



Dioničko društvo
za proizvodnju i
promet sladoleda
i smrznute hrane
Čavićeva 1a, Zagreb



SUBJECT: Notice on the Decision adopted at the General Assembly of Ledo d.d

The Extraordinary General Assembly of the shareholders of the Company has been held on 13th July 2018 at Konzum d.d in Zagreb, Turinina 11, commencing at 09.00 hours. The Chairman of the General Assembly was Mr. Mojmir Ostermann, LL.B., and there were 232,960 votes, representing 74.21% of the total share capital of the Company.

In accordance with the published Agenda of the General Assembly of Ledo JSC and amendment to the Agenda:

1. Opening of the General Assembly and identification of present shareholders and proxies of shareholders;
2. Submission of the Board of directors' report regarding:
 - Actions that the Board of directors conducted with the aim of protecting the Company and the shareholders after the Commercial Court decision on opening of the process of Extraordinary Administration,
 - Actions that the Board of directors conducted with the aim of reducing Company's obligations towards creditors, among other things, acts of contesting recognized monetary claims of creditors on the basis of warranties towards the Company,
 - Transfer of Company's business units on the mirror society in accordance with the agreement in principle on the key elements of the settlement formed on April 10th 2018,
 - Court proceedings brought before Commercial Court in Zagreb against the Company with the aim of determining the existence of monetary claims of creditors based on the collaterals towards the Company,
 - Reasons why the Company recognized the claims in the Court proceedings in front of the Commercial Court in Zagreb for the purpose of identification of creditor's monetary claims based on the collaterals towards the Company, and the legal basis of the authorisation for self-representation in those proceedings,
 - Value of the collaterals which the Company approved as an insurance for the obligations of the parent company Agrokor d.d. before and after the opening of the process of Extraordinary Administration.
3. Submission of reports by the Management Board and to the Supervisory Board regarding the compilation and examination of the Company's and the Group's annual financial statements for 2017 and the reasons for postponing the compilation and disclosure of the relevant reports.

The General Assembly of Ledo d.d. adopted the following Decision:

Ad. 2.

I. Statement of the Company's Management Board to the Agenda item no.2 is adopted.

II. This decision shall enter into force upon its adoption.

In Zagreb, 13th July 2018.

LEDO d.d.
Management Board of the Company





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GENERAL ASSEMBLY OF LEDO d.d.

MANAGEMENT REPORT

Shareholder AZ Mandatory Pension Fund Management Company, Zagreb, Heinzelova 70, PIN 58384724129, for the account of AZ Mandatory Pension Fund of category B, based on 10.32% of the shares in the share capital of LEDO dd, Zagreb, Marijana Čavića 1 (hereinafter referred to as: "**Company**"), filed a request for convening the General Assembly by a letter dated 11 May 2018, on which the Management Board submitted a report to shareholders on the:

- 1) Actions taken by the Company's Management for the purposes of protecting the Company and its shareholders starting from the date of the Order of the Commercial Court in Zagreb to initiate the procedure of extraordinary administration;
- 2) Actions taken by the Company's Management for the purposes of reduction of the liabilities of the Company to its creditors, amongst others, the actions of contesting recognized monetary claims of its creditors by virtue of guarantees to the Company;
- 3) Transfer of the business unit of the Company to the mirror company in accordance with the Principal Agreement on Key Elements of the Settlement of 10 April 2018;
- 4) Court proceedings initiated before the Commercial Court in Zagreb against the Company in order to determine the existence of the monetary claim of the creditors, by virtue of guarantees to the Company;
- 5) Reasons for the recognition of complaints submitted by the Company in the court proceedings before the Commercial Court in Zagreb, for the purposes of determining the existence of the monetary claim of the creditors, by virtue of guarantees to the Company, and the legal basis for the authorization of the Company's independent representation in the proceedings in question;
- 6) Value of the collateral that the Company had approved as security for the liabilities of the parent company Agrokor d.d. before and after the initiating of the extraordinary administration procedure.

Shareholder Raiffeisen Company for Mandatory and Voluntary Pension Fund Management d.d. for the account of the Raiffeisen Mandatory Pension Fund, category B, on the basis of a 5.61% of shares in the Company's share capital, filed a request for additions to the agenda of the General Assembly by letter of 12 June 2018, at which the Management Board and the Supervisory Board would submit to shareholders a report regarding the determination and examination of the Company's and Group's annual financial statements for 2017 and the reasons for postponing the determination and disclosure of the relevant reports.

Accordingly, the Management has prepared a Report that addresses the above-mentioned issues of the shareholders.

- 1) **Actions taken by the Company for the purposes of protecting the Company and its shareholders starting from the date of the Order of the Commercial Court in Zagreb to initiate the procedure of extraordinary administration.**

From the date of the Order of the Commercial Court in Zagreb, under business number St-1138/17, dated 10 April 2017, which initiated the procedure of extraordinary administration over the debtor Agrokor d.d. (hereinafter referred to as "**Agrokor**") and its affiliated and subsidiary companies in accordance with the Act on Extraordinary Administration Procedure in Companies of Systemic Importance for the Republic of Croatia (Official Gazette, no. 32/17 et seq, hereinafter referred to as: "**Act on Extraordinary Administration Procedure**"), the Management was primarily focused on the preservation of the business.



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At the beginning of 2017, due to the problem with the lowering of the credit rating of the majority owner, the insurance companies disallowed our credit limits for ensuring the payment of raw material delivery by foreign suppliers. Suppliers were also very cautious and initially threatened to end their delivery of goods, while the delivery of goods ceased in the second half of March 2017, when the Company's account was blocked and the suppliers conditioned continuation of co-operation with advance payments. This situation caused a lack of raw materials and commodities necessary for ensuring seasonal articles, and the Company, on the one hand, was threatened with the discontinuation of production and on the other hand with bankruptcy on account of illiquidity.

With the entry into force of the Act on Extraordinary Administration and the inflow of liquid assets by Agrokor, the situation gradually started stabilizing, while the procurement or ensuring of payment of goods and raw materials was fully stabilized in late June and early July last year. Obtaining additional liquidity from Agrokor was a key prerequisite for restoring supplier confidence.

Due to the overall situation, the Company also faced an increased staff turnover, and in 2017 a certain number of employees left the Company due to the unstable situation and the negative media coverage around Agrokor. There were also difficulties with the provision of seasonal workers in production, warehouse operations and distribution chains.

In these circumstances, the Management sought to preserve the assets of the Company as well as to continue its business. In this regard, it should be noted that some creditors had initiated procedures for recovering their debts against the property of the Company outside the Republic of Croatia, which was not directly protected under the Act on Extraordinary Administration. Given that such actions jeopardized the operations of the company, the Management Board of the Company, in cooperation with the legal teams of the Extraordinary Management, and the Extraordinary Commissioner himself, took a series of actions aimed at preventing such recovering of debts.

In addition, during the extraordinary administration procedure the Management had relentlessly been trying to preserve the organizational and production structure of the Company. Thus, from the beginning of the extraordinary administration procedure to date, it is possible to establish that the Company's operations have been preserved, which is shown by the Company's financial results so far:

Financial and production results disclosed by the Extraordinary Administration and the Company in 2017 (01-11 months) in mil. HRK:

	Revenue	EBITDA	% EBITDA
Ledo d.d.	999	197	19,7%
Frikom	730	140	19,1%
Ledo Čitluk	279	61	21,8%

With regard to the corporate governance, it should be noted that the Act on Extraordinary Administration substantially limited the powers of the Management Board in the Company's representation. Under the Act, the management of the Management Board is limited to operational business while the prior approval of the Extraordinary Commissioner is necessary for undertaking any extraordinary work. On the other hand, the Act on Extraordinary Administration did not foresee for the Management to participate in any way in the procedure of the extraordinary administration and it therefore has no legitimacy in that procedure.



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2.) Actions taken by the Company's Management for the purposes of reduction of the liabilities of the Company to its creditors, amongst others, the actions of contesting recognized monetary claims of its creditors by virtue of guarantees to the Company

Pursuant to Article 32, paragraphs 1 and 2 of the Act on Extraordinary Administration, the Extraordinary Commissioner was required to compile a table of registered claims and specifically indicate whether or not he recognized or contested each of the claims.

In this regard, pursuant to the Act on Extraordinary Administration, the Management was not authorized to make decisions on the recognition or contesting of individual claims.

In addition, the Management considers that the transactions by virtue of which the guarantees were taken on are not null and void for the following reasons:

1. The guarantees were taken on pursuant to validly concluded contracts that until the day of initiating the extraordinary administration procedure had never been questioned for any reason. Shareholders never asked any questions at the General Assemblies of the Company concerning said guarantees and all the Management and Supervisory Boards of the Company were relieved of their duties at regular Annual Assemblies prior to the initiating of the extraordinary administration procedure.
2. Prior to the conclusion of any contract, by virtue of which the guarantees were taken on for the financial liabilities of related companies, the rules of corporate governance had been complied with, namely prior approvals of the Supervisory Board had been obtained and the investment community had been informed of the conclusion of said contracts.
3. The Company received legal opinions that the guarantees that had been taken on were valid while in the Croatian professional literature only one legal article was published by doc. Dr. Bilić from the Faculty of Law in Zagreb, one which confirms the opinions concerned and discusses the validity of the so called "entry guarantees" given by the daughter company to the parent company.

3.) Transfer of the business unit of the Company to the mirror company in accordance with the Principal Agreement on Key Elements of the Settlement of 10 April 2018.

As explained under points 1 and 2, the Management does not take part in the extraordinary administration procedure, and therefore, the Company was not involved in the negotiating process of the Creditors' Settlement. For these reasons, the Company does not have any other information other than the one published, which refer to the internet sites of Agrokor.

4.) Court proceedings initiated before the Commercial Court in Zagreb against the Company in order to determine the existence of the monetary claim of the creditors, by virtue of guarantees to the Company

A total of nine court proceedings are conducted against the Company, as the Respondent, before the Commercial Court in Zagreb, in order to determine the existence of the monetary claim of the creditors, by virtue of guarantees.

In three proceedings, the claims arise from the guarantees of the Company for KONZUM d.d. The legal actions in said proceedings have been brought by creditors in the procedure of extraordinary administration (WPC AGRO 5 d.o.o.; WPC AGRO II 17-17 B.V.; and WPC AGRO I 17-13 B.V.), in order to determine the claims contested by the Extraordinary Commissioner, ones that arise from the Lease Agreement concluded between the Claimant and KONZUM d.d., for which the Company took on the guarantee. In these proceedings, the

