

## ANALYSIS OF THE CRISIS IN AGROKOR - ECONOMIC AND LEGAL CONSEQUENCES ON THE REGIONAL MARKET WITH A SPECIAL FOCUS ON BOSNIA AND HERZEGOVINA

Academic prof.dr. Ibrahim Jusufrić, email: [rektor@iu-travnik.com](mailto:rektor@iu-travnik.com)

MA Amira Delić, email: [amira.delic@iu-travnik.com](mailto:amira.delic@iu-travnik.com)

International University Travnik in Travnik, Bosnia and Herzegovina

**Summary:** Irrational expansion of the trading network, poor economic valuation and excessive borrowing are the causes of the problem. The Agrokor business, the Todoric family, led by its founder, Ivic Todoric, was based on undisciplined lending of money in the market. Agrokor was rapidly expanding in Croatia and the region without control and control, so costs were rising, while traffic was falling as they took over the Mercator chain. Much investment was spent on the acquisition of Mercator, which failed to generate profits as expected by Agrokor. Agrokor's liabilities to investors and suppliers amount to around 5.6 billion euros. Agrokor easily borrowed without asking for costs and interest, while credit institutions were excessively exposed to credit risk. The Croatian Financial Services Supervisory Agency (HANFA) did not prevent the quotation of shares and bonds for Agrokor companies, and the Croatian National Bank (CNB) did not recognize the huge amount of false 1.3 billion euros with which the Croatian monetary system was drilled. Agrokor has a loss above the capital level of about 2 billion euros, while its total debt is about 7 billion euros and is not final. In BiH, Konzum's debt to suppliers exceeds € 150 million, which is many times more than its stock, which means that the money has already come out of BiH and has been used in Agrokor to repay loans.

**Keywords:** Agrokor, Bosnia and Herzegovina, debt, claims, crisis, consequences, extraordinary administration, lex Agrokor

### 1. Introduction

Agrokor Group is the largest private company in Croatia and one of the largest companies in Southeast Europe with a consolidated total annual revenue of EUR 7 billion and almost 60,000 employees, comprising companies in the retail, food, agriculture and other sectors.

In addition to companies from Croatia, the Agrokor Group is comprised of companies from the region associated over the past few years; from BiH, Serbia, Hungary and Slovenia. Agrokor has more than 70 companies in its group, and in addition, in the last few years, 30 new non-visible companies have been established, which serve to cover the illiquidity of existing ones, as well as to transfer money from one country to another because they are registered in multiple states.

Agrokor, which was founded in 1976 by Ivica Todoric, has grown unstoppably as a company for more than 30 years. As a small family-owned flower production and sales company, Agrokor has grown into a leading food and trading group in the region, thanks to a clear business vision, strict strategy and thoughtful investment. But the coup began with the acquisition of Slovenian Mercator in early 2014, and he acquired the purchase money, which cost 544,000,000 euros, through a loan from Russia's Sberbank. At the end of 2016, serious problems arose with paying money to suppliers. As of March 31, 2017, Agrokor had a total debt of KM 10.67 billion, of which KM 6.47 billion to banks and other financial institutions, interest debt of KM 105.6 million, bills of exchange issued 1.95

billion KM and debt to suppliers 1.63 billion KM.

The crisis that hit Croatia's largest company, Agrokor, reflects not only on suppliers and workers, but also on the overall economy of the countries in which it operates. Debt to suppliers in the Federation of BiH as of March 31 was KM 130 million. In April 2017, the Croatian government takes over the business and appoints Antu Ramljak as the head of Agrokor.

## **2. Emergence of Agrokor Problems - Causes of the Crisis**

Irrational expansion of the trading network, poor economic valuation and excessive borrowing are the causes of the problem. Agrokor's business, the Todoric family led by Ivica Todoric, was based on undisciplined lending of money in the market. Agrokor was rapidly expanding in Croatia and the region without proper control and control, so costs were rising, while traffic was falling as they took over the Mercator chain. Much investment was spent on the acquisition of Mercator, which failed to generate profits as expected by Agrokor. Agrokor's total assets at the end of 2016 were worth EUR 5.6 billion, while total liabilities amounted to EUR 7.4 billion, in other words, Agrokor's liabilities exceeded the value of assets by about EUR 2 billion.

