

Original article can be found here: <https://www.vecernji.hr/vijesti/perusko-fortenova-je-funkcionirala-i-dalje-funkcionira-s-ruskim-suvlasnistvom-1631646>

Int/Fabris Peruško

Večernji list, 7th November 2022

Peruško: Fortenova has operated and keeps operating with Russian ownership

Fortenova Group is a healthy company with good prospects and I am confident that, regardless of the unresolved Russian ownership, these facts will be crucial for the debt refinancing as well, which we have to deal with until September 2023, Peruško says

Were you informed about Sberbank negotiating with Saif Alketbi, an investor from the Emirates, about the divestment of its ownership share in Fortenova?

I received the first information about Sberbank having agreed to sell its company SBK ART to an investor from the United Arab Emirates literally a few minutes before Sberbank disclosed the divestment information on its website. Immediately thereafter an announcement of the buyer of that company, obviously prepared and sent in advance, appeared on the Croatian media portals. The information thus reached Fortenova Group's management through the media, at the same time when the public learnt of it.

Have you been in contact with Saif Alketbi or any of his advisors? Do you know whether Alketbi has contacted any of Fortenova's co-owners?

There was no contact whatsoever by the buyer of the company SBK ART or anyone else who would have represented him with the management of Fortenova Group until the late afternoon of Thursday, 2nd November, when a very brief message was received at the email addresses of some Executive Directors and BoD Members, which we had already seen a few hours before – in the media. Apart from that email consisting of a few sentences, the content of which is known to the entire public, there have been no other contacts.

Interestingly, acting as intermediary or financial adviser in the respective deal was Miodrag Borojević, a man who spent some time as Member of Fortenova's BoD. Why and under what circumstances did Borojević leave Fortenova?

Mr. Borojević resigned from the Board of Directors once it turned out that some of his actions were not in line with the company's Code of Ethics. All other Members of the Board of Directors were of course familiar with that. As company we did not comment the details then, nor shall we do so now.

Borojević admitted to have made a value assessment of Fortenova for the Arabian investor. Was he able to do that, given the fact that he was a high-ranking member of Fortenova's Board?

When it comes to such large transactions, I think that even for very experienced teams of financial advisors, and particularly for an individual, it is practically impossible to make a proper value assessment without having insight in the current, most recent operating data and enough time for a due diligence.

In your opinion, does it make any sense to purchase shares in a company without checking its operations and a due diligence exercise?

When the Hungarian Indotek Fund appeared as potential buyer of Sberbank's share in Fortenova Group, and later also the Croatian pension funds, in charge of the value assessment of the company and giving the "green light" for the acquisition were their financial, tax and legal advisors. The last due diligence process and true value assessment lasted two months and it could only have been so short because the company already had all the required documentation in place from the previous due diligence exercise. When we were disposing of Ledo, Frikom and the other companies from the so-called Frozen Food Group, the process lasted a whole year. By way of comparison, the value of that transaction was EUR 615 million, while in the divestment that was discussed between Sberbank and the pension funds the value of the transaction should have amounted to EUR 500 million. I know of no example that anyone would have ever proceeded with such an acquisition without a proper due diligence in the true sense of the word. The more so because this is not an acquisition of a hundred percent share, not even of the majority share, but a co-ownership where they would not be able to make one single decision on their own.

Although there has been no official registration of ownership change in the EU and Croatia, and accordingly no approvals have been requested from the competent authorities, the fact remains that Sberbank has sold 43 percent of Fortenova to an investor from Dubai. How to overcome a situation where according to the EU and Croatian legislation Sberbank is still owner of the share in question, while the same Bank claims not to have anything to do with Fortenova anymore?

Sberbank's share, i.e. its ownership stake in Fortenova Group has been under sanctions so far as well, which means that the ownership rights arising from such ownership have been suspended. Sberbank has thus not been able to vote at Fortenova Group's Assembly meetings and the company has been operating under such circumstances practically since the outbreak of the war in Ukraine. Hence we occasionally have to explain and argue that Fortenova Group has never been, nor is there any reason for it to be, subject to sanctions and that the sanctioned banks are not majority owners and have no control over the company. That does take some time, but this is not the first time that Fortenova Group's management and employees have successfully coped with extraordinary circumstances caused by disturbances in the environment. The Russian banks have ended up as Fortenova Group's co-owners without intention, as a consequence of the over-indebtedness of the former owner of Agrokor with those banks, and the management found a way to work with them as co-owners of the company that we run today. Ever since those owners have been sanctioned, decisions have been made without them because their shares are frozen. Extremely important for the company's stability is the fact that an ownership consolidation took place even before the Ukrainian war and a large number of fragmented, very small shares was consolidated by a group of domestic investors headed by the company Open Pass, holding slightly less than 30 percent of ownership stakes. The thus consolidated local ownership is still very important in overcoming the situation that we have today and that, I am convinced, will be resolved like many other challenges that we were faced with.

How should this vacuum be addressed in view of the fact that the deadline for the transfer of Sberbank's ownership expired on 31st October?

