

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

FOR THE PERIOD BETWEEN 11 OCTOBER AND 10 NOVEMBER 2018

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

Contents

1. Executive Summary.....	3
2. State of companies under the Extraordinary Administration during the reporting period	5
2.1. Agrokor Group.....	7
2.2. Companies in the Retail and Wholesale segment	8
2.2.1. Companies in the retail and wholesale segment: Konzum d.d.	9
2.2.2. Companies in the retail and wholesale segment: Konzum BiH	10
2.2.4. Companies in the retail and wholesale segment: Velpro-Centar d.o.o.	12
2.3. Companies in the Food segment	13
2.3.1. Companies in the Food segment: Jamnica d.d.	14
2.3.2. Companies in the Food segment: Roto dinamic d.o.o.	15
2.3.3. Companies in the Food segment: Sarajevski Kiseljak d.d.	16
2.3.4. Companies in the Food segment: Ledo d.d.	17
2.3.5. Companies in the Food segment: Ledo Čitluk d.o.o.	18
2.3.6. Companies in the Food segment: Frikom d.o.o.	19
2.3.7. Companies in the Food segment: Zvijezda d.d.....	20
2.3.8. Companies in the Food segment: Dijamant a.d.....	21
2.3.9. Companies in the Food segment: PIK Vrbovec d.d.....	22
2.4. Companies in the Agriculture segment	23
2.4.1. Companies in the Agriculture segment: Belje d.d.....	24
2.4.2. Companies in the Agriculture segment: PIK Vinkovci d.d.....	25
2.4.3. Companies in the Agriculture segment: Vupik d.d.....	26
3. Short-term cash position.....	27
3.1. Cash Management.....	27
4. Costs of the Extraordinary Administration and operating costs of Agrokor d.d.	28
5. Litigation	31
6. Temporary Creditors' Council	32
7. Settlement Plan implementation	33
8. Stakeholder relations and communications.....	35

1. Executive Summary

This monthly report covers the period from 11 October to 10 November 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.

Over the course of I-IX/2018 the total operating profit of the Agrokor Group exceeded the budgeted values by HRK 18.5m and amounted to a total of HRK 1,612m. The highest operating profits of more than HRK 1bn were generated in the Food segment, while Konzum, with EBITDA of HRK 399.7m, is the driver of operating profit in the Retail segment. Just as in the previous months, due to lower prices of finishers and semi-hard cheese, the revenue and operating profit in the Agriculture segment were below the budget. However, continuous efforts have been exerted in cost optimization, resulting in lower costing price per unit of product, with additional higher-than-budgeted quantities in sales realized in some segments.

Companies in the Retail segment generated HRK 10,083m in revenue, out of which only Konzum accounts for HRK 6,748m. It has thus outperformed the nine-months budget by 0.6 per cent. At the same time, sales revenues in Konzum's major area of operations, retail, exceeded budget by 4 per cent on an annual basis.

The key event of the reporting period is the Settlement Plan confirmation by the High Commercial Court of Zagreb. In the Extraordinary Administration Procedure over Agrokor and its subsidiary and affiliated companies the High Commercial Court passed a ruling in which it rejected or dismissed all creditors' appeals against the ruling of the Commercial Court of Zagreb dated 6 July 2018 which confirmed the Settlement Plan adopted by creditors in the Extraordinary Administration Procedure.

The regularity and lawfulness of the contested ruling were examined by individually assessing and analyzing the 87 appeals lodged and the Chamber ruled that the appeals were partly unfounded and partly inadmissible. The High Commercial Court decided that neither in the procedure that preceded the passing of the ruling which confirmed the Settlement Plan nor in the passing itself any material breaches of procedure were committed, as well as no breaches with regards to the subject matter as indicated by some creditors – appellants.

With the confirmation by the High Commercial Court the creditors' Settlement Plan has become final and non-appealable. The High Commercial Court has thus fully confirmed the lawfulness of the procedure of achieving and adopting the creditors' Settlement Plan, in all of its stages. With this ruling one of several conditions precedent to the implementation of the Settlement Plan has been met, eventually making sure for the creditors to manage the company.

At the 23rd session of the Temporary Creditors' Council held on 30 October, 2018 all Members of the Council were informed of the effectiveness of the Settlement Plan. At the session the Extraordinary Administration also presented the operating results of the Agrokor Group.

Of other important developments in the reporting period, the one to be singled out is the recognition of the Extraordinary Administration Procedure and the Settlement Plan of Agrokor and its affiliated companies in the United States by the US Bankruptcy Court. In particular, the US Court has in the Chapter 15 Procedure (international insolvency proceedings) issued a written opinion confirming the recognition of the Extraordinary Administration Procedure and the Settlement Plan in the United States. In this Opinion the Court approved Agrokor's request for recognition to a greater extent than initially decided at the hearing, accepting Agrokor's request to recognize the Settlement Plan in full and explicitly including the part of the Settlement Plan that affects the debt of Agrokor and its affiliated companies which is subject to English law. Such full recognition provides legal protection both from initiating any other debt recovery proceedings in the US and from any debt recovery requests against Agrokor and its affiliated companies on their assets located in the US. By the ruling of the US Bankruptcy Court the Settlement Plan becomes effective in the US once it is final and non-appealable in the Republic of Croatia, which was achieved on 18 October 2018 when the High Commercial Court of Zagreb confirmed the Settlement Plan and publicly announced it on 26 October 2018.

The aforesaid recognition of the Extraordinary Administration Procedure before the US courts is yet another of a number of international confirmations of the Extraordinary Administration Procedure over Agrokor. In particular, the High Court of England and Wales on 9 November 2017 accepted the Act on Extraordinary Administration Proceedings in Companies of Systemic Importance to the Republic of Croatia as insolvency proceedings recognized in England and Wales. The same was done by the Swiss court on 2 February, 2018 for the territory of Switzerland. It is particularly important that the said Act, together with the Bankruptcy Act, has in July 2018 by Directive of the European Parliament and the European Council been listed among the national laws recognized as insolvency proceedings on the entire EU territory. Prior to that the Constitutional Court of the Republic of Croatia on 8 May 2018 decided that the said Act was in compliance with the Constitution of the Republic of Croatia.

