Commentary on recent trading

- Revenue from sales of goods realized YTD is 11% lower than planned.
- Revenue generated in October 2018 was lower than planned by 18%.
- The realized gross margin rate in October 2018 was higher than planned, while the gross margin rate YTD is within plan. The absolute margin realized is lower than planned due to the failure to meet budgeted revenues from sales of goods.
- Cost and expenses YTD have shown a minor deviation from plan due to inventory write-offs (regular inventory check and assessment of merchandize inventories).
- The generated EBITDA is significantly better in a year-on-year comparison, but lower than planned due to the lower revenue generation and higher-than-budgeted costs and expenses.
- Over the course of October various promotional and marketing activities took place with a view to achieving a better position and performance for the company:
  - The key tool in implementing the promotion was the October catalogue, with promotion sales having grown by 43.09% as against the same period last year.
  - A new concept of promotional activities has been implemented with the leaflet being published each Monday instead of Thursday and weekend promotions have been re-introduced. The change of concept has had a significant positive impact on realization, with positive shifts both in promotion performance and in the total turnover of the company.

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

### 2.2.3.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. Plan 2018 (HRK m)
Revenue	1,643	1,847
EBITDA	28.7	58.2
EBITDA %	1.7%	3.1%

\*NOTE: The results are estimated

### 2.2.3.2. Commentary on recent trading

- EBITDA in October 2018 was significantly lower than planned as a consequence of failing to meet margins in the wholesale segment. The reason of not meeting margins in wholesale was the lower-than-expected turnover, given that the sales assortment has not been extended in line with the plan.
- Revenues in October 2018 were still lower than planned, continuing the year-long trend of not meeting budgeted revenues. However, October saw retail, as the largest business segment within Tisak, outperform budget and continue the higher-than-expected growth trend in this segment (particularly from March to October 2018). Lower revenue was generated in the wholesale segment because the extension of the sales assortment has not taken place.
- Operating costs in October were in accordance with the budget (due to saving initiatives having been realized).
- October 2018 saw a positive EBITDA generation of HRK 3.1m, which is better than EBITDA generated in June and September 2018 and significantly better than the EBITDA generated in October 2017 of HRK 0.1m. Apart from that, aggregated EBITDA generated from January to October 2018 amounts to HRK 28.7m, a significant improvement in comparison to the same period last year, when it was negative and amounted to HRK -14.2m.

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

### 2.2.4.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. Plan 2018 (HRK m)
Revenue	966	1,461
EBITDA	-10.8	44.5
EBITDA %	-1.1%	3.0%

\*NOTE: The results are estimated

### 2.2.4.2. Commentary on recent trading

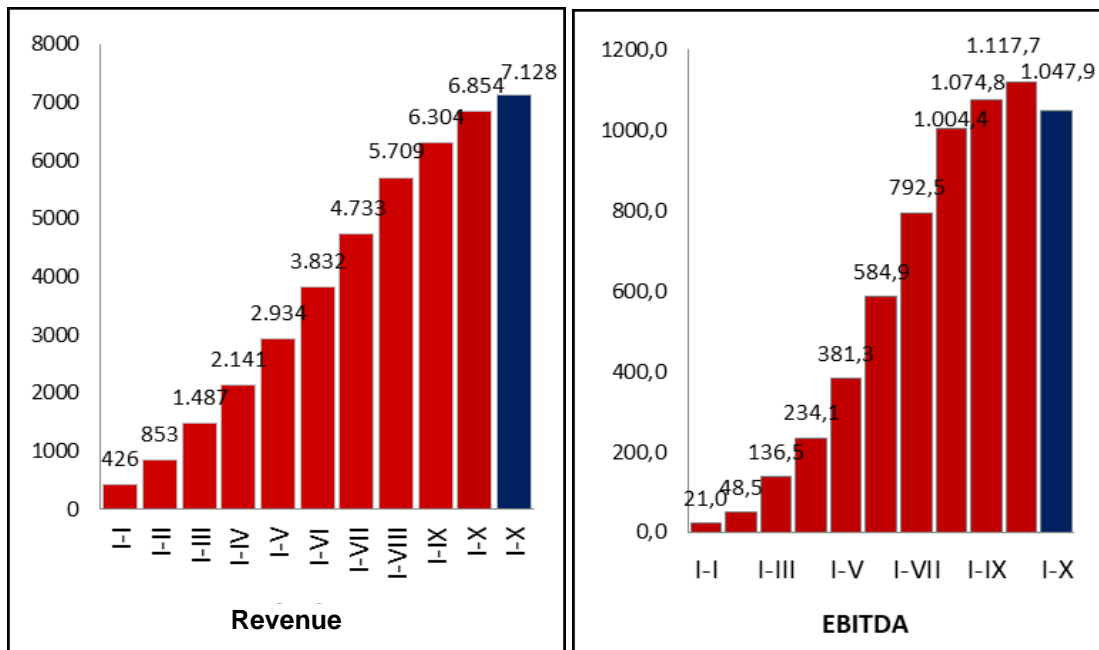
- Revenues both in October and YTD are still lagging behind the budget. This is mainly the consequence of focusing on customers and collection of receivables. The deviation from plan in October is the lowest since January 2018, which is a positive trend in the revenue segment.
- Expenses in October were lower than planned, mainly due to the provisions made for expenses in the previous month. Expenses YTD have now returned to the trend from previous periods and have only slightly exceeded plan.
- EBITDA for October is positive and above the planned values for the month. For the period YTD it is still significantly lagging behind the budget, mainly due to lower-than-planned revenues.
- The most significant operating activities during the reporting month were as follows:
  - Change in promotional activities for various customer segments, ongoing promotional campaigns of domestic suppliers, focus on maintaining profitability on key value items
  - Signing of new agreements with customers in the HoReCa and retail segments
  - New marketing campaign on the radio and in the press planned for Q4, with plans to focus on and introduce intensive promotional activities for customers from various segments.

