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

FOR THE PERIOD BETWEEN 11 JUNE AND 10 JULY 2017.

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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Contents

1. Executive summary

This monthly report reflects on changes in the economic and financial state of, and implementation of measures and activities undertaken by the Extraordinary Administration in Agrokor during the period between 11 June and 10 July 2017.

The demanding procedure of financial and operational restructuring in focus of the Extraordinary Administration of Agrokor in the previous reporting period, 11 May to 10 June 2017, together with the arrangement of the new financing have resulted in further positive improvements in the overall state of Agrokor, especially with respect to the stabilisation of the business operation of the group companies and improved liquidity.

With the execution of the contract with Knighthead Capital Management fund and Zagrebačka banka d.d. on 9 June 2017, in the third month of the Extraordinary Administration the new financing has been arranged the syndication process with eligible lenders followed. By 7 July 2017, an amount of €320 million in new funds had been drawn down by the Group and the €80m Super Senior Loan provided in April 2017 had been refinanced by the Super-Priority Term Facilities Agreement. The total secured amount, including 1:1 refinancing of the funding lenders' pre-petition debt, brought the total drawn down amount to €800 million () and included participation from more than 20 Croatian, Austrian, Russian and American banks and funds. Additional €80 million of new financing is secured and may be drawn by 15 October 2017. Negotiations are under way with the suppliers regarding a €50 million loan under the same conditions as those of the new financing, which was met with great interest from the suppliers.

During the reporting period, the Sberbank of Russia submitted a petition to the Commercial Court in Zagreb, requesting (1) nullification of the decision on the approval of the new financing, , (2) declaration of the same decision ineffective, (3) declaration of all the agreements providing for payment of claims ineffective, and (4) an interim measure for securing the claims of the Sberbank of Russia. The Commercial Court rejected the first request as unfounded wince the Extraordinary Trustee and the Temporary Creditors Council had acted in accordance with the law. The court held that the Extraordinary Trustee may, with prior approval of the Temporary Creditors Council, arrange new financing in order to reduce the systemic risk, for continuation of operation, preservation of property, or if claims from operational business are being settled, whereby such new financing will have super seniority status, i.e. priority ahead of other claims, with the exception of the workers' and former worker's claims. The remaining three requests were rejected as not allowed. The Sberbank of Russia has the right of appeal before the High Commercial Court.

After the first tranche of the new funding became available mid-June, additional liquidity started to be injected into core operating companies of the Group and a part of the funding was used to unwind the cash preservation activities that had commenced at the start of June, in order to ensure sufficient liquidity for business critical payments. During June, further liquidity continues to flow into the Group's operating companies to begin to allow operations to be undertaken from a more stable platform, and also invest in short-term profit improvement opportunities such as reducing stock outs and addressing seasonal stocking needs.

Having achieved operational stability, and having definitely avoided bankruptcy, the Extraordinary Administration continues to focus on restructuring of key companies. In the retail sector, the plan for closure of 105 Konzum stores in Croatia by end of the year was presented, and it was indicated that 22 stores will be closed by 30 July 2017. New jobs have been sourced for the 80% of the 870 employees working at stores which will be closed, and various solutions are being considered for the remaining 20% who will, lacking other solutions, benefit from all of the rights available in the collective agreement. The term of the collective agreement was extended until the end of 2017, together with all the fringe benefits for the employees beyond the minimum provided for by the law. An average 8% increase of salary is announced for 6.000 employees in Konzum retail and logistics with lowest pay grades effective 1 August 2017.

In parallel with and addition to the ongoing short-term cash and EBITDA improvement measures, the viability team continues to develop the Group's viability plan for its main businesses. Most entities have shown real progress in developing viability plans since the report for the period. The preparation of the 2017 financial plan, and beyond, requires finalisation of the 2016 Group audit which is expected to be completed in September 2017.

The Temporary Creditors Council convened once during the present reporting period, on 5 July 2017, on which occasion the members of the council were informed on the activities of the Extraordinary Administration, especially with respect to the syndication and other aspects of the new term facility agreement and the status of retail operations in Bosnia and Herzegovina.