As I said, we have operated and continue to operate with Russian ownership.

Over the last days the information occurred that the transaction between Sberbank and Alketbi was actually an attempt to circumvent the sanctions regime imposed on Russia due to the invasion on Ukraine?

We have all heard these days that the Croatian Government's Permanent Group for the implementation and monitoring of international restrictive measures was actively investigating this transaction. Hence the matter is being reviewed by the competent authorities of the Republic of Croatia and all we can do is wait for their conclusions and findings. When it comes to Fortenova Group, the company's first reaction when the information on the sale-purchase first appeared in the media still applies – Sberbank's assets are under sanctions and a sale-purchase that would involve the unfreezing of those assets requires special permits of the authorities in charge of implementing the sanctions.

The first potential buyer of Sberbank's shares – the Hungarian Indotek Fund – was not able to obtain those permits. In the second attempt, i.e. the sale to the pension funds, the permits were obtained, but representatives of the German Allianz in the Supervisory Board of AZ Fund stopped the transaction from happening. According to the information of competent authorities in Croatia and the Netherlands, no further approvals for sale were requested or obtained. The key difference between this sale-purchase and the sale to the pension funds, required for the assets to be unfrozen and transferred to the buyer, are permits. The pension funds had the approvals of the competent authorities for the purchase, and for this sale-purchase the competent authorities say that such permits have not even been requested. The deadline for requesting them has expired.

If a circumvention of sanctions has taken place, this is a criminal offence and from the company's perspective it is important to note that we have not been involved in it.

Why would, to your knowledge, anyone pay hundreds of millions of euros for something they would not be able to legalize?

This is a question for the buyer, I really cannot answer it.

Is there a possibility for Saif Alketbi, who claims that this is his private investment, to ever legalize the shares acquired from Sberbank and become legal co-owner of Fortenova?

This is also a question for the buyer and his legal team. Fortenova Group continues – yesterday, today and tomorrow – to operate as usual. In the Dutch register of shareholders in Fortenova Group, Sberbank is entered as the ultimate owner, its assets are under sanctions and we have successfully coped with it, although it naturally does require quite some time, argument and explanation.

How has the whole story with the divestment of Sberbank's share affected Fortenova's operations, and particularly its efforts regarding the further financial consolidation and debt refinancing?

I am happy that at the end of this conversation we have come to the actually most important question, being our current and expected future operations. Please allow me to once again clarify something that I frequently speak about, but it always somehow ends up in the shadow of topics that are more interesting to the media, such as thrillers, Russians and Sheikhs... What I am talking about is not so exciting, but it is incomparably more important for our more than 45 thousand employees, almost thirty thousand suppliers and partners and the local communities in five countries where we operate. Through the Extraordinary Administration Procedure and the implementation of the Settlement Plan closed among Agrokor's creditors, pursuant to which Fortenova Group was incorporated on 1st April 2019, we have created the prerequisites for an in-depth transformation and strengthening of operations of the region's largest private company, which we have then carried out over the last three and a half years by means of credit consolidation, significant deleveraging and a so far partial ownership

consolidation. In the period 1-8/2020 we generated more than EUR 3.5 billion in revenue, with operating profits of almost EUR 200 million. These are the results even before the end of the tourist season, which was excellent, as will become completely apparent once we disclose the results for the full three quarters. We expect to generate revenues of EUR 5 billion by the end of the year and to end the year with profits. Ownership showdowns are certainly not helpful, it would be way easier to operate without them, and they will certainly affect with whom and under what conditions our debt will be refinanced. Given that due to sound operations and carefully planned deleveraging we were able to reduce our debt-to-operating-profit ratio to 3.65 times, our position today is incomparably better than it was a year or three years ago, and lightyears away from the one we were in during the Extraordinary Administration. Fortenova Group is a healthy company with good prospects and I am confident that, regardless of the unresolved Russian ownership, these facts will be crucial for the debt refinancing as well, which we have to deal with until September 2023.

Have all the suppliers recovered their claims as agreed in the Settlement Plan?

Agrokor had entered the Extraordinary Administration with a debt of EUR 7.8 billion and a debt-to-operating-profit ratio of around 30 times. This means that the company would have needed 30 years to repay its debts without paying any interest over that period and without making any investment in the business, which is of course absolutely impossible, and that is why the over-indebted Agrokor ended up in bankruptcy in the first place. Fortenova Group started with slightly over EUR 1.4 billion of debt in total, as well as with a completely new ownership structure, because the debt that was not repaid in cash was swapped to ownership shares. It is also worth reminding that during the Extraordinary Administration Procedure the debts to micro and small suppliers were repaid in full, while others recovered about 80 percent of their claims on average. The Settlement Plan also stipulates the obligation of paying the debt to suppliers that was called 'border debt' before the Settlement Plan and it is also planned that the company shall pay an agreed interest rate on that debt until its repayment, so that I can confirm that all obligations to the suppliers have been met in accordance with the Settlement Plan. All Fortenova Group's operating companies have since several years been paying their suppliers within the due dates, which Agrokor unfortunately had not done for maybe a whole decade.