

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

FOR THE PERIOD BETWEEN 11 JANUARY AND 10 FEBRUARY 2019

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

Contents

1. Executive Summary	3
2. State of companies under the Extraordinary Administration during the reporting period	4
3. Short-term cash position	5
3.1. Cash management	5
4. Extraordinary Administration costs and operating expenses of Agrokor d.d.	6
5. Litigation	10
6. Interim Creditors' Council	11
7. Settlement Plan Implementation	12
8. Stakeholder relations and communication	13

1. Executive Summary

This monthly report is related to the period from 11 January to 10 February 2019. It is intended to provide an update of the economic and financial situation in the Agrokor Group and report on the operating activities of the Extraordinary Administration as well as the overall business operations of Agrokor d.d. and some of its major companies.

The financial results of the companies for the year ended as at 31 December 2018 need to be audited, as was done last year. The audited results are expected to become available over the course of April 2019. In accordance with that, this report does not comprise the financial results of the 16 companies from three business segments: Retail and Wholesale, Food and Agriculture for the month of December 2018. The future reports shall, as was the case so far, state the monthly results for each of these companies over the course of 2019.

With the process of registering the new names of the future Agrokor Group mirror companies having been completed, the procedure of appointing the Management Boards/ Managing Directors of the new companies has started at the Commercial Court of Zagreb. The Management Boards / Directors of the mirror companies will at most of them remain the same as in the existing Group companies. Changes will only take place in several minor companies where individual Management Board Members / Directors have announced of their own accord that they would leave for other reasons.

Thus for example Konzum plus, Ledo plus, Jamnica plus, Belje plus etc. will continue to be run by the same Boards that manage the existing companies, as will be the case in the other companies of the Group that will follow the same logic. The procedure of appointing mirror companies' managements is one of the steps in the process of preparing the creditors' Settlement Plan implementation at Agrokor and is an important precondition for the mirror companies to become fully operational as at the implementation commencement date.

The process of preparing the implementation is in its final stage. The public announcement of the implementation commencement date is expected soon. As of that date the transfer of the business unit of Agrokor to the New Group will be completed, as the final stage of the Group's transformation in accordance with the arrangements made by the creditors in the Settlement Plan.

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

The financial results of the companies for the year ended as at 31 December 2018 need to be audited. The audited results are expected to become available during the course of April 2019. Accordingly, this report does not include the financial results for the month of December. The future reports shall state the monthly results for each of the companies during 2019, together with the monthly budgets and commentaries.

3. Short-term cash position

3.1. Cash management

The Group has continued to actively manage its liquidity, with the cash flow forecasts being updated on a fortnightly basis and the weekly/fortnightly payment plans being established on that basis. The requests of the Croatian companies within the Group for payments are being reviewed and approved for the purpose of making the payments. In the period since June 2017, when new funds for the financing were raised, until mid January 2019 net funds in the amount of HRK 703m have been deployed into the operating activities to support liquidity.

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

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

Forecast for CW5 – short-term cash flow for 13 weeks for 19 major subsidiaries as compared to the previous week (in HRK m)		
	Current short-term cash flow (CW5)	Short-term cash flow in previous week (CW3)
Minimum cash balance (13 weeks)	389	389
Maximum cash balance (13 weeks)	872	920
Minimum liquidity obligation	296	296
Available liquidity	93 – 576	93 – 624

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

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 Agrokor as at 31 December 2018, broken down by the type of cost, is presented in the operating costs table shown below. Expense categories for the period of extraordinary administration include the details of all advisors and all other operating expenses, regardless of whether they were engaged before or after the start of the extraordinary administration procedure, for the respective period.

Invoices are debited and paid on an ad hoc basis, in accordance with the services provided and the agreed restructuring process timeline. The total operating costs in December 2018 amounted to HRK 32,714,699.55. Total advisors' costs in December 2018 amounted to HRK 21,634,091.93.