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-IX/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.

January - September 2018 performance*

HRK m	Retail and wholesale	Food	Agriculture
Revenue	10,083m	6,304m	1,595m
EBITDA (before management fee)	398.3m	1,074.8m	139.1m
EBITDA %	3.9%	17.0%	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 segments

The monthly budget allocation for 2018 has been prepared.

- **Retail and Wholesale** includes summarized results for four companies:
 - Retail: Konzum Croatia, Tisak, Konzum BiH
 - Wholesale: Velpro centar
- **Food** includes summarized results for nine companies:
 - Drinks – Jamnica, Roto dinamic, Sarajevski kiseljak
 - Ice cream and frozen food – Ledo, Frikom, Ledo Čitluk
 - Edible oil – Zvezda, 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 18.5m.

The Retail and Wholesale segment has recorded lower-than-budgeted revenue, but the positive effects of the restructuring process, both in September and aggregated for the year, resulted in lower-than-planned operating costs and higher aggregated EBITDA for the year than planned.

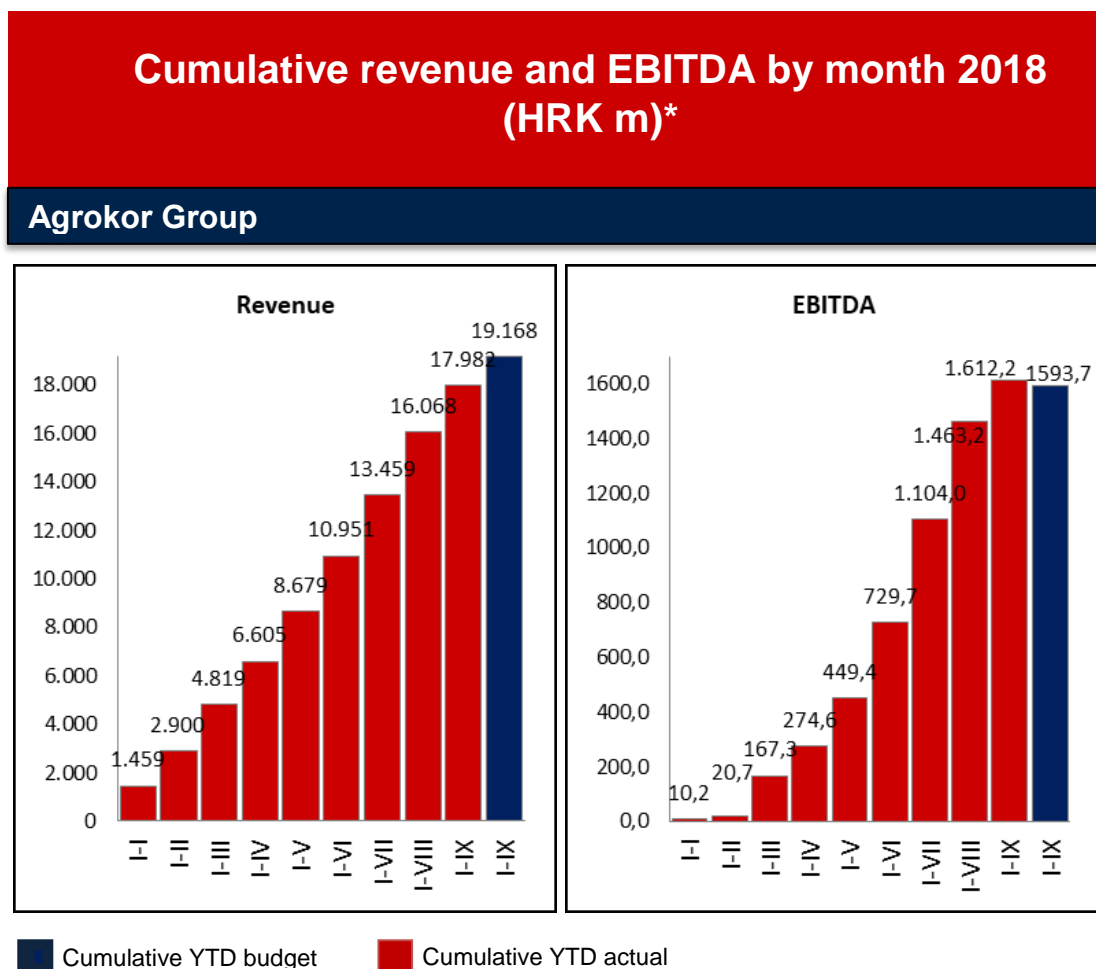
The Food segment has continued the trend of generating positive results in September; operating profit (EBITDA) outperformed the budget, with slightly lower sales revenues than planned. The quality combination of sales and marketing activities, improved operating efficiency and the extended tourist season had a positive effect on the results of the business sub-segments Frozen Food and Drinks, with EBITDA exceeding budget. In spite of the lower revenues resulting from the continued pressure on sunflower oil prices, due to the improved operating efficiency, cost control and lower COGS the Edible Oil sub-segment was able to outperform the budgeted EBITDA.

The Agriculture segment continued to lag behind the budgeted revenues in September due to the continued trend of decreasing pork prices on the European commodity exchange and the ongoing drop of semi-hard cheese prices. The intensification of other activities successfully reduced the impact of the price drop on operating revenues, with the decline in operating profit against budget still present. The activities on cost optimization and control have been intensified in order to additionally set off the impact of the price drop.

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 (*Drinks* – 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.