The expiry of the final deadline for registration of claims on 20 June 2017, marked the start of the 60-day term for establishing the sum of the claims. A total of 11,659 claim registrations were received, recorded, scanned and digitalised, creating a database of applications. The applications have been registered on behalf of 68 out of 74 companies subject to the Extraordinary Administration procedure.

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During the present reporting period, several meetings were held with the government and stakeholder representatives in Bosnia and Herzegovina. The activities in Bosnia and Hercegovina further concentrate on the matter of advancing the cooperation with the suppliers under mutually long-sustainable conditions, and on the transformation of Agrokor's retail in Bosnia and Herzegovina.

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2. The state of companies under the Extraordinary Administration during the reporting period

The financial information in the table below relates to the 5 months (Year to date) turnover and EBITDA for certain of the key companies in the Group. Other key companies, primarily in the agriculture sector, were not included in this overview due to the ongoing 2016 audit process which might also influence the results for the current year.

As the 2016 financial statements are currently being audited no comparative information in relation to the prior year is included.

The Extraordinary Trustee anticipates that the results for all of the key businesses in the group for the 6 months to 30 June 2017 will have been finalised and will be available for inclusion in the next monthly report, together with some narrative commentary.

		YTD May-17	
	(HRKm)	Revenue	EBITDA
Retail & Wholesale	Konzum	3,430	(62)
	Konzum B&H	943	(44)
	Tisak	805	(33)
	Velpro Centar	755	(50)
	Velpro B&H	105	(11)
Food	Water[(1)]	955	118
	Ice Cream & Frozen Food[(2)]	768	119
	Oil & Margarine[(3)]	680	49
	Meat (PIK Vrbovec)	665	29

NOTE: FIGURES ABOVE ARE UNCONSOLIDATED AND UNAUDITED

Source: Company information
Footnotes:
(1) Includes Jamnica, Sarajevski Kiseljak & Roto Dinamic
(2) Includes Ledo, Ledo Čitluk & Frikom
(3) Includes Zvijezda & Dijamant

With respect to the indicators above, please note that the retail businesses are seasonal, with typically lower profitability during Q1 and most of Q2. The businesses in this sector, particularly in Croatia, perform best during the summer tourist season which has just commenced.

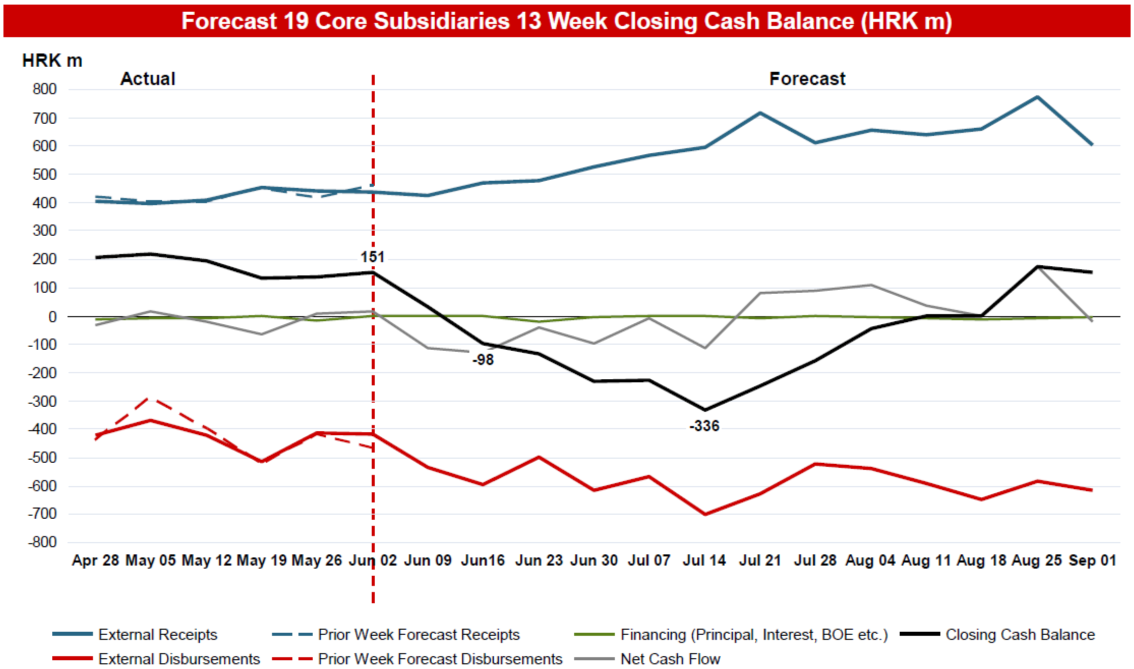
As detailed in previous monthly reports the retail businesses in the Group were subject to very significant liquidity constraints (a lack of cash, and consequently stock as well) in the period just before the commencement of the Extraordinary