## 2.3. Companies in the Food segment

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

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

#### Food



Includes the summarized results of nine companies:

- Beverages: Jamnica, Sarajevski kiseljak and Roto dinamic
- Ice cream and frozen food: Ledo, Frikom and Ledo Čitluk
- Oil: Zvijezda and Dijamant
- Meat: PIK Vrbovec

**\*NOTE: The results are estimated**

■ Cumulative YTD budget      ■ Cumulative YTD actual

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

### 2.3.1.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	1,131	1,149
EBITDA	285.7	277.5
EBITDA %	25.3%	24.1%

\* **NOTE: The results are estimated**

### 2.3.1.2. Commentary on recent trading

- Monthly EBITDA realized was above plan due to increased operating efficiency and higher sales revenues.
- Generated sales revenues in October exceeded plan. Sales on the domestic market were in line with the budget, while revenues on foreign markets significantly outperformed the budget. The main reason of the revenue increase was the better realization of the brands Jana, Jana vitamin and Jana ice tea and the better goods rotation on efficiently placed positions.
- The month saw the start of the campaign Jana & Disney princesses in which Jana's design and packaging show six princesses from famous Disney movies, each with its respective values and messages to build the self-confidence and strength with little girls.
- With its brands Sky Cola and Sensation energy Jamnica sponsored the major Youtube event in the Adria region: the Yoomoos party in Zagreb organized by *24 sata* (local newspaper), with major influencers and youtube stars, followed by millennials and younger audience, as guests.
- Annual EBITDA generation has exceeded the budget, while sales revenues were slightly lower than planned.

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

### 2.3.2.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	783	854
EBITDA	55.7	48.9
EBITDA %	7.1%	5.7%

*\*NOTE: The results are estimated*

### 2.3.2.2. Commentary on recent trading

- Sales revenues in October were lower than budgeted. The coastal regions have met planned revenues, while the continental ones have reduced the gap to the budget and consolidated their market position.
- The monthly EBITDA generation was below budget as a consequence of lower sales revenues and higher distribution costs.
- Roto dinamic has won the award as Wholesaler of the Year for the best annual performance at the Croatian wine scene in 2018. The presentation of the awards was organized for the second year in a row by the company Vinart.
- Annual EBITDA generation has outperformed the budget, while sales revenues are below the budget with a positive trend in recent months.

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

### 2.3.3.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	296	307
EBITDA	67.7	67.4
EBITDA %	22.9%	21.9%

\* **NOTE:** The results are estimated

### 2.3.3.2. Commentary on recent trading

- Monthly EBITDA generation outperformed the budget as a result of increased operating efficiency, cost management and sales realization.
- Sales revenues in October exceeded the budget due to excellent sales on the domestic market.
- The cooperation with Warner Bros & DC Comics featuring the main characters of the Justice League Superheros franchise has contributed to the strenghtening and repositioning of the Sky Cola brand.
- Annual EBITDA is within the plan, while sales revenues are slightly below.



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

### 2.3.4.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	1,003	1,002
EBITDA	215.6	209.5
EBITDA %	21.5%	20.9%

*\*NOTE: The results are estimated*

### 2.3.4.2. Commentary on recent trading

- With the growth of sales revenues and operating cost management, EBITDA generation in October exceeded the budget.
- The marketing campaign „Frozen fresh“, aimed at increasing fish consumption through education and the extension of the ice cream season resulted in higher-than-planned monthly sales revenues.
- The market saw the launch of a new product from the pastry group – Nougat/Milk dumplings with double filling.
- Annual EBITDA generation has exceed plan, while sales revenues are within plan.

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

### 2.3.5.1. Financial results YTD and KPI's

Financial results*	I.- X. 2018 (HRK m)	I.- X. 2018 Plan (HRK m)
Revenue	278	267
EBITDA	62.1	60.2
EBITDA %	22.3%	22.6%

*\*NOTE: The results are estimated*

### 2.3.5.2. Commentary on recent trading

- Ledo Čitluk has continued to record good results in October. Monthly EBITDA generation exceeded plan as a result of higher sales revenues.
- The quality seasonal switch of assortment at points of sale and weekend promotions resulted in higher-than-planned sales revenues in October.
- Annual EBITDA and sales revenues have outperformed the budget.