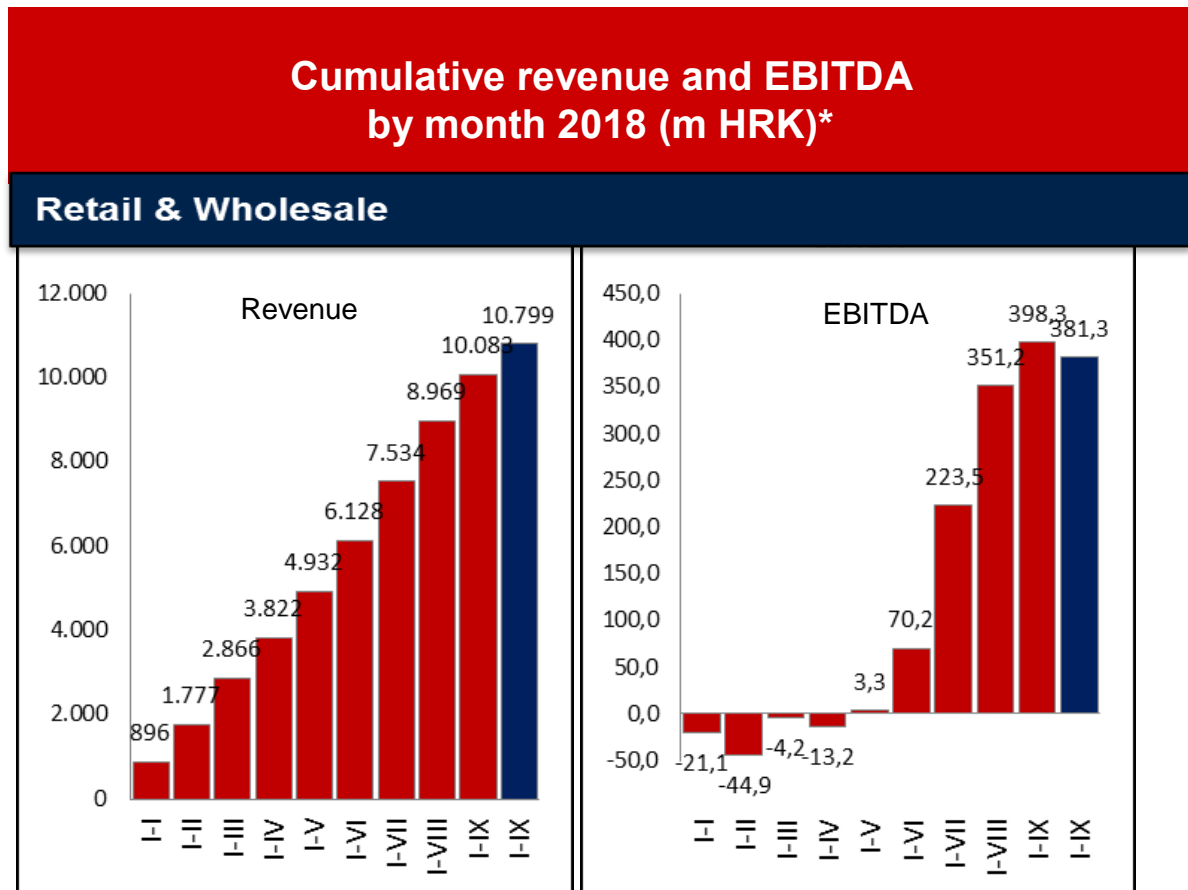
***NOTE: All results are estimated**

The Agrokor Group includes summarized results for 16 companies:

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

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.



*NOTE: All results are preliminary.

Includes the summarized results of four companies:

- Retail: Konzum Croatia, Konzum B&H, Tisak
- Wholesale: Velpro centar

■ 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. - IX. 2018. (m HRK)	I. - IX. Plan 2018. (m HRK)
Revenue	6,748	6,704
EBITDA	399.7	274.3
EBITDA %	5.9 %	4.1%

**NOTE: All results are estimated*

2.2.1.2. Commentary on recent trading

- Sales revenues for I-IX/2018 exceeded budget by 0.6%. Sales revenues in Konzum's major area of operations, retail, outperformed budget by 4.0% on an annual level.
- The number of transactions and the average basket value in September were higher than expected, continuing the positive trend that started earlier this year by strong promotion activities and quality supply and assortment. This increase has resulted in revenue exceeding budget both in September as well as aggregated for the year.
- Higher revenues than planned and the strict monitoring and reduction of operating costs resulted in higher-than-budgeted EBITDA in September, just like in the previous months. EBITDA margin cumulatively outperformed budget by 1.83 p.p.
- In late August Konzum introduced the loyalty program called „Zdravoljupci“ (Health Lovers). This loyalty program has proved to be one of the best ever implemented and organized, given the positive reactions and the beginning of a new healthy food trend among children and adults. The „Zdravoljupci“ YouTube video clip is the most viewed Konzum YouTube video with more than 3.2 million views and since the beginning of the program more than 450 thousand plush toys have been 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.-IX. 2018. (m HRK)	I. - IX. Plan 2018. (m HRK)
Revenue	960	1,072
EBITDA	-16.0	9.6
EBITDA %	-1.7%	0.9%

**NOTE: All results are estimated*

2.2.2.2. Commentary on recent trading

- Total aggregated sales revenues for the year were below budget. The causes of underperformance are many, with the following having the greatest impact: inadequate assortment and poor inventory management in the previous period.
- Accumulated relative gross margin is within plan. The absolute margin is lower due to lower-than-budgeted revenue generation.
- Accumulated costs are higher than planned. Among other costs and expenses, September has seen a write-off of stored goods (regular listing and evaluation of merchandize inventories), which accounts for 16% of total costs and expenses for the month.
- The generated EBITDA has improved in a year-on-year comparison, but due to the lower revenue generation and increased cost it is lower than planned.
- Over the course of September various promotional and marketing activities took place, the following of which can be singled out:
 - Third wave of the campaign „With the neighbor“ – the new wave under the title „Good promotions are directed by Konzum“ started on 26 September.
 - At the beginning of October a new concept of promotional activities was implemented. The change of concept has had a significant positive impact on realization, both in terms of promotion performance and in terms of total turnover for 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.-IX. 2018. (m HRK)	I.-IX. Plan 2018. (m HRK)
Revenue	1,490	1,671
EBITDA	25.5	52.7
EBITDA %	1.7%	3.2%