Administration and also just after it. As a result of this inventory levels were not at normal levels and customer numbers dropped significantly during this period. Customer numbers have since recovered and are now very close to those achieved in recent years. On the other hand, the operation of the Food business group had in the reporting period as well achieved solid business results, especially in the ice cream and beverages sector.

3. Short-term cash position

3.1. Before receipt of new funding

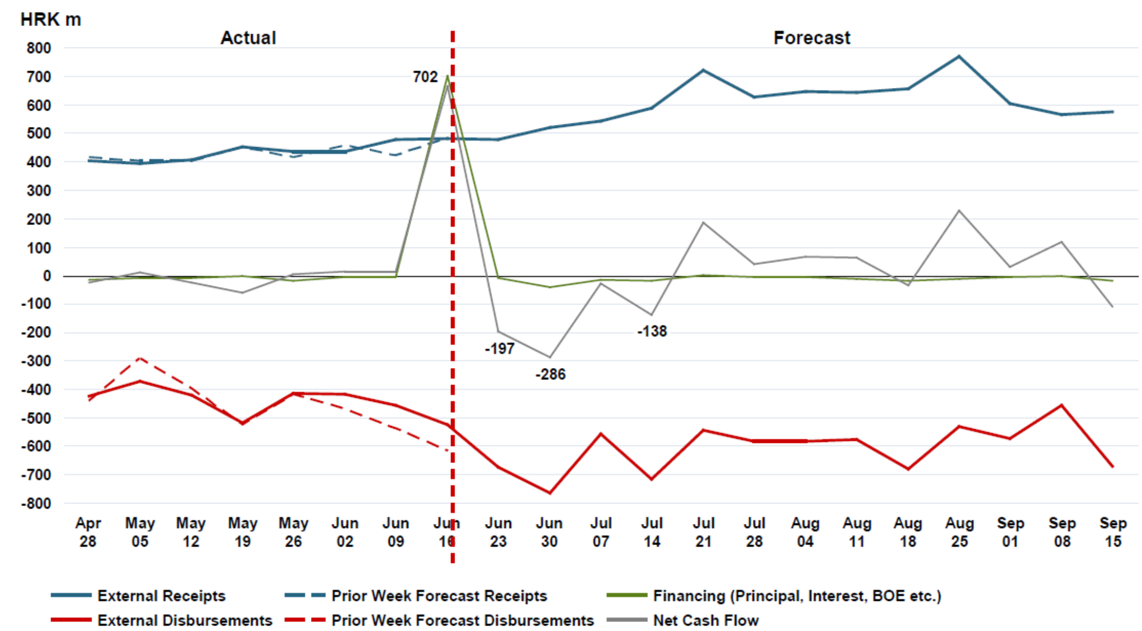
As shown in the graph below, in the period to the w/e 16 June, the liquidity position of the core 19 Group Subsidiaries (which represent over 90% of the Group's cash flows) continued to be severely restricted. In the absence of new liquidity it was forecast that the Group was likely to end June 2017 in a cash negative position. Accordingly, at the start of June all operating companies began to implement active cash management measures to ensure that there was sufficient liquidity available to make business critical payments such as payroll (typically mid-month) even in the absence of any new financing.



3.2. After receipt of new funding

As shown in the graph below, the first tranche of the new funding of HRK 702 million became available in the week ending 16 June 2017 (discussed further in section five).

Forecast 19 Core Subsidiaries 13 Week Closing Cash Balance (HRK m)



Following receipt of funding, additional liquidity started to be injected into core operating companies in the Group. HRK 160m of the initial tranche of funding was used to unwind the cash preservation activities that had commenced at the start of June, in order to ensure sufficient liquidity for business critical payments.

Further liquidity continues to flow into the Group’s operating companies to begin to allow operations to be undertaken from a more stable platform, and also invest in short-term profit improvement opportunities such as reducing stock outs and addressing seasonal stocking needs.

3.3. Money controls

In order to manage the flow of funds into the Group’s operating companies in a structured manner, new money controls have been developed, communicated to the management boards of the operating companies and implemented on receipt of the additional funding.

The new money controls are the mechanics and conditions under which the new funding flows through the Group. They are designed in compliance with the Act on Extraordinary Administration to achieve the following three objectives:

(1) To ensure compliance with the contractual obligations of the loan agreement.
(2) To maintain and optimize (seasonal) funding of operating businesses.
(3) To improve the Group's working capital position and consequently its cash cycle, to return to standard terms (defined as historic and/or industry standard terms) which is one of the prerequisites to mid-term viability of the businesses.

Furthermore, the level of governance over payments has been further increased with both the Extraordinary Administrator and Restructuring Advisor being required to review material payments to ensure operating companies are focussing spending in line with the plan, and on business critical items.

An overview of the key aspects of the new money controls is provided below:

1. Supplier payment terms

    - Discussions must be conducted with suppliers to obtain standard terms.

    - Orders after 19 June require standard terms to have been confirmed with suppliers before orders can be placed.

2. Extraordinary payments

All extraordinary payments also require the prior consent of the Commissioner and Restructuring Advisor. These payment categories include:

- Orders from June 19 onwards outside standard terms.

- CAPEX except for security, health issues.

- Severance / restructuring payments in excess of €50,000.

At the end of June 2017, 89% of the volume of payments requested across the core 19 operating companies of the Group had returned to standard terms. The key issue with the majority of suppliers not currently returning to standard terms is the challenge in obtaining credit insurance. In order to assist suppliers with this matter, the Group is meeting with credit insurers in July 2017.

3.4. Cash forecasting and reporting procedures

All of the 19 core operating companies (representing over 90% of the core Group's cash flows) are required to submit updated cash forecasts on a fortnightly basis which are then consolidated to provide an up to date view on the Group's overall liquidity position. This process allows active central monitoring of the controls and payments to ensure they are applied and that there is sufficient insight into the Group's cash position.

This forecasting process allows the Group's cash position to be kept under continual review whilst the operating companies begin to transition from a cash preservation approach which, prior to 16 June, was required to a more sustainable business-as-usual model with applicable standard market payment terms agreed with suppliers.

The cash profiles for each of the business activities are outlined below:

- **Retail / Wholesale:** peak cash generation occurs during the tourist season (wholesale with a time lag compared to retail because of days sales outstanding/receivables) and a secondary peak during the Christmas season.

- **Food companies:** the profile is similar to retail/wholesale as it is driven by key end consumer purchasing cycles with payments to food companies often not made until the retail distributor has generated the cash from the sale of the product (standard days sales outstanding for food companies' customers are 60 days, which implies cash-in from the tourist season with a delay of approximately two months).

- **Agricultural businesses:** cash flow profile is typically counter cyclical to the retail/wholesale businesses with cash outflows in autumn and cash inflows in spring (cash flow profiles differ by crop type, and harvest cycles).

3.5. The advisory team

In their work with the Extraordinary Administration, the international restructuring consultants, AlixPartners, and international legal advisors, Kirkland and Ellis are supported by Houlihan Lokey and Ithuba Capital – international financial advisors.

4. Business reviews

In view of the comprehensive update provided in the monthly report for the period 11 May 2017 to 10 June 2017, this update is focused on processes in relation to the viability plan.

In parallel with and addition to the ongoing short-term cash and EBITDA improvement measures, the viability team continues to develop the Group's viability plan for its main businesses. This includes substantial work with the management teams of the Agri-businesses, Food (including beverage, ice cream and frozen, meat and edible oil companies), Retailers including Konzum, Velpro and Tisak and with Agrokor Portfolio Holdings. Given the variety of types, sizes and level of sophistication of the businesses, progress in relation to the business planning exercise is varied; however, most entities have shown real progress in developing viability plans since the report for the period 11 May to 10 June 2017.

The improvement measures which are being considered vary by business type but typically include:

- Working capital management and optimisation
- Store portfolio optimisation
- Product and production
- Cost analysis and reduction options
- Revenue enhancement options

As previously discussed it is important that PwC finalises the audit of the 2016 Group consolidated financial reports by September 2017, as was already communicated, while the major segment of the audit of the individual financial report of the key companies will be completed by end of July 2017, all in order to prepare a solid foundation for the financial plan for 2017 and beyond. At this stage, viability plans are being drafted for a number of entities and are now at the stage where base plans have been established, and are being refined and challenged.

The viability team remains confident that a full Group viability plan up will be available by the end of September 2017.

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5. Discussions with new financiers

As announced in the monthly report for the period 11 May 2017 to 10 June 2017, the €1,060 million Super-Priority Term Facilities Agreement was approved by the Temporary Creditors' Council on 8 June 2017 and executed on 9 June 2017.

Subsequent to the execution of the same, the Group and the backstop parties (Knighthead Capital Management LLC and Zagrebačka Banka) proceeded with the syndication process with eligible lenders. By 7 July 2017, an amount of €320 million in new funds had been drawn down by the Group and the €80m Super Senior Loan provided in April 2017 had been refinanced by the Super-Priority Term Facilities Agreement, to bring the total drawn down amount to €800 million (including 1:1 refinancing of the funding lenders' pre-petition debt) and included participation from more than 20 Croatian, Austrian, Russian and American banks and funds.

An amount of €80 million of new funds (€160m including 1:1 refinancing of the funding lenders' pre-petition debt) has been fully committed to and can be drawn down by the Group prior to 15 October 2017. A further €50 million set aside for pre-petition supplier debts (€100m including 1:1 refinancing) is expected to attract significant interest from suppliers. Participation and allocation mechanics are being considered and are expected to be finalized in July 2017, followed by actual allocation during August 2017 and anticipated drawings in September 2017.

6. Decision on the legality of the approval of new financing and the roll-up model

On 27 June 2017, the Commercial Court in Zagreb delivered a decision on the petition of Sberbank of Russia for (1) nullification of the decision of the Temporary Creditors Council approving the Extraordinary Trustee to accept the new financing, (2) declaration of the decision of the Temporary Creditors Council giving approval to the Extraordinary Trustee to accept new financing ineffective, (3) declaration of all the agreements providing for payment of claims of financial and credit institutions, and bond holders ineffective or nullification of any agreement providing for refinancing of claims of financial and credit institutions and bond holders, and for (4) an interim measure to be put in place for securing claims so that the Group is ordered to enter into contracts which will with respect to claims not connected to operative business and which arose before 10 April 2017 allow roll-up or refinancing, i.e. raising the level of claims arisen before 10 April to the level of claims with senior status or any other agreement whereby the payment of claims of financial and loan creditors and bond holders and other creditors with respect to claims not arising from operational business, refinancing, payment in cash or in any other way, in full or partially will cover claims arisen before 10 April 2017.

The Commercial Court found that the petition for nullification was unfounded, as the Temporary Creditors Council's decision on the approval of the new financing was made in accordance with the Act on Extraordinary Administration. The petition for declaration of the same decision ineffective, and declaration of all the agreements providing for payment of claims ineffective or nullification of agreements providing for refinancing of claims was not allowed as the Court found that these can only be addressed in a contentious civil procedure, and not in the non-contentious procedure related to the extraordinary administration.

The court held that the Extraordinary Trustee may, with prior approval of the Temporary Creditors Council, arrange new financing in order to reduce the systemic risk, for continuation of operation, preservation of property, or if claims from operational business are being settled, whereby such new financing will have super seniority status, i.e. priority ahead of other claims, with the exception of the workers' and former worker's claims. The court underlined that the Act on Extraordinary Administration provides for the Extraordinary Trustee the right to settle matured claims from before 10 April 2017, with previous approval given by the Temporary Creditors Council, if so necessary in order to reduce the systemic risk, continue operations, preserve property and if the claims have arisen from regular or operational business. In conclusion, the court found that the Extraordinary Trustee and the Temporary Creditors Council have the legal right to settle claims of financial and credit institutions and bond holders if these are connected to super seniority debt.

Finally, the Commercial Court dismissed the petition for an interim measure for securing the claims not allowed for two reasons: the Act on Extraordinary Administration prohibits initiation and pursuit of civil procedures, enforcement, administrative, security procedures and procedures for out-of-court settlements, and because the applicable general bankruptcy law provisions allow for security measured to be put in place only with respect to a limited group of persons, and not against the debtor, the Extraordinary Trustee or any other body of the extraordinary administration which was the case here.

The Court elaborated that all claims in the extraordinary procedure are settled by a settlement if one is accepted by the creditors and certified by the court, with only those provisions of the Bankruptcy Act relating to the bankruptcy plan being applicable to such settlement. The bankruptcy plan may diverge from the legal provision on monetizing of and distribution of bankruptcy dividends, and the effects of the bankruptcy plan do not have to be the same for all of the claimants sectioned in different groups. The Court highlighted that the success or failure of the settlement will be the result of the vote of the petitioner, i.e. Sberbank of Russia.

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7. Temporary Creditors Council

The Temporary Creditors Council convened once in the period from 11 June to 10 July (4th session).

The Temporary Creditors Council held its 4th meeting on 5 July 2017. All members attended the meeting.

The agenda for the meeting was:

1) Adoption of the rules of procedure for the Creditors Council.

2) Reporting on the Extraordinary Administration activities in the period of 10 May to 10 June and up to present time, and specifically on the status of retail operations in Bosnia and Herzegovina, syndication and other aspects of the financing arrangement executed on 9th June 2017 (up to 1.060 mil EUR Super-Seniority Term Facilities Agreement).

8. Bills of exchange

On 14 April 2017, prior to the 9 June 2017 deadline for the submission of claims, the representatives of certain Agrokor suppliers and creditors signed a memorandum calling for a moratorium on forced collection of creditors' claims from the suppliers, on the basis of recourse rights related to the bills of exchange.

Those representatives have actively worked on regulating their rights and obligations in accordance with one of the four models previously developed through discussions of the working group on which a detailed report was given in the monthly report for the previous reporting period.

Although during the present period no official meetings of the working group were held, the primary goal to maintain communication between all parties was achieved. Although not directly involved in bilateral discussions between suppliers and creditors, Agrokor has provided assistance and support when needed in relation to ensuring communication between all parties and clarification of questions and issues raised.

The feedback from these interactions suggests that a large majority of suppliers and creditors have found a workable bilateral solution.

9. Registration of claims

The 60-day legal deadline for registration of claims with respect to companies listed in the Decision of the Commercial Court dated 10 April 2017, expired on 9 June 2017. On 20 June 2017, the same deadline expired for the companies listed in the Addendum to the Decision of the Commercial Court, dated 21 April 2017.

In the period, a total of 8,184 mail items containing 11,659 claim registration applications were received. All claims were registered in line with the procedure defined by the Act on Extraordinary Administration, by filling out the required forms and paying a court fee. Following submission of the claim applications, each application was registered, scanned and digitised, creating a database of applications. A team of over 50 people from the Group worked on receiving the claim applications, with the assistance of a law firm and KPMG, the auditing firm.

The Group's company mStart carried out the digitisation of the data received, and prepared a web interface for viewing and managing claim-related data. The interface enables viewing of received claim applications, their comparison against the companies' data in the electronic databases, and provides scope for the entering of recognized claim sums. The 60-day period following the period for claim registration is the time set aside for determining the claim amounts; the Group companies to which the claims relate to are already working intensively on this.

Interestingly enough, claims have been registered on behalf of 68 companies out of 74 that are subject to the Extraordinary Administration procedure. Moreover, despite intense communication with the creditors, claim registration applications have been submitted on behalf of 26 companies that are neither part of the Extraordinary Administration procedure nor have any ownership-related ties to Agrokor.Those claims will not be taken into consideration as there is no basis for them to participate.

10. Stakeholder relations and communications

Regular communication with key stakeholders, creditors, suppliers, vendors, unions, employees, and management, as well as government representatives and institutions in the countries where Agrokor operates have continued throughout the present reporting period, through diverse channels including direct and formal communication as well.

With respect to internal stakeholders, communications have focused on activities with respect to the Steering Group, the new financing, and developments in retail, as detailed in section 7 of the report.

The Extraordinary Administration has continued to primarily focus on maintaining communication with all groups of creditors, through direct channels and the temporary Creditors Council which met once during the reporting period, as detailed in section 7 of this report. Direct communication with the media is maintained on a daily basis and, during the period of this report, the Extraordinary Administration was engaged in over 58 media activities in the regional countries where Agrokor operates, including publishing 27 press releases and statements, four interviews and appearances, and one briefing for the press in Croatia.

The topics of communication and interaction with local, regional, and international media include all the activities of the Extraordinary Administration, such as the new financing , claims registration, and potential for the sale of companies and non-core property, Konzum restructuring and transformation of Konzum BiH, the state of individual companies, the relationship with the creditors and suppliers, and payment of pre-petition debt, etc.. The Extraordinary Administration is expecially engaged in communication with the media to ensure consistency and transparency which was lacking in the period before the Extraordinary Administration.

As the Extraordinary Administration has engaged in regular communications with stakeholders in other countries where Agrokor is present, during the period of this report as well meetings were held with government representatives and institutions in Bosnia and Herzegovina, Slovenia and Serbia.

The focus of activities in other markets was on Bosnia and Herzegovina. On 23 June, a meeting was held in Sarajevo, Bosnia and Herzegovina, with the President of the Council of Ministers of Bosnia and Herzegovina (Denis Zvizdić), the Prime Minister of the Federation of Bosnia and Herzegovina (Fadil Novalić), and their advisorsThis is the third in a series of meetings on the topic of further development of Agrokor business in the country was held between the representatives of Agrokor and Agrokor companies and the members of the government of Bosnia and Herzegovina and other state bodies.

On 29 June, a meeting was held in Sarajevo between the Extraordinary Trustee, the representative of the Board of Poslovni sistem Mercator, Tomislav Čizmić, and the director of Konzum BiH, Tomislav Bagić with the representatives of more than one hundred suppliers of Konzum BiH. The meeting focused on improving the cooperation of Konzum and the suppliers on long-term sustainable terms for both sides. The Extraordinary Trustee informed the suppliers on the procedure of extraordinary administration for the planned transformation of Agrokor's retail in Bosnia and Herzegovina.

The Extraordinary Trustee and all the actors of the Extraordinary Administration in Agrokor continue to be committed to consistent, continual and open communication with stakeholders at all levels during this reporting period but also during the entire period of the Extraordinary Administration.

10.1. Communication activities with respect to retail

Communication activities of the Extraordinary Administration during the reporting period have to a significant extent focused on internal and external communications with respect to Konzum restructuring.

During the present reporting period Konzum communications and interactions with stakeholders focused on discussions with social partners and employees, and preparation of the Workers' Council which took place on 6 July. The communications pertained to:

- An average 8% increase of salary for 6.000 employees effective 1 August 2017.
- Extending the term of the collective agreement until the end of 2017, with all the fringe benefits for the employees beyond the minimum provided for by the law.
- Plan to close 105 stores in Croatia by the end of the year, out of which 22 will occur by 30 July 2017.
- New jobs have been sourced for the 80% of the 870 employees working at stores included in the plan, and various solutions are being considered for the remaining 20% who will, lacking other solutions, benefit from all of the rights available in the collective agreement.

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