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

### 2.3.6.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.- X. 2018 Plan (HRK m)
Revenue	722	727
EBITDA	187.0	156.2
EBITDA %	25.9%	21.5%

*\*NOTE: The results are estimated*

### 2.3.6.2. Commentary on recent trading

- Sales revenues in October have exceeded plan in the best selling product group categories: ice cream and fruit&vegetables. The significant growth trend of out-of-season ice cream consumption is still present. Total sales growth was generated by domestic market sales.
- The seasonal assortment switch at points of sale was conducted with numerous discounts offered to customers, resulting in lower-than-planned monthly EBITDA generation.
- EBITDA is significantly higher than planned for the period YTD, primarily as a result of increased operating efficiency, focusing on profitable product groups and the lower level of COGS, while sales revenues were slightly lower than planned.

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

### 2.3.7.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	595	577
EBITDA	62.2	54.2
EBITDA %	10.5%	9.4%

*\*NOTE: The results are estimated*

### 2.3.7.2. Commentary on recent trading

- October saw Zvijezda generate higher-than-planned EBITDA as a result of increased operating efficiency, cost management and higher sales revenues.
- Monthly sales revenues exceeded plan on the domestic and on foreign markets, both in the own product and merchandize segments.
- In preparation for the holiday shopping season, activities were initiated with key customers in the hard margarine, mayonnaise, delicatessen and canned vegetable categories – additional positioning and merchandizing, reflected in positive realization and meeting the budget.
- Zvijezda participated in the Healthy Living fair at Zagrebački velesajam (Zagreb Fair) with Zvijezda's functional line Omegol, which proudly bears the Vegan sign.

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

### 2.3.8.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	601	710
EBITDA	44.7	46.4
EBITDA %	7.4%	6.5%

**\*NOTE: The results are estimated**

### 2.3.8.2. Commentary on recent trading

- Monthly EBITDA has outperformed the budget as a result of lower COGS due to the significantly lower key raw material price and continues the positive trend of reducing the gap in annual EBITDA generation, which is lower than planned because of the strong price pressure on sunflower oil since the beginning of the year.
- Although the categories of industrial and soft margarine, mayonnaise, dressings, merchandise and sunflower meal have generated revenues within or above plan, due to the continued pressure on sunflower oil prices on the Serbian market total sales revenues in October were below budget.