*NOTE: All results are estimated

2.2.3.2. Commentary on recent trading

- In September 2018 the budgeted EBITDA has not been achieved in all segments. The difference in retail arises from non-invoiced revenues generated in August and in the wholesale and logistics segments there is still no sufficient improvement in order to meet the budget.
- Revenues generated in September 2018 were lower than budgeted. However, retail as the largest operating segment of Tisak was at the planned level in September, just as in the previous months (particularly since March 2018). Lower revenues were generated in the wholesale segment, given that the extension of the sales assortment has not taken place.
- Operating costs in September were higher than planned. This is due to the fact that the planned savings were partly not realized.
- September 2018 saw positive EBITDA of HRK 2.6 million, which is better than the EBITDA achieved in June 2018 and significantly better than the EBITDA achieved in September 2017 of negative HRK 2.6 million. This indicates that Tisak can positively operate in the post-seasonal part of the year. In addition, the cumulative EBITDA realized in the period from January to September 2018 amounts to HRK 25.5 million, which is an important improvement compared to the comparable period of the previous year when it amounted to negative HRK 14 million.

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.-IX. 2018. (m HRK)	I.-IX. Plan 2018. (m HRK)
Revenue	885	1,352
EBITDA	-10.9	44.7
EBITDA %	-1.2%	3.3%

*NOTE: All results are estimated.

2.2.4.2. Commentary on recent trading

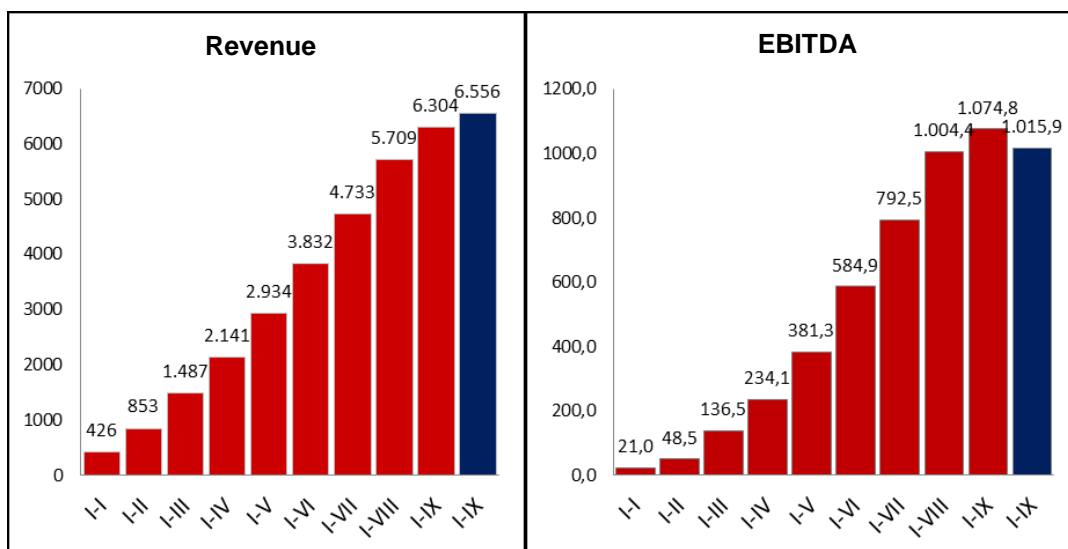
- Both in September and cumulative for the year revenues have lagged behind budget due to the uncertainty on the market and the intentional reduction of the share of customers with lower profitability in the turnover realization, as well as the focus on a faster collection of receivables.
- September has seen provisions for costs and unused vacation, resulting in higher costs with a consequential impact on EBITDA. Aggregated EBITDA is still below budget, mainly due to revenues being lower than budgeted.
- In terms of relative EBITDA, it is still lagging behind the budget while the aggregated relative EBITDA has come closer to positive values. EBITDA for 2017 amounted to HRK -71.1 million, while in 2018 it amounted to HRK -10.8 million, which is improvement of HRK 60.3 million.
- The most significant operating activities during the reporting month:
 - New marketing campaign (radio and printed media) planned for Q4
 - Focus on and stronger promotional activities for various customer 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. (m HRK)*

Food



Includes the summarized results of nine companies:

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

* **NOTE: All results are estimated.**

■ 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.-IX. 2018. (HRK m)	I.-IX. 2018. Plan (HRK m)
Revenue	1,050	1,071
EBITDA	270.4	267.4
EBITDA %	25.8%	25.0%

**NOTE: All results are estimated*

2.3.1.2. Commentary on recent trading

- Monthly EBITDA and sales revenues realized outperformed the budget as a result of a quality mix of sales and marketing activities and the extended tourist season.
- September saw the launching of Sensation Energy Drink, a new extension of the popular brand in the energy drink segment. Sensation energy comes in two flavors: classic and lime-kiwano. The launching was supported by activities and materials at points of sale as well as a digital campaign intended for the younger target group.
- Jamnica has continued with the activities regarding the celebration of its 190th anniversary. September saw the start of a prize game on its FB profile with excellent results already in the first weeks and numerous commendations received from consumers, who sent their archive photos with our Jamnica as the main 'character' of many family get-togethers, gatherings and celebrations.
- For its digital project „Deepest Instagram Profile“ the Jana brand has won two prestigious regional awards (BalCannes and SoMo fighter) at the Weekend Media Festival held in September in Rovinj.

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.-IX. 2018. (HRK m)	I.-IX. 2018.Plan (HRK m)
Revenue	721	790
EBITDA	55.6	48.4
EBITDA %	7.7%	6.1%

**NOTE: All results are estimated*

2.3.2.2. Commentary on recent trading

- Sales revenues in September were below budget. The regions of Dalmatia and Istria and Kvarner outperformed the budgeted sales revenues, while the other regions were not able to meet the budgeted revenues.
- The generated monthly EBITDA lagged behind budget due to changed sales and accounting policies of the company, while annual operating profits outperformed the budgeted values.

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.-IX. 2018. (HRK m)	I.-IX. 2018. Plan (HRK m)
Revenue	272	284
EBITDA	62.6	62.5
EBITDA %	23.0%	22.0%

**NOTE: All results are estimated*

2.3.3.2. Commentary on recent trading

- The generated monthly EBITDA exceeded budget as a result of improved operating efficiency, cost control and realized sales.
- Sales revenues in September were in line with the budget, on both the local and the export markets.
- Due to the quality confirmed by retailers from Bosnia and Herzegovina, Sarajevski kiseljak, Sensation, Jana and Jana Ice Tea have won the title of „must have“ brands that any well-stocked store in Bosnia and Herzegovina was supposed to have on its shelves in the 2018/2019 season. The *Must-have 100* research is conducted by the Nielsen agency, with retailers from all over Bosnia and Herzegovina selecting the top products out of the offered 400 brands used on average in a household, via online questionnaire.

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

2.3.4.1. Financial results YTD and KPI's

Financial results*	I.-IX. 2018. (HRK m)	I.-IX. 2018. Plan (HRK m)
Revenue	952	954
EBITDA	219.0	214.2
EBITDA %	23.0%	22.4%

**NOTE: All results are estimated*

2.3.4.2. Commentary on recent trading

- Sales revenues in September were slightly below budget on the local market, which was mitigated by the favorable weather conditions that have extended the ice cream selling season, as well as by increased sales on foreign markets.
- The monthly EBITDA was lower than budgeted due to increased logistics and distribution costs and higher salaries for part of the employees. Aggregated EBITDA exceeds budget.

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

2.3.5.1. Financial results YTD and KPI's

Financial results*	I.- IX. 2018. (HRK m)	I.- IX. 2018. Plan (HRK m)
Revenue	264	255
EBITDA	61.4	59.6
EBITDA %	23.2%	23.4%

**NOTE: All results are estimated*

2.3.5.2. Commentary on recent trading

- Sales revenues generated in September outperformed budget as a result of intensified marketing activities and weekend promotions, continued activities with customers and favorable weather conditions which had a positive impact on ice cream consumption.
- Monthly as well as annual EBITDA have exceeded 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.-IX. 2018. (HRK m)	I.- IX. 2018. Plan (HRK m)
Revenue	688	695
EBITDA	194.4	159.0
EBITDA %	28.3%	22.9%

**NOTE: All results are estimated*

2.3.6.2. Commentary on recent trading

- The monthly EBITDA was significantly higher than planned, both for the month and for the YTD period, primarily as a result of improved operating efficiency, focusing on profitable product groups and lower COGS.
- September saw an increase in sales revenues, primarily due to the growth in the ice cream category and improved sales of frozen fruit and vegetables on the local market.

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

2.3.7.1. Financial results YTD and KPI's

Financial results*	I.-IX. 2018. (HRK m)	I.-IX. 2018. Plan (HRK m)
Revenue	533	519
EBITDA	57.3	50.0
EBITDA %	10.7%	9.6%

**NOTE: All results are estimated*

2.3.7.2. Commentary on recent trading

- The monthly EBITDA exceeded budget as a result of improved operating efficiency and cost management.
- Sales revenues in September were lower than budgeted as a result of weaker sales on the local market, while at the same time exports have seen a continuous growth, particularly on the two major markets: Bosnia and Herzegovina and Slovenia.
- Since September Zvijezda mayonnaise, margarine, oil and vinegar are available to US customers through Walmart, the world's largest retail chain with 11 thousand stores in 27 countries and online sales in 10 countries. The listing of Zvijezda's products in Walmart stores is a recognition of the strategy based on which Zvijezda enters export markets with its own brands through the largest respective chains on the national markets.
- Marketing activities were aimed at extending the summer season in the food seasonings category as well as through targeted back-to-school activities with the Margo product line.

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

2.3.8.1. Financial results YTD and KPI's

Financial results*	I.-IX. 2018. (HRK m)	I.-IX. 2018. Plan (HRK m)
Revenue	530	614
EBITDA	34.7	37.4
EBITDA %	6.5%	6.1%

**NOTE: All results are estimated*

2.3.8.2. Commentary on recent trading

- The monthly EBITDA exceeded budget as a result of the lower COGS due to the significantly lower price of the key raw-material. EBITDA mitigates the difference in the annual EBITDA that is below the plan due to the strong price pressure on sunflower oil since the beginning of the year.
- Although the categories of industrial and soft margarines, mayonnaise, dressings, merchandize and sunflower meal generated revenues in line with or exceeding the budget, due to the continued pressure on the sunflower oil price on the Serbian market, total sales revenues in September were lower than budgeted.