The total headcount in December 2018 was 103, with no severance pay made in December.

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	November 2018	December 2018	TOTAL
Total cost of salaries and fees														
Commissioner's fee	1.040.991,01 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	118.970,40 kn	2.468.635,81 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	4.730.386,16 kn	4.774.676,44 kn	108.045.320,99 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	0,00 kn	0,00 kn	26.371.362,02 kn
	79.191.359,42 kn	4.187.173,54 kn	4.201.300,76 kn	4.738.984,56 kn	4.695.848,49 kn	4.615.434,39 kn	6.180.016,87 kn	4.883.620,41 kn	5.210.766,66 kn	4.697.749,47 kn	4.540.060,85 kn	4.849.356,56 kn	4.893.646,84 kn	136.885.318,82 kn
Consultant fees*														
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	5.646.250,31 kn	7.883.370,64 kn	253.346.939,86 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	0,00 kn	0,00 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	13.758.885,11 kn	13.750.721,29 kn	367.378.173,00 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	0,00 kn	0,00 kn	16.002.430,76 kn
	239.937.894,20 kn	28.567.722,54 kn	25.613.288,01 kn	27.263.983,46 kn	22.482.403,92 kn	110.560.847,73 kn	41.944.337,19 kn	31.091.361,55 kn	10.496.633,66 kn	24.676.885,26 kn	163.396.645,28 kn	19.405.135,42 kn	21.634.091,93 kn	767.071.230,14 kn
Audit and tax services	6.386.934,91 kn	0,00 kn	1.141.457,22 kn	443.357,82 kn	443.365,93 kn	0,00 kn	53.458,57 kn	488.354,58 kn	0,00 kn	88.961,34 kn	0,00 kn	0,00 kn	0,00 kn	9.045.890,37 kn
Utilities costs	2.281.818,48 kn	195.547,28 kn	143.328,08 kn	270.253,80 kn	146.674,62 kn	237.542,67 kn	226.190,49 kn	339.406,90 kn	170.826,85 kn	258.440,71 kn	252.041,22 kn	290.385,06 kn	268.227,67 kn	5.080.683,83 kn
Material costs														
Transportation costs (insurance, maintenance, fuel, etc.)	5.261.724,02 kn	218.024,19 kn	359.075,91 kn	385.198,84 kn	364.956,63 kn	391.548,79 kn	410.817,52 kn	221.306,55 kn	408.555,30 kn	434.495,01 kn	376.662,47 kn	447.527,17 kn	342.818,59 kn	9.622.710,99 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	549.859,85 kn	284.188,53 kn	8.424.391,16 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	224.453,98 kn	324.010,89 kn	13.053.240,05 kn
	13.120.981,18 kn	690.082,23 kn	960.119,92 kn	1.789.870,78 kn	2.116.767,11 kn	4.812.963,97 kn	1.027.667,41 kn	1.558.300,52 kn	1.322.274,36 kn	1.015.992,12 kn	512.463,59 kn	1.221.841,00 kn	951.018,01 kn	31.100.342,20 kn
Insurance costs - management liability insurance	4.876.555,81 kn	0,00 kn	0,00 kn	0,00 kn	1.615.206,84 kn	764.863,45 kn	3.222.551,29 kn	0,00 kn	0,00 kn	36.311,86 kn	-269.201,14 kn	0,00 kn	0,00 kn	10.246.288,11 kn
Cost of new financing	47.018.273,11 kn	0,00 kn	0,00 kn	11.596.358,48 kn	1.794.011,22 kn	126,07 kn	2.097.404,14 kn	165.429.052,44 kn	0,00 kn	-38,02 kn	258,11 kn	0,00 kn	0,00 kn	227.935.445,55 kn
Travel costs / education	402.597,03 kn	38.734,57 kn	27.017,02 kn	52.219,05 kn	55.793,95 kn	77.631,92 kn	22.472,67 kn	23.146,85 kn	133.698,17 kn	92.924,98 kn	66.652,77 kn	89.718,38 kn	42.270,76 kn	1.124.878,12 kn
Other costs **	60.340.595,16 kn	2.189.994,17 kn	2.794.706,09 kn	3.986.711,12 kn	1.735.567,40 kn	11.482.037,53 kn	12.741.373,67 kn	7.805.230,01 kn	4.977.914,76 kn	6.332.925,56 kn	4.930.294,24 kn	-231.906,15 kn	4.457.943,28 kn	123.543.386,84 kn
Amortization / Depreciation	4.758.083,49 kn	0,00 kn	905.558,98 kn	452.779,38 kn	452.917,49 kn	452.371,48 kn	454.997,85 kn	455.274,21 kn	528.055,57 kn	467.841,81 kn	466.719,65 kn	467.103,60 kn	467.501,07 kn	10.329.204,58 kn
Total (April adjusted for operating costs after 10/04/2017)**	458.315.092,79 kn	35.869.254,33 kn	35.786.776,08 kn	50.594.518,45 kn	35.538.556,97 kn	133.003.819,21 kn	67.970.470,15 kn	212.073.747,47 kn	22.840.170,03 kn	37.667.995,09 kn	173.895.934,57 kn	26.091.633,87 kn	32.714.699,55 kn	1.322.362.668,56 kn

Adjustment for April - first 10 days before extraordinary management:

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 1,350,227,945.48 (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 activation of the Extraordinary Administration Procedure (total amount less costs for the first ten days of April). The amount of adjustment of HRK 27,865,276.91 pertains to the first ten days of April (operating costs for the period from 1 April to 10 April 2017).
3. * Advisors' costs have been adjusted to state the portion of their costs with regards to the VAT regime in which Agrokor d.d. operates, 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. The amount can be negative due to credit notes or exchange rate, depending on the period.
6. ** Consequently, included are the costs related to other suppliers not stated in the advisors' costs, 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 fixed exchange rate of 7.45 HRK/EUR for the entire period.
10. *** The data for Auditing and Tax Services have been revised for the entire Extraordinary Administration period, as they had erroneously included some costs which did not belong thereto and have now been reclassified, with the category „Auditing and Tax Services“ now only including the costs related thereto.
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 agreed such fee.
15. Agrokor d.d. operating costs are set in line with the costs as at the day of preparing the report. All subsequent entries may change the position by individual group of costs. The Accounting Department is taking care for the total operating cost stated to be divided into the given cost distribution categories.

16. The operating costs are exclusive of the accounts 45400000 to 45499999 – value adjustments (account of write-off of other financial assets), amounting in 2018 to HRK 84,900,536.93, which indicates that accounts 40000000 to 49999999 totalled HRK 991,563,217.56 in 2018, with operating costs in 2018 amounting to HRK 906,662,680.63.

17. It is important to note that entries for the year 2018 are still under way, with the stated operating costs related to the day of preparing this report, which is in accordance with the SAP data as at 4 February 2019.

5. Litigation

In Bosnia and Herzegovina, the following new developments in relation to litigations occurred in January 2019:

- i) In case no. 49 0 Ip 040938 19 Ip2 Municipal court in Kiseljak rendered a decision dated January 23, 2019 by which Sberbank's Zagreb enforcement proceeding over Jamnica shares in Kiseljak was terminated;
- ii) In case no. 49 0 Ip 040942 19 Ip2 Municipal court in Kiseljak rendered a decision dated January 23, 2019 by which Sberbank's Ljubljana enforcement proceeding over Jamnica shares in Kiseljak was terminated;
- iii) On January 28, 2019 Municipal court in Kiseljak sent notifications to Register of Securities of Federation of Bosnia and Herzegovina, ordering deletion of the registered pledges over Jamnica's shares in Sarajevski Kiseljak d.d. Kiseljak. Awaiting Register's decision.