According to audit reports, several hundred million euro of hidden liabilities such as loans were found. The loans were recorded as cash in the books, with revenues "pumped up" to approximately € 500 million. A total of € 212 million went to the loans and they were shown in the books as cash. Agrokor easily borrowed without asking for costs and interest, while credit institutions were excessively exposed to credit risk. The Croatian Financial Services Supervisory Agency (HANFA) did not prevent the quotation of shares and bonds for Agrokor companies, and the Croatian National Bank (CNB) did not recognize the

huge amount of fraudulent bills in the amount of EUR 1.3 billion. Bills of exchange were used as a means of embezzlement. Suppliers who received Agrokor bills to settle their receivables discounted them from financial institutions to get cash. When it appeared that there was no coverage in the account of the issuer, that is, the drawer - Agrokor - and the money was circulating in the form of cash or deposits between banks, the monetary system of the Republic of Croatia was de facto punctured.

The most important problem, according to the reports of the Agrokor extraordinary administration, concerns more than half a billion hidden euros, and about 300 million perverted balances where loans are recorded as capital and income. Significant amounts of loans from several banks, such as Splitska, Zagrebačka, Sberbank and a number of others, have been hidden, up to a total amount of about 400 million euros. In addition to hiding over half a billion euros in liabilities, Todoric also made extensive loans to himself, displaying these loans as cash in the firm's account. This type of business model is about transforming personalized costs into corporate, tax deductible expenses. Agrokor was lending money to itself, distributing millions of loans, which were not repaid, without any measures or sanctions being taken by the Croatian National Bank.

In recent years, Agrokor was unable to repay loan installments, and resorted to using money from suppliers it did not pay for goods, and as of the last day of 2015 owed suppliers 2.4 billion euros. He directed that money to pay the loan installment and interest.

## **3. Agrokor in Bosnia and Herzegovina**

The Agrokor Group is present in BiH through 9 subsidiaries of which a part of these companies was founded directly by Agrokor d.d. Zagreb, and some of them by

Croatian subsidiaries Agrokor d.d. Zagreb, of which the most significant are "Sarajevski kiseljak d.d.", "Zvijezda d.o.o. Sarajevo" and "Ledo d.o.o. Sarajevo". Agrokor companies in BiH have significant stakes in BiH market and employ close to 5200 workers, among which the most important employer is Konzum d.o.o. Sarajevo with about 4600 workers. The crisis of the Croatian Agrokor also spread to Bosnia and Herzegovina and caused certain negatives such as:

- The impossibility of bh. Agrokor companies to pay suppliers in a timely manner,
- At the end of 2016, Agrokor Group companies in BiH owed about KM 318 million, of which debt to domestic suppliers amounted to KM 170 million,
- The largest debtor is Konzum d.o.o. Sarajevo, one of the leading retail chains in Bosnia and Herzegovina.

In Bosnia and Herzegovina, Konzum's debt to suppliers is in excess of KM 300 million, which is many times more than stocks, which means that the money has already come out of BiH and has been used in Agrokor to repay the loan. In recent years, debt to suppliers has not been settled and its arrears are on average over half a year. After this deadline, aware that Konzum will not settle their obligations, suppliers resort to compensation, but then they are offered some uncompetitive stocks that they cannot sell and have nothing to sell.

After the announcement of the affair in Agrokor, there is less and less goods on the shelves of Konzum in BiH. The assortment was halved and distorted, the suppliers reduced their deliveries to Konzum to a

minimum, and some discontinued the supply so that the turnover dropped by about 40%, resulting in an immediate surplus of 40% of the workers. In such a situation, Konzum will not be able to withstand wages, the losses will increase steadily, and the gloom will increase.

Domestic suppliers are not settled on their old obligations, while Konzum will endeavor to settle obligations to Sarajevo Kiseljak and Leda, which are registered as domestic companies in BiH under the pretext of settling domestic suppliers, thus pumping money towards Croatia.<sup>64</sup> When doing a deeper analysis, it is evident that Konzum does not pay the indirect tax liabilities but uses them as input VAT, and the suppliers who had to pay the same VAT when invoicing did not receive money from Konzum and the question is whether they are able to settle their tax obligations.