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.-IX. 2018. (HRK m)	I.-IX. 2018. Plan (HRK m)
Revenue	1,294	1,375
EBITDA	119.5	117.5
EBITDA %	9.2%	8.5%

**NOTE: All results are estimated.*

2.3.9.2. Commentary on recent trading

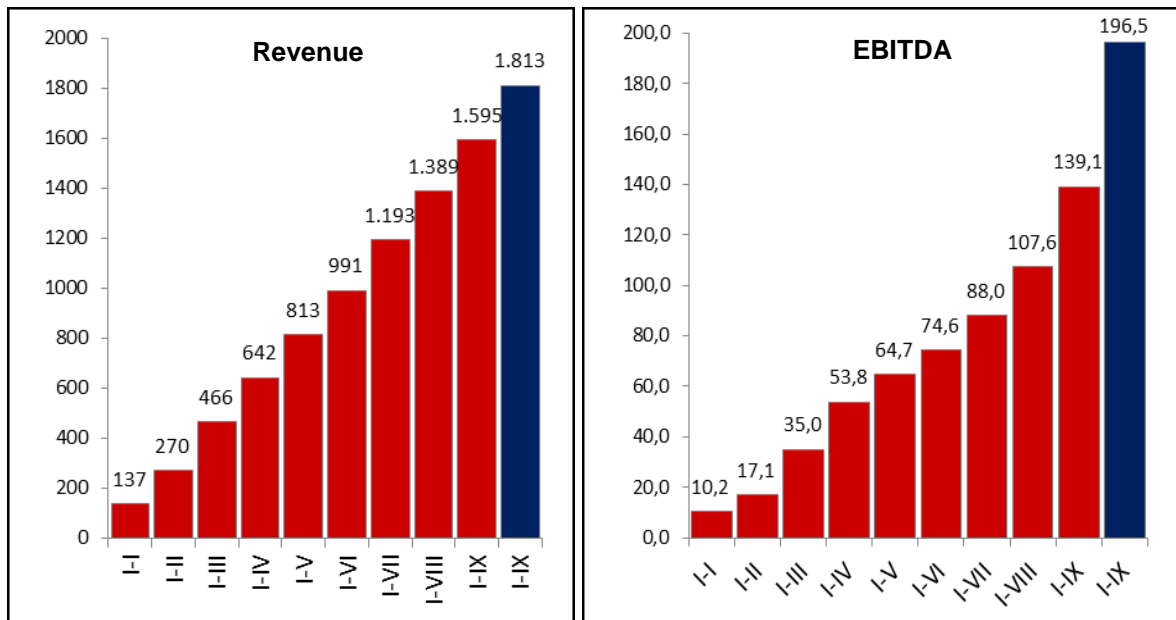
- Sales revenues generated in September were below budget which is still the consequence of lower raw material prices than budgeted.
- September saw the continued increase in the costs of energy and employees, due to increased salaries in the production and logistics sectors. This has resulted in the monthly EBITDA being lower than budgeted.
- The annual EBITDA generated exceeds the budget.

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.

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

Agriculture



***NOTE: All 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.-IX. 2018. (HRK m)	I.-IX. 2018 Plan (HRK m)
Revenue	913	1,030
EBITDA	109.9	151.2
EBITDA %	12.0%	14.7%

*NOTE: All 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 and semi-hard cheese which are significantly lower than the budgeted selling prices.
- Precisely because of the lower-than-planned selling prices of finishers and semi-hard cheese, EBITDA generated in the current period was lower than planned. The effect of the difference between the planned and realized prices amounted to HRK 20.5m on semi-hard cheese and HRK 26.8m on finishers.
- The overall impact of the lower finisher and semi-hard cheese prices on EBITDA amounts to HRK 47.3m, while the generated EBITDA is lower than planned by HRK 41.2m, mainly due to cost optimization.
- The yields of agricultural crops are at the planned level. Similarly, the cost per unit of product of these cultures is in line with the targeted costs.
- The work on cost optimization has continued and 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.-IX. 2018. (HRK m)	I.-IX. 2018 Plan (HRK m)
Revenue	493	546
EBITDA	14.6	-5.0
EBITDA %	3%	-0.9%

*NOTE: All results are estimated

2.4.2.2. Commentary on recent trading

- In September as well as aggregated for I-IX/2018, in the sales revenue structure the major part is accounted for by sales of cereal and oil crops, sales of reproduction materials to contract farmers – mainly mineral fertilizers, sales of soya meal, piglets and sales of fresh fruit and vegetables.
- Total sales revenues generated were 10% below budget, although sales quantities were significantly higher than planned. Sales above budget were realized in the segments of cereal and oil crops, proteins, protection chemicals and cattle. A drop in sales as against budget took place in the segments of fruit and vegetable and piglet sales.
- Higher revenues were generated in cereal crop sales by 38%, in soya meal sales by 27% and in cattle sales by 35% financially as against budget, while on the other hand revenues from sales of piglets were lower due to the drop in piglet prices on the relevant commodity exchanges and the consequently significantly lower sales price as against budget, with a negative effect on EBITDA in the amount of HRK 11m.
- One of the factors that gave rise to the difference in EBITDA generation as against budget is the changed sales dynamics by month in comparison to the budget.
- September saw the continued trend of intensified trading activities and faster stock rotation with lower DIO. DPO has increased due to the seasonal impact, while DSO was reduced and liabilities are paid in time.

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

2.4.3.1. Financial results YTD and KPI's

Financial results*	I.-IX. 2018. (HRK m)	I.-IX. 2018 Plan (HRK m)
Revenue	189	237
EBITDA	14.6	50.4
EBITDA %	7.8%	21.3%

*NOTE: All results are estimated

2.4.3.2. Commentary on recent trading

- Over the first nine 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 September dropped by 1% compared to the previous month.
- The sunflower and soybean harvest was completed, with revenue generated from selling 75% of the total yield of soybeans. September also saw revenues from sales of vegetable cultures (onion, sweet corn), while sales of carrots are expected to take place in October.
- The company's aggregated EBITDA generated 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 19m. As against the previous month EBITDA has continued to grow due to sales of agricultural crops and vegetable cultures.