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

#### 2.3.9.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	1,446	1,534
EBITDA	137.1	127.6
EBITDA %	9.5%	8.3%

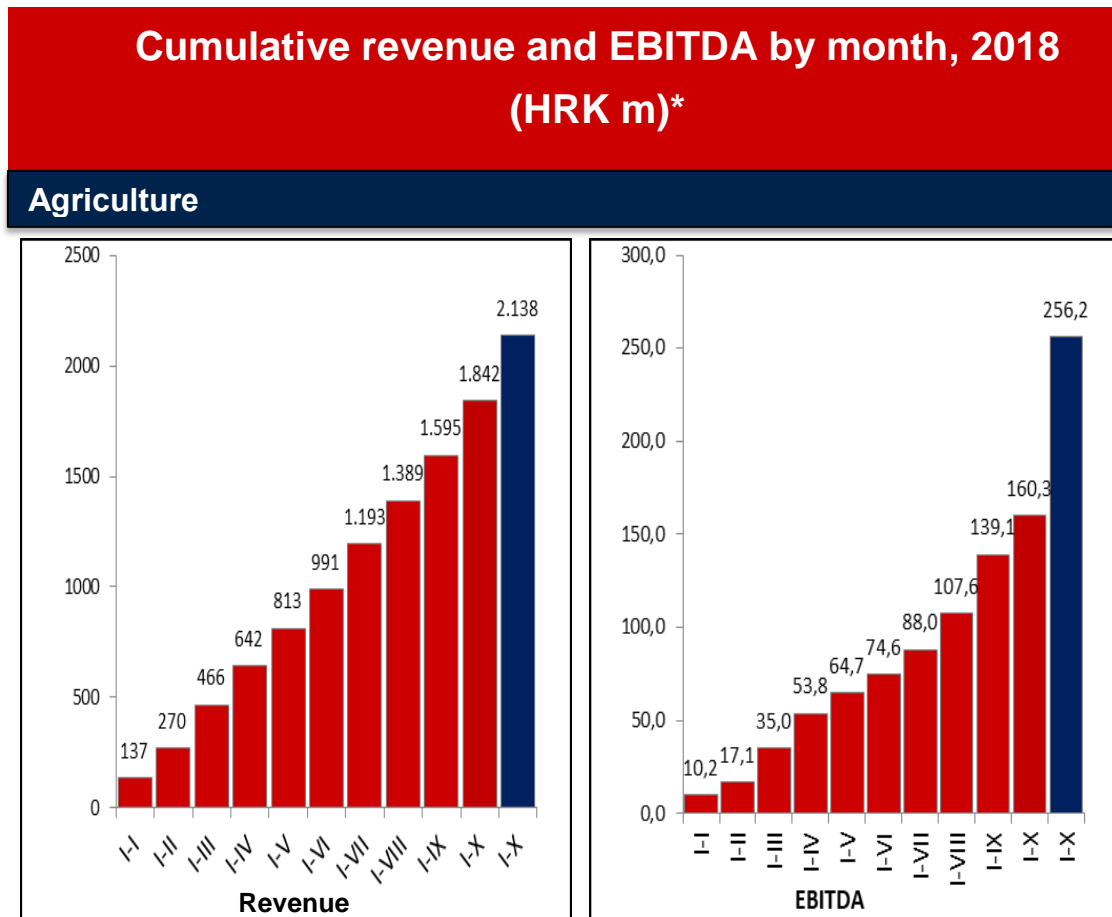
*\*NOTE: The results are estimated*

#### 2.3.9.2. Commentary on recent trading

- EBITDA generated in October exceeded plan, primarily due to increased efficiency in production and the ongoing cost management in all parts of the company.
- Monthly sales revenues were slightly lower than planned, still as a consequence of lower raw material price than planned.
- Annual EBITDA generation outperformed the budget, while sales revenues were lower than planned due to the lower raw material price.

## 2.4. Companies in the Agriculture segment

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



**\*NOTE: The results are estimated**

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

Cumulative YTD budget
  Cumulative YTD actual

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

### 2.4.1.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	1,054	1,195
EBITDA	127.7	196.2
EBITDA %	12.1%	16.4%

\*NOTE: The results are estimated

### 2.4.1.2. Commentary on recent trading

- Revenues from products and services generated in the current period are lower than planned, mainly due to the prices of finishers, semi-hard cheese and sugar beet which are significantly lower than the budgeted selling prices.
- Precisely because of the lower-than-planned selling prices of finishers, semi-hard cheese and sugar beet, EBITDA generated in the current period was lower than planned. The effect of the difference between the planned and realized prices amounted to HRK 22.0m on semi-hard cheese, HRK 30.9m on finishers and HRK 6.1m on sugar beet.
- The overall impact of the lower finisher, semi-hard cheese and sugar beet prices on EBITDA amounts to HRK 59.0m.
- Within the scope of the cost management system, including the costs of business processes as one of its significant aspects, the work on cost optimization has continued, which has resulted in lower costing price per product unit.
- Significant savings were made in raw material and production material costs, mainly due to lower input prices of raw materials for the animal feed production, agricultural crop seeds, plant protection chemicals and meat for the production of cured meat products.
- The establishment of a direct relationship with the suppliers has also resulted in lower input prices of animal feed components and packaging.



## 2.4.2. Companies in the Agriculture segment: PIK Vinkovci d.d.

### 2.4.2.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	573	673
EBITDA	14.5	3.8
EBITDA %	2.5%	0.6%

\*NOTE: The results are estimated

### 2.4.2.2. Commentary on recent trading

- Sales revenues generated in the current period lagged behind the budget by 15%. At the same time, the generated sales revenues have exceeded those for the same period last year by 49%.
- Sales revenues generated in the cereal crop sales segment exceeded plan by 19.6%, in soya meal sales by 36%, in sales of production materials – plant protection chemicals by 24% and in sales of cattle by 26%. Sales revenues in the fresh fruit & vegetables sales segment were 40% lower than planned and in sales of piglets 44% lower.
- The decrease in EBITDA was substantially affected by the drop in revenues from sales of piglets due to the piglet price drop on the relevant commodity exchanges and the consequently significantly lower selling price than planned, with the negative effect on EBITDA amounting to HRK 11.8m. One of the factors giving rise to the difference in EBITDA generation as against budget is the changed sales dynamics by month, expected to be levelled off by year end.
- October saw the continued trend of intensified trading activities and faster stock rotation with lower DIO. DPO and DSO have decreased compared to September. Payments and debt collection are realized within due dates.

### 2.4.3. Companies in the Agriculture segment: Vupik d.d.

#### 2.4.3.1. Financial results YTD and KPI's

Financial results*	I.-X. 2018 (HRK m)	I.-X. 2018 Plan (HRK m)
Revenue	215	270
EBITDA	18.1	56.2
EBITDA %	8.4%	20.8%

\*NOTE: The results are estimated

#### 2.4.3.2. Commentary on recent trading

- Over the first ten months of 2018 generated revenues from sales of products and services were below budget, mostly due to the very low selling price of finishers. The selling price of finishers in October dropped by 7% compared to the previous month.
- The corn harvest was completed, with revenue generated from selling 30% of the total yield of corn. October also saw revenues from sales of other crop and vegetable cultures (soybean, sugar beet and carrot).
- The company's aggregated EBITDA is lower than budgeted, due to the currently very low market value of finishers. The total aggregated effect of the difference between the planned and realized price of finishers amounts to HRK 24m.

### 3. Short-term cash position

#### 3.1. Cash management

The Group has continued to actively manage its liquidity, with the cash flow forecasts being updated on a fortnightly basis and the weekly/fortnightly payment plans being established on that basis. The requests of the Croatian companies within the Group for payments are being reviewed and approved for the purpose of making the payments. In the period since June 2017, when new funds for the financing were raised, until November 2018 net funds in the amount of HRK 902m have been deployed into the operating activities to support liquidity.

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

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

<b>Forecast for CW47 – short-term cash flow for 13 weeks for 19 major subsidiaries as against the previous week (in HRK m)</b>		
	<b>Current short-term cash flow (CW47)</b>	<b>Short-term cash flow in previous week (CW45)</b>
Minimum cash balance (13 weeks)	705	604
Maximum cash balance (13 weeks)	1,102	1,126
Minimum liquidity obligation	296	296
<b>Available liquidity</b>	<b>409 – 806</b>	<b>308 – 830</b>

#### **4. Extraordinary Administration costs and operating expenses of Agrokor d.d.**

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

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

Invoices are still credited and paid on an ad hoc basis, in accordance with the services provided and the agreed restructuring process timeline. All is in accordance to schedule. Even though we have an increase in advisor fees in October 2018, in comparison to September, this is primarily due to success fee amounts paid since all conditions precedent have been satisfied for fees to be incurred.

The total operating costs for the month of October 2018 were higher than in September 2018 and amounted to HRK 187.065.146,72 due to above mentioned reasons.

Overall, cumulatively for the entire period from April 10th 2017 until October 31st 2018, Agrokor's operating costs amounted to HRK 1,276 billion, out of which the restructuring, legal, financial and other consultants have a total cost of HRK 726 million.

The total number of employees at the end of October 2018 was 99, and no severance pay was paid in October 2018.