In addition to the negative consequences that have already occurred in Bosnia and Herzegovina, based on the current situation, the following negative consequences can be predicted<sup>65</sup>:

- Transfer of capital from Agrokor BiH companies to companies from Croatia, which could lead to a weakening of the BH state. Agrokor companies,
- Property pledge bh. Agrokor companies to meet the obligations of the founders,
- Loss of employment in Agrokor companies in BiH,
- Complete liquidity of BH. Agrokor companies and their bankruptcy,

<sup>64</sup> We know that Tush had a similar affair a few years ago, and his debts were 15 times smaller than Konzum, but great damage was done. Many small companies have been shut down, as have many jobs, but only in the Federation of BiH. Tush owned two companies Tush Stores and Tush Properties. Obligations were recorded at the Tush Store and all real estate was registered at Tush Properties. RS made a decision that it was a related party because Tush is the owner of both companies and that Tush

Real Estate cannot sell real estate without settlement of obligations, so they did not allow the sale of real estate until all liabilities in RS were settled, so that the money from the sale of real estate could only go to suppliers. In the FBiH, Tus was released to sell real estate, and debt to suppliers of KM 19.6 million remained outstanding.

<sup>65</sup> Lex Agrokor / Lex Mercator: Legal Implications / Impact on BiH Market and Other South East European Regional Markets

- Sale of shares and / or assets of BH. Agrokor companies under adverse conditions,
- Inability to settle claims from suppliers from BiH,
- Endangering the continuation of supplier business,
- Weakening of overall financial flows and the state of public revenues in BiH

To avoid complete collapse, it is necessary to take over Konzum BiH urgently. The model for solving this problem is similar to that of ten years ago when Konzum acquired VF<sup>66</sup>. If this does not happen quickly Konzum in BiH will go bankrupt. Much of the money from BiH has already been pumped to pay off interest and loans. Part of the property is not registered at all at Konzum but at a third company registered outside BiH, and a large part of the property is leased.

In recent days, we have witnessed the "alleged" return of the Mercator brand instead of Konzum. It is important to point out that both Mercator and Konzum are part of the same Agrokor group, and that this is no longer the old Slovenian Mercator that had an enviable range and one of the best offers and services on the market before being bought by the Agrokor concern. The move seeks to do a marketing gimmick and create a legal misconception that debts to suppliers are not settled.

#### **4. Lex Agrokor and other legal solutions that protect countries in the region**

Unlike countries in the region, which are adopting legal solutions to protect domestic suppliers, BiH authorities are not responding adequately.

Croatia has adopted the Law on Extraordinary Management in Companies of Importance for the Republic of Croatia, nicknamed "Lex Agrokor", which is valid only in the territory of Croatia, with the aim of protecting Croatia's large suppliers of Konzum such as Podravka, Kraš, Saponia, Kandit et al., And also a large number of small suppliers and agricultural producers.

Slovenia has also passed the Lex Mercator<sup>67</sup> law to protect its suppliers. Lex Mercator was created as a result of the adoption of Lex Agrokor and is formally valid for all companies of crucial importance that have a great impact on the economic, social and financial stability of the country (6000 employees, and whose net sales revenues amount to EUR 1 billion). Due to the expressiveness of the adoption of the law, it is evident that it was adopted with the aim of protecting Mercator from the possible harmful influence of Agrokor as a majority shareholder.

Serbia and Montenegro also responded quickly and set conditions for the protection of their markets, in which Agrokor has direct or indirect participation in 17 Serbian companies. Serbian regulations prohibit Serbian companies from providing financial support to foreign companies. Foreign Exchange Law prohibits Serbian-

<sup>66</sup> According to this model, the new company ie. the buyer takes over the objects, equipment, goods and workers, and Konzum continues to exist as a legal entity, and it will retain all obligations towards suppliers that will be settled from the sale. In this way, workers would remain in their workplaces and suppliers would be regularly settled and the situation would be stabilized.

<sup>67</sup> A law that would appoint a temporary extraordinary member of the board of directors of private companies with more than 6,000 employees and whose solvency is compromised, seeking to prevent possible negative effects on the spill-over of the crisis over Agrokor, which owns the Slovenian Mercator chain.

based companies from granting cross-border<sup>68</sup> financial loans, as well as providing guarantees and other collateral, so that there is no exposure of Serbian companies to Agrokor's creditors on this basis. Agrokor creditors who have enforceable court decisions made in any jurisdiction could require enforcement on Agrokor property in Serbia, provided that such a decision is previously recognized by a court in Serbia. Agrokor's assets in Serbian companies related to shares and stakes may serve as a means of settling Agrokor's creditors.

Only Bosnia and Herzegovina does not respond adequately, with debