

Pursuant to Article 263 and Article 300c of the Companies Act and a provision of the Statute of the company LEDO d.d. Zagreb, Čavićeva 1a (hereinafter referred to as Company), the Supervisory Board of the Company consisting of Vladimir Bošnjak – Chairman, Mislav Galić– Deputy Chairman, Luka Cvitan – Member, Teo Vujčić – Member, Zdravko Kačić – Member and Miljenko Arapović – Member, submits to the General Assembly the following:

**R E P O R T**  
**on the conducted supervision of the Company's business in 2016**  
**and on the examination of the financial statements**

The Supervisory Board is composed of six members: Vladimir Bošnjak – Chairman, Mislav Galić– Deputy Chairman, Luka Cvitan – Member, Teo Vujčić – Member, Zdravko Kačić – Member and Miljenko Arapović – Member.

The Supervisory Board of the Company, in accordance with the authorizations stipulated by the provisions of Art. 263 and 300c of the Companies Act and the provisions of Art. 28. of the Company's Statute supervised the conduct of the Company's operations, with special supervision of the legality of its work, the use of material resources, the management of business books in accordance with the regulations, and analyzed the achievement of the planned results and the implementation of the basic business policy goals. Following the analysis and explanation of the Financial Statements for 2016 prepared by the authorized auditing firm PricewaterhouseCoopers d.o.o., the Supervisory Board found that the Statements were fair and correct.

In 2016, the Supervisory Board held nine (9) sessions and conducted voting in the prescribed way and was duly informed by the Chairman of the Management Board on business policy and other principal issues of future business management, on all major business events and on business, profitability, revenue and expenditures that could be of great importance to the profitability of the business and to the liquidity of the company and to the state of the Company.

The Supervisory Board reviewed the financial and consolidated financial statements for 2016, in accordance with Art. 300.c of the Companies Act, which also included the Profit and Loss Account, the Report on the Financial Position of Ledo dd, Ledo dd Cash Flow Statement, Consolidated Profit and Loss Account, Consolidated Statement of Financial Position of Group Ledo dd, Consolidated Cash Flow Statement of Group Ledo dd, as at December 31, 2016. The Supervisory Board considers that said statements are fair and fairly composed.

In accordance with its rights and obligations, the Supervisory Board supervised and examined the Company's books and records and found that the Company acted in accordance with the laws, acts of the Company and the decisions of the General Assembly.

The Supervisory Board further notes that for understanding this Report the following facts are important:

On 10 April 2017, the Commercial Court in Zagreb issued the Decision No. St-1138/17, which opened the procedure of extraordinary administration over Agrokor d.d. and its subsidiaries and affiliates in which the Company also belongs. Said Decision also appointed Mr. Ante Ramljak as the Extraordinary Commissioner.

Therefore, the Company has been subjected to the extraordinary administration procedure, following which the Company's business has become subjected to the Law on Extraordinary Administration Procedure in Companies of Systematic Importance for the Republic of Croatia.

At the request of the Extraordinary Commissioner of 22 May 2017, pursuant to the powers under Article 13 para. 3 of the the Law on Extraordinary Administration Procedure in Companies of Systematic Importance for the Republic of Croatia. (OG 32/2017, hereinafter: LEAP) and Article 24 of the Statute of the company Ledo for the production and trade of ice cream and frozen foods, a joint stock company, Zagreb, Čavićeva 1a, the Management Board of the Company convened the Extraordinary General Assembly of the Company on 5 June 2017 (hereinafter: the Assembly). The agenda of the Assembly was as follows: 1. The decision on the revocation of the members of the Supervisory Board, including the Chairman of the Supervisory Board Ljerka Puljić, Ante Todorčić and Marica Guina Torres Dujisin, and 2. The adoption of the Decision on appointing new members of the Supervisory Bord, namely of Vladimir Bošnjak, Teo Vujčić and Zdravko Kačić.

The Assembly adopted the proposed decisions, and accordingly on 8 June 2017 the constitutive session of the Supervisory Board was held, at which the Chairman and Deputy Chairman of the Supervisory Board were elected, and from that date the Supervisory Board commenced operations in accordance with the provisions of the Statute of the Company and the provisions of the Companies Act.

It is also important to point out that at the Extraordinary General Assembly of the Company, held on 15 May 2017, was revoked the Auditor of the Company for 2016, Baker Tilly Croatia Auditing Company Ltd., Zagreb, Ulica grada Vukovara 269 G, PIN: 71665824084 and was appointed as new auditor PricewaterhouseCoopers doo, Zagreb, Ljudevita Posavskog Ulica Street 31, PIN: 81744835353.

The Supervisory Board at its meeting on 3 October 2017 examined and discussed the annual financial statements of Ledo d.d. and of its affiliated companies, together with the auditors' opinions for 2016, submitted by the Company's Management Board and the Company's Auditor, and found that they were made using the appropriate accounting policies in accordance with the status of the business books and that they present a realistic and objective financial position and the business results of the Company for the business year ended on 31 December 2016. Since the Supervisory Board has no objections to the statements submitted by the Management Board of the Company, the Supervisory Board agrees with the annual financial statements for 2016. Also, the Supervisory Board agrees with the opinion of the Auditor. Bearing in mind all of the above, the Supervisory Board proposes to the General Assembly of the Company that pursuant to Art. 300.e of the Companies Act and Art. 22, 28.4 of the Statute of the Company it adopts the annual financial statements and consolidated annual financial statements for 2016, and then decides on the coverage of the losses incurred in 2016 according to the proposal of the Company's Management Board, and accordingly also makes decisions on giving discharge to the Management Board and makes decision on giving discharge to the members of the Supervisory Board of the Company and to make other decisions within its competence in accordance with the proposals of the Management Board and the Supervisory Board of the Company.

In Zagreb, 17 November 2017g.

Vladimir Bošnjak  
Chairman of the Supervisory Board