3. Short-term cash position

3.1. Cash Management

The Group continues to actively manage its liquidity, with the cash flow forecasts being updated every two weeks and the weekly/fortnightly payment plans established on that basis. The requests for payment of the Croatian companies within the Group are reviewed and approved for the purpose of making the payments. Over the course of the period since fresh money for financing was raised in June 2017 until mid October 2018 net funds in the amount of HRK 919m were deployed to the operating companies to support their liquidity.

As discussed in previous monthly reports, these funds were primarily used to settle liabilities to suppliers incurred in the period after 10 April 2017 as well as for replenishing stocks in the operating companies. This has enabled the Group's operating companies to keep financing their operating activities and working capital needed for the realization of targeted seasonal sales. The aforesaid 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 Week 41 – short-term cash flow for 13 weeks for 19 core subsidiaries compared to the previous week (in HRKm)		
	Current short-term cash flow (Week 41)	Short-term cash flow in the previous week (Week 39)
Minimum cash balance (13 weeks)	435	453
Maximum cash balance (13 weeks)	1,164	1,241
Minimum liquidity obligation	296	296
Available liquidity	139 – 868	157 – 945

4. Costs of the Extraordinary Administration and operating costs of Agrokor d.d.

As in the previous months, the Extraordinary Administration continues to manage the operating costs incurred. These costs are completely and directly related to various centralized services provided across the Group.

An overview of Agrokor's operating costs as at the end of September 2018, with a breakdown by type of cost, is provided in the operating cost table below. The cost categories for the Extraordinary Administration period include a detailed structure of advisory and all other operating costs, irrespective of whether they were hired before or after the beginning of the Extraordinary Administration Procedure for the respective period. Invoices are booked and paid on an ad hoc basis, in line with the services provided and the agreed timeline of the restructuring process. Everything is as scheduled.

Total operating costs for September 2018 exceeded those for August 2018 by the amount of HRK 14,827,825.06, with the total operating costs in September 2018 amounting to HRK 37,667,995.09. The total advisory costs in September 2018 amounted to HRK 24,676,885.26 which is an increase of HRK 14,180,251.60 compared to August 2018. Out of the advisory costs in September, legal expenses amounted to HRK 6,335,214.81, restructuring costs accounted for HRK 18,239,888.85 and other advisory costs were HRK 101,781.60. The respective restructuring advisors' cost in the amount of HRK 18,239,888.85 compared to the amount of HRK 5,743,583.96 from August 2018 was the main reason of the advisory cost increase in September 2018. This increase arose from the Settlement Plan finalization and implementation process coming closer, with a number of complex activities and operational steps being prepared for the successful completion of the process. All other costs are more or less at the same level as in the previous month.

All together, the aggregated operating costs for the period from 10 April 2017 to 30 September 2018 amount to HRK 1.089bn, out of which the legal, financial and other advisory costs as well as the restructuring advisers' costs accounted for the amount of HRK 562.6m.

The total employee headcount at the end of September 2018 was 98 and there were no severance pays in September.

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	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	2.111.724,61 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	94.119.167,94 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	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	122.602.254,57 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	231.340.536,48 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	57.486.429,78 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	257.805.960,51 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	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	562.635.357,52 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	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	4.270.029,88 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	8.455.702,76 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	7.283.969,55 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	12.675.347,29 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	28.415.019,60 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	10.515.489,25 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	227.935.187,44 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	926.236,21 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	114.387.055,47 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	8.927.880,26 kn
Total	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	1.089.660.400,57 kn

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

Comments on the table of operating costs for the company Agrokor d.d.:

1. The total operating costs for the company Agrokor d.d. over the course of the Extraordinary Administration Procedure (stated without adjustments or deduction of costs for the period from 1 April 2017 to 10 April 2017) amount to (this is the number from SAP including the whole month of April 2017): 1,117,525,677.49.
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 (the total amount net of the cost for the first ten days of April). The amount of adjustment of HRK 27,865,276.91 pertains to the first 10 days of April (operating costs for the period from 1 April to 10 April, 2017).
3. *Advisory costs are adjusted to state the portion of their cost in relation to the VAT regime in which Agrokor d.d. operates, ie. on a pro-rata basis. The stated costs have been adjusted for the unrecognized amount of VAT, being the best representation of operating expenses.
4. *Advisory costs from May onwards include the new consultants hired for the final stage of the process. 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 accounting entries of suppliers from SAP which have not been stated as a separate category in the operating cost table. For this reason in some categories for a certain period the stated amount may be negative.
6. **Hence costs of other suppliers are included which are not stated in the advisory costs, ie. it includes suppliers in the period after 10 April, 2017 which are not stated under basic advisory fees (advisory 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. 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, the cost analysis model related to this report uses the exchange rate of 7.45 HRK/EUR.
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. The category „Auditing and Tax Services“ now only includes 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. **** “Other costs“ stated in September also include credit notes which should have been transacted in the previous months and therefore the amount is negative in September 2018.
14. The D&O cost of managers was revised in September 2018, that is, the allocated cost to operating companies for the insurance of managers has been excluded from operating costs of Agrokor d.d. Consequently, the cost is actually lower than shown at the end of September 2018

5. Litigation

The present reporting period saw some developments in the various litigation and enforcement proceedings formally issued against Agrokor d.d. and a number of its affiliates.

There were no updates in England & Wales during this period.

There were also no material updates with respect to proceedings in Slovenia.

In Serbia, regarding the litigation proceeding brought by Banca Intesa against Agrokor (case no. P- 6465/2017) the Economic and financial report, which was conducted in accordance with the court order, has been received. The next hearing is scheduled for 21 December 2018. Regarding the litigation proceeding brought by Banca Intesa against Konzum, Jamnica and others (case no. P-3283/2017) the next hearing is scheduled for 29 November 2018.

In Bosnia, in connection with Agrokor vs Sberbank d.d. Zagreb case (case no. 65 0 Ip 655636 17 Ip2) on 8 October 2018 the appeal was filed on first instance decision by which the parties are directed to resolve the dispute in litigation proceeding. Awaiting second instance decision.

In Montenegro, the new enforcement proceeding is brought by Hipotekarna banka ad Podgorica against Agrokor Trgovina, Jamnica and Konzum (case no. Imv.br. 4087/18). The Objection to the decision of the public enforcement officer was filed on 15 October 2018.

In Croatia, on 18 October 2018 High Commercial Court of Zagreb passed a ruling by which all appeals lodged by the creditors to the Ruling of the Commercial Court of Zagreb dated 6 July 2018 were refused and dismissed and by which the Settlement Plan was confirmed, resulting in Settlement Plan confirmation order becoming final and non-appealable.

The US Court has in the Chapter 15 Procedure (international insolvency proceedings) issued a written opinion confirming the recognition of the Extraordinary Administration Procedure and the Settlement Plan in the United States. In this Opinion the Court approved Agrokor's request for recognition to a greater extent than initially decided at the hearing, accepting Agrokor's request to recognize the Settlement Plan in full and explicitly including the part of the Settlement Plan that affects the debt of Agrokor and its affiliated companies which is subject to English law. By the ruling of the US Bankruptcy Court the Settlement Plan becomes effective in the US once it is final and non-appealable in the Republic of Croatia, which was achieved on 18 October 2018 when the High Commercial Court of Zagreb confirmed the Settlement Plan and publicly announced it on 26 October 2018.

6. Temporary Creditors' Council

On 30 October 2018 the 23rd session of the Temporary Creditors' Council of Agrokor d.d. was held with all members attending.

The TCC Members were once again informed of the fact that the Settlement Plan has become effective as of 26 October 2018, whereby one of several conditions precedent to the implementation of the Settlement Plan has been met. They were also informed of the following steps to be taken in order for the Settlement Plan to be implemented as soon as possible.

Furthermore, the Extraordinary Administration presented the operating results of the Agrokor Group for the period I-VIII/2018.

Members of the Temporary Creditors' Council gave their approval to the Extraordinary Commissioner for the wind-down of the business relationship with the company Stega Tisak d.d. and several other current topics related to the operating company businesses were presented and discussed over the course of the session.

7. Settlement Plan implementation

Over the course of October 2018 the Agrokor Group continued with the intensive work on the process of planning the Settlement Plan implementation through a number of activities in line with the adopted schedules. The primary focus of the process of planning the implementation continues to be on the business unit transfer, with the transfer of assets, the operational aspects and IT implementation being its most comprehensive parts.

7.1. Organizational Structure of the Settlement Plan Implementation

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

The preparations of the implementation plans for Ledo and Konzum are in the final stage and the plans of these pilot companies will be used as the basis for the roll-out of the implementation plan for the other non-viable companies subject to the Extraordinary Administration (over the course of November 2018).

7.2. Status of the Implementation Planning

Project coordination

- The project is coordinated by way of monthly meetings of the supervising authority (steering 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 operational level. Weekly reports on the status of the implementation planning are also being prepared.

Preparation of the implementation plan:

- The implementation plan is prepared through a number of operational meetings and workshops with the project teams, while the conclusions thereof are considered at the meetings of expert teams and the central implementation management office.
- The workshops and operating team meetings are held at the level of the key segments of operational implementation: asset transfer, IT implementation, operations (sales and marketing, purchasing, logistics, production), accounting/finance/taxes, claims.

- Based on the implementation plans for Ledo and Konzum a roll-out is planned for the implementation in other non-viable companies subject to the Extraordinary Administration over the course of November.
- Further to the planned commencement of implementation plan preparations for the other non-viable companies, workshops were held in late October for the project teams of the other non-viable companies regarding the usage of the web-based implementation project management tool.
- The Group continues its intensive communication and coordination of the Settlement Plan implementation with various government authorities regarding the transfer of assets and the operational implementation (transfer of real estate, intellectual property, permits, rulings, commercial contracts, government grants etc.).

8. Stakeholder relations and communications

The Extraordinary Administration has continued the intensive and transparent communication with key stakeholders in Croatia and other countries of Agrokor's operations.

On the occasion of the adoption of the Report on the Implementation of the Act on Extraordinary Administration Proceedings in Companies of Systemic Importance to the Republic of Croatia in the company Agrokor d.d. at the session of the Government of the Republic of Croatia held on 24 October 2018, Fabris Peruško, Extraordinary Commissioner at Agrokor and Irena Weber, Deputy Extraordinary Commissioner met at the Government with Prime Minister Andrej Plenković, Minister of Justice, Dražen Bošnjaković and Minister of Economy, Entrepreneurship and Crafts, Darko Horvat, who presented the report to the Government.

The Extraordinary Commissioner and his Deputy also attended the 26th Conference of the Croatian Economists' Society held in Opatija from 7th to 9th November 2018. This is a traditional event rallying Croatia's leading scientists and experts on the one hand and business people on the other, to give their forecasts for 2019 regarding the economic policies of the Republic of Croatia.

Fabris Peruško participated in a panel under the title „Economic Reforms: Solution or Problem“, where he presented key projections regarding the pursuit and completion of the Settlement Plan implementation process bound to establish a new structure of the Agrokor Group.

Irena Weber, Deputy Extraordinary Commissioner, participated in the panel of the University of Economics Students' Day under the title „The Future is Here“, dedicated to the prospects of employment for educated young experts in Croatia. On that occasion she pointed out that Agrokor was continuously seeking highly educated young people wanting to develop their careers in Croatia's largest company. She additionally noted that in the forthcoming period intensive efforts would be exerted to develop the employer's brand in order to provide for an even better recognition among young people about to enter the labor market.

Given the large number of important events, the reporting period saw an increased media interest for activities related to the Extraordinary Administration process, but also to the companies' operations. Hence the media communication was intensified and included various media activities such as replies to media queries, media releases, interviews and media statements.

Report prepared by:

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