The new developments in relation to litigations in Serbia for January 2019 are following:

- i) In the case no. P – 6465/2017 (Banca Intesa against Agrokor) - hearing that was scheduled for 28 January 2019 was postponed due to the procedural reasons. Next hearing is scheduled for 8th March 2019.
- ii) On 11 January 2019 BRA enacted the decision no. BD 1053/2019, by which the notice on the temporary injunction imposed by Commercial Court in Kraljevo in case no. R 111/2017 is removed.
- iii) On 28 December 2018 BRA enacted a couple of decisions on removal / change of notices on temporary injunctions, as follows: (a) decision no. BD 122152/2018 in relation to notice imposed in case no. I 99/2017 by Commercial Court in Belgrade against Ledo d.d. shares in Frikom d.o.o.; (b) decision no. BD 122153/2018 in relation to notice imposed in case no. li 1052/2017 by Commercial Court in Belgrade against Konzum d.d. shares in IDEA d.o.o.; and (c) decision no. BD 122151/2018 in relation to notice imposed in case no. li 1053/2017 by Commercial Court in Belgrade against Agrokor d.d. shares in KRON d.o.o.

The appeal can be filed against the above decisions within 30 days deadline commencing as of the day of publishing of such decision at the BRA. It seems likely that decisions enumerated under point (iii) above are now final, as no appeal was filed within the relevant deadline.

6. Interim Creditors' Council

No session of the Interim Creditors' Council was held over the course of the reporting period.

7. Settlement Plan Implementation

In January 2019 the Agrokor Group continued to pursue intensive activities in the process of planning the Settlement Plan implementation. In all the key pillars of planning the implementation, comprising legal implementation, operational implementation, IT implementation and implementation in the areas of accounting/finance/taxes, final planning activities are under way.

1. Organizational structure of the Settlement Plan implementation

The Settlement Plan implementation process is organized through the Project Management Office of the Group which, together with the expert teams, the project teams at operating companies' level and the advisors, runs and develops the Settlement Plan Implementation Schedule.

2. Implementation Planning Status

Project coordination

- In January 2019 the agreed coordination of the entire project has continued through steering committee meetings, meetings of the central implementation management office, expert team meetings as well as workshops and meetings with the project management teams at operational level.

Implementation Plan Preparation

- The non-viable companies, envisaged to undergo a process of business unit transfer to the new mirror companies, are in the process of finalizing their implementation plans based on the implementation plans prepared at Ledo and Konzum.
- Within the scope of the legal aspects of planning the Settlement Plan implementation the final preparations for implementations are under way, with the conditions precedent to the Settlement Plan (the binding tax opinions of the Croatian and Dutch tax authorities) having been received.
- The process of planning the transfer of various types of the companies' assets is in its final stage. It comprises coordination activities with state authorities which have continued over the course of January.

8. Stakeholder relations and communication

Over the course of this reporting period the Extraordinary Administration continued the trend of intensive and systematic communication and proactive management of all key stakeholder relations. The most important communication activities over the course of this reporting period were focused on the communication support to the Settlement Plan implementation.

Agrokor's Extraordinary Commissioner Fabris Peruško attended Mercator's conference in Ljubljana „Challenges of the Future“, where the basic guidelines were presented for the further development of the company which celebrates its 70th anniversary this year. Within the scope of his speech he explained the sequence of events related to the Settlement Plan implementation and the specific steps in this process related to Mercator and pointed out the importance of working together with the business partners and suppliers. The host of this event which assembled a great number of Mercator's employees and suppliers was Tomislav Čizmić, CEO of Mercator, who stressed the importance of collective efforts in accomplishing good business results. The conference was also attended by Zdravko Počivalšek, Minister of Economic Development and Technology of the Republic of Slovenia who in his short speech addressed the importance of Mercator for its employees, their families, suppliers and the entire food industry in Slovenia.

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