OPERATING COSTS of AGROKOR D.D.	Total IV-XII 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018	July 2018	August 2018	September 2018	October 2018	TOTAL
<b>Total cost of salaries and fees</b>												
Commissioner's fee	1.040.991,01 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	2.230.695,01 kn
Employees and service contracts (Bruto II included)	53.190.186,24 kn	4.068.203,14 kn	4.082.330,36 kn	4.167.885,89 kn	4.576.878,09 kn	4.413.913,99 kn	6.061.046,47 kn	4.352.340,00 kn	4.627.604,69 kn	4.578.779,07 kn	4.421.090,45 kn	98.540.258,39 kn
Severance payments	24.960.182,17 kn	0,00 kn	0,00 kn	452.128,27 kn	0,00 kn	82.550,00 kn	0,00 kn	412.310,01 kn	464.191,57 kn	0,00 kn	0,00 kn	26.371.362,02 kn
	<b>79.191.359,42 kn</b>	<b>4.187.173,54 kn</b>	<b>4.201.300,76 kn</b>	<b>4.738.984,56 kn</b>	<b>4.695.848,49 kn</b>	<b>4.615.434,39 kn</b>	<b>6.180.016,87 kn</b>	<b>4.883.620,41 kn</b>	<b>5.210.766,66 kn</b>	<b>4.697.749,47 kn</b>	<b>4.540.060,85 kn</b>	<b>127.142.315,42 kn</b>
<b>Consultant fees*</b>												
Legal	81.513.524,11 kn	10.391.395,89 kn	7.838.671,88 kn	11.097.443,03 kn	8.184.446,05 kn	75.126.321,95 kn	13.878.770,29 kn	12.239.695,97 kn	4.735.052,50 kn	6.335.214,81 kn	8.476.782,44 kn	239.817.318,92 kn
Financial	31.579.402,77 kn	3.685.063,68 kn	1.911.455,14 kn	386.072,05 kn	2.058.233,55 kn	15.898.809,10 kn	1.885.859,92 kn	63.536,36 kn	17.997,20 kn	0,00 kn	72.857.256,75 kn	130.343.686,52 kn
Restructuring	116.997.520,22 kn	12.588.286,37 kn	14.873.767,74 kn	14.507.483,01 kn	12.239.724,32 kn	18.973.150,12 kn	24.984.674,90 kn	18.657.881,02 kn	5.743.583,96 kn	18.239.888,85 kn	82.062.606,09 kn	339.868.566,60 kn
Other (forensics, HR)	9.847.447,10 kn	1.902.976,60 kn	989.393,25 kn	1.272.985,37 kn	0,00 kn	562.566,56 kn	1.195.032,08 kn	130.248,20 kn	0,00 kn	101.781,60 kn	0,00 kn	16.002.430,76 kn
	<b>239.937.894,20 kn</b>	<b>28.567.722,54 kn</b>	<b>25.613.288,01 kn</b>	<b>27.263.983,46 kn</b>	<b>22.482.403,92 kn</b>	<b>110.560.847,73 kn</b>	<b>41.944.337,19 kn</b>	<b>31.091.361,55 kn</b>	<b>10.496.633,66 kn</b>	<b>24.676.885,26 kn</b>	<b>163.396.645,28 kn</b>	<b>726.032.002,80 kn</b>
<b>Audit and tax services</b>	<b>6.386.934,91 kn</b>	<b>0,00 kn</b>	<b>1.141.457,22 kn</b>	<b>443.357,82 kn</b>	<b>443.365,93 kn</b>	<b>0,00 kn</b>	<b>53.458,57 kn</b>	<b>488.354,58 kn</b>	<b>0,00 kn</b>	<b>88.961,34 kn</b>	<b>0,00 kn</b>	<b>9.045.890,37 kn</b>
<b>Utilities costs</b>	<b>2.281.818,48 kn</b>	<b>195.547,28 kn</b>	<b>143.328,08 kn</b>	<b>270.253,80 kn</b>	<b>146.674,62 kn</b>	<b>237.542,67 kn</b>	<b>226.190,49 kn</b>	<b>339.406,90 kn</b>	<b>170.826,85 kn</b>	<b>258.440,71 kn</b>	<b>252.041,22 kn</b>	<b>4.522.071,10 kn</b>
<b>Material costs</b>												
Transportation costs (insurance, maintenance, fuel, etc.)	5.261.724,02 kn	218.024,19 kn	359.075,91 kn	385.198,84 kn	364.956,63 kn	391.548,79 kn	410.817,52 kn	221.306,55 kn	408.555,30 kn	434.495,01 kn	376.662,47 kn	8.832.365,23 kn
Ongoing maintenance	3.126.412,00 kn	417.521,49 kn	561.197,98 kn	408.148,12 kn	306.668,21 kn	414.841,72 kn	469.820,13 kn	731.948,30 kn	314.911,53 kn	532.500,07 kn	306.373,23 kn	7.590.342,78 kn
Other	4.732.845,16 kn	54.536,55 kn	39.846,03 kn	996.523,82 kn	1.445.142,27 kn	4.006.573,46 kn	147.029,76 kn	605.045,67 kn	598.807,53 kn	48.997,04 kn	-170.572,11 kn	12.504.775,18 kn
	<b>13.120.981,18 kn</b>	<b>690.082,23 kn</b>	<b>960.119,92 kn</b>	<b>1.789.870,78 kn</b>	<b>2.116.767,11 kn</b>	<b>4.812.963,97 kn</b>	<b>1.027.667,41 kn</b>	<b>1.558.300,52 kn</b>	<b>1.322.274,36 kn</b>	<b>1.015.992,12 kn</b>	<b>512.463,59 kn</b>	<b>28.927.483,19 kn</b>
<b>Insurance costs - management liability insurance</b>	<b>4.876.555,81 kn</b>	<b>0,00 kn</b>	<b>0,00 kn</b>	<b>0,00 kn</b>	<b>1.615.206,84 kn</b>	<b>764.863,45 kn</b>	<b>3.222.551,29 kn</b>	<b>0,00 kn</b>	<b>0,00 kn</b>	<b>36.311,86 kn</b>	<b>-269.201,14 kn</b>	<b>10.246.288,11 kn</b>
<b>Cost of new financing</b>	<b>47.018.273,11 kn</b>	<b>0,00 kn</b>	<b>0,00 kn</b>	<b>11.596.358,48 kn</b>	<b>1.794.011,22 kn</b>	<b>126,07 kn</b>	<b>2.097.404,14 kn</b>	<b>165.429.052,44 kn</b>	<b>0,00 kn</b>	<b>-38,02 kn</b>	<b>258,11 kn</b>	<b>227.935.445,55 kn</b>
<b>Travel costs / education</b>	<b>402.597,03 kn</b>	<b>38.734,57 kn</b>	<b>27.017,02 kn</b>	<b>52.219,05 kn</b>	<b>55.793,95 kn</b>	<b>77.631,92 kn</b>	<b>22.472,67 kn</b>	<b>23.146,85 kn</b>	<b>133.698,17 kn</b>	<b>92.924,98 kn</b>	<b>66.652,77 kn</b>	<b>992.888,98 kn</b>
<b>Other costs **</b>	<b>60.340.595,16 kn</b>	<b>2.189.994,17 kn</b>	<b>2.794.706,09 kn</b>	<b>3.986.711,12 kn</b>	<b>1.735.567,40 kn</b>	<b>11.482.037,53 kn</b>	<b>12.741.373,67 kn</b>	<b>7.805.230,01 kn</b>	<b>4.977.914,76 kn</b>	<b>6.332.925,56 kn</b>	<b>18.099.506,39 kn</b>	<b>132.486.561,86 kn</b>
<b>Amortization / Depreciation</b>	<b>4.758.083,49 kn</b>	<b>0,00 kn</b>	<b>905.558,98 kn</b>	<b>452.779,38 kn</b>	<b>452.917,49 kn</b>	<b>452.371,48 kn</b>	<b>454.997,85 kn</b>	<b>455.274,21 kn</b>	<b>528.055,57 kn</b>	<b>467.841,81 kn</b>	<b>466.719,65 kn</b>	<b>9.394.599,91 kn</b>
<b>Total (April adjusted for operating costs after 10/04/2017)**</b>	<b>458.315.092,79 kn</b>	<b>35.869.254,33 kn</b>	<b>35.786.776,08 kn</b>	<b>50.594.518,45 kn</b>	<b>35.538.556,97 kn</b>	<b>133.003.819,21 kn</b>	<b>67.970.470,15 kn</b>	<b>212.073.747,47 kn</b>	<b>22.840.170,03 kn</b>	<b>37.667.995,09 kn</b>	<b>187.065.146,72 kn</b>	<b>1.276.725.547,29 kn</b>

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

1. Total operating costs for the company Agrokor d.d. over the course of the Extraordinary Administration procedure (stated without adjustment for or deduction of costs for the period from 1 April 2017 to 10 April 2017) amount to HRK 1,304,590,824.21 (this is the SAP figure that includes the entire month of April 2017).
2. The total amount of operating costs stated in the table above is the best representation of operating costs of the company Agrokor d.d. since the activation of the Extraordinary Administration Procedure (total amount less costs for the first ten days of April). The amount of adjustment of HRK 27,865,276.91 kn pertains to the first ten days of April (operating costs for the period from 1 April to 10 April 2017).
3. \*Advisors' costs have been adjusted to state the portion of their costs with regards to the VAT regime in which Agrokor d.d. operates, ie. the pro-rata system. The stated amounts of costs have been adjusted for the unrecognized VAT amount, which is the best representation of actual operating costs.
4. \*Advisors' costs from May onwards include new consultants hired for the final stage of the process. These new consultants include McKinsey (for restructuring), PJT&FTI (for finance) and AKIN Gump (legal advisors).
5. \*\*Other costs include all other operating costs, ie. other supplier entries from SAP which have not been stated as a separate category in the operating cost table.
6. \*\*Consequently, the costs included are related to other suppliers not stated in the advisors' costs, ie. including suppliers after 10 April 2017 that are not stated under basic advisory fees (advisors' costs).
7. Due to the variable nature of the accounting entries it is possible for operating costs for a certain month to be entered with a delay in time or for some costs to be canceled, resulting in changes to the historic data. Agrokor d.d. states the actual operating costs at the point of preparing this report.
8. Subsequent entries or changes will be adjusted upon realization and may affect the data for the entire period under review, ie. the costs of individual periods from the past may be corrected/adjusted.
9. This operating cost report is prepared on a continuous basis on various dates in the month and hence the currency exchange rate may vary for the period under review. For the sake of convenience/easier analysis, the cost analysis model related to this report uses the exchange rate of 7.45 HRK/EUR for the entire period.
10. \*\*\* The data for Auditing and Tax Services have been revised for the entire Extraordinary Administration period, as they had erroneously included some costs which did not belong thereto and have now been reclassified, with the category „Auditing and Tax Services“ now only including the costs related thereto.
11. \*\*\* Pursuant to the above, the respective „yellow“ category is now the best representation of auditing and tax services for the entire Extraordinary Administration period.
12. The cost of financing for July 2018 includes a total of HRK 165.4m of costs related to the new financing.
13. The cost of D&O managers in September 2018 has been revised, ie. the manager insurance cost re-invoiced to the companies has been removed from the operating costs of Agrokor d.d. Consequently, the cost is actually lower than it was stated until including September 2018.
14. October operating costs include the success fees for certain suppliers who had such a fee agreed.

## 5. Litigation

In Serbia, regarding the litigation proceeding brought by Banca Intesa against Konzum, Jamnica and others (case no. P-3283/2017) the hearing scheduled for the 29 November 2018 has been postponed due to the motion of Banca Intesa that the financial expertise from other proceedings Banca Intesa vs. Agrokor (case no P-6465/17) should be used. The court noted that the financial expertise should be submitted by Banca Intesa in order to provide the opinion of the other party. The next hearing is scheduled for December 27th 2018.

Termination documents released from escrow were submitted to competent courts (all on 21 November) in the following temporary injunction cases (all brought by Sberbank of Russia): (i) case no. I 99/2017 ongoing before the Commercial Court in Belgrade – injunction over Ledo's shares in Frikom d.o.o; (ii) case no. li 1052/2017 Commercial Court in Belgrade – injunction over Konzum's shares in IDEA d.o.o.; (iii) case no. li 1053/2017 Commercial Court in Belgrade – injunctions over Agrokor's shares in KRON d.o.o. and M-profil d.o.o.; (iv) case no. li 51/2017 Commercial Court in Zrenjanin – injunction over Agrokor's shares in Dijamant a.d.; and (v) case no. R 111/2017 Commercial Court in Kraljevo – injunction over Agrokor's shares in Nova Sloga d.o.o;

In case no. R 111/2017 Commercial Court in Kraljevo rendered a decision dated 22 November 2018 by which the temporary injunction over Agrokor's shares in Nova Sloga Trstenik DOO was terminated (this decision is not yet final);

In case no li 51/2017 Commercial Court in Zrenjanin rendered a decision dated 23 November 2018 by which the temporary injunction over Agrokor's shares in Dijamant a.d. Zrenjanin was terminated (this decision is not yet final).

In Slovenia, in the injunction case (case no. Zg 32/2017 in front of District Court in Ljubljana), initiated by Sberbank of Russia, the commissioner filed a joint motion of the creditor and the debtor to terminate the proceeding. On 21 November 2018 the court issued the decision on termination of the proceeding and lifting of the injunction. The decision has become final, since both parties have waived their rights to file appeals.

In the enforcement case (case no. is VL 60340/2017) initiated by the creditor Sberbank banka d.d. (Ljubljana), the commissioner filed a joint motion of the creditor and the debtor to terminate the proceeding. We are expecting to receive the decision of the court on termination of the proceeding.

In Bosnia and Herzegovina, on 19 November 2018 the termination documents in cases pending before courts in Bosnia and Herzegovina were released.

On 27 November 2018 the decision of the second instance court in case Agrokor vs. Sberbank Ljubljana (65 0 lp 656163 17 lp) was received, by which the second instance court accepted Sberbank's appeal and returned the case to the first instance court for retrial. However, given that Agrokor filed joint motion for termination of this procedure, we are now expecting decision on termination of the proceeding by first instance court.

## **6. Interim Creditors' Council**

No session of the Interim Creditors' Council has been held in this reporting period.



## **7. Settlement Plan implementation**

In November 2018, further to the Settlement Plan confirmation by the High Commercial Court, the Agrokor Group has continued to work intensively on the implementation planning process. The primary focus of the Settlement Plan implementation planning process is still on the transfer of business units, out of which the transfer of assets, operational aspects and IT implementation are the most comprehensive parts.

### **1 Organizational Structure of the Settlement Plan Implementation**

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

Based on the implementation plans of the pilot companies Ledo and Konzum, the other non-viable companies subject to the Extraordinary Administration are preparing their implementation plans as well.

### **2 Status of Implementation Planning**

#### ***Project Coordination***

- The project is coordinated through fortnightly meetings of the steering/supervisory committee, weekly meetings of the central implementation management office, weekly meetings of the expert team and daily workshops and meetings with the project management teams at operating level. Moreover, weekly reports are prepared on the status of the implementation planning.

#### ***Implementation Plan Preparation***

- The implementation plan has been prepared through a number of operational meetings and workshops with the project teams, while their conclusions are considered at the meetings of the expert teams and the central implementation management office.
- Operating team workshops and meetings are conducted at the level of the key operational implementation segments: asset transfer, IT implementation, operations (sales and marketing, purchasing, logistics, production), accounting/finance/taxes, claims.
- Based on the implementation plan for Ledo and Konzum, the remaining non-viable companies are preparing their implementation plan by using a web-based project implementation management tool.

## **8. Stakeholder relations and communication**

The Extraordinary Administration has continued to pursue a systematic communication of its activities to all key stakeholders in this reporting period, having recorded an increased number of media queries, releases, statements and interviews.

One of the key activities of this reporting period was related to Trade Union relations. The Extraordinary Administration of Agrokor and the Managements Boards of its operating companies have closed an Agreement with the representative Trade Unions – signatories to the Collective Agreements at companies in the majority ownership of Agrokor in Croatia, providing for a 50 per cent higher Christmas allowance, with all Agrokor employees in Croatia to receive an allowance of HRK 1,500. The agreement has also confirmed a Christmas gift for children in the amount of up to HRK 600 per child, as well as gift packages and Christmas performances for over 9000 children. Thus the Agrokor Group will pay a total of over HRK 35m to its employees as the year end approaches, as a way to say thank you for their work and contribution.

Extraordinary Administration representatives actively participated in a number of business conferences on different topics. At the COMMference organized by the Croatian Public Relations Association, held on 6 and 7 December 2018, Extraordinary Commissioner Fabris Peruško took part in a panel discussion, its most important messages being the importance of quality communication and its organization within the scope of the entire Extraordinary Administration Procedure, as well as in the overall Agrokor Group operations.

The Extraordinary Commissioner and his Deputy also participated with their columns in the special edition of Jutarnji list „Business outlook 18/19“ and the Poslovni dnevnik Special, within the scope of which they announced their expectations related to the Agrokor Group operations.

Gordana Fabris, HR Advisor to the Extraordinary Commissioner, attended the panel „Ways of Motivating and Retaining Workers at Large Companies“, held within the scope of the conference organized by Poslovni dnevnik „How to Motivate Employees.“ Gordana Fabris also attended the conference held at the Croatian Employers' Association on 29 November 2018 under the title „Responsible Employers for Responsible Parenting“ in the joint organization of Jutarnji list and the Employed Mom Institute. The conference discussed the alignment of business and private life, pointing at what employers can do for their employees in order to make it easier for them to achieve such balance.

In the traditional selection of the business event and business person of the year, the expert jury of the daily newspapers Večernji list and Poslovni dnevnik selected the creditors' Settlement Plan at Agrokor as the most important business event in 2018.

This is yet another confirmation of the importance of the Extraordinary Administration Procedure, that prevented the collapse of the region's largest business system and achieved a settlement between creditors, proving that Croatia was able to give a timely and quality response to large business challenges. Additionally, the success of this process which goes to the credit of all its stakeholders, has positioned Croatia as a place on the European territory providing the legal framework for settlements of large creditors in major restructuring processes, which is an important business opportunity to be used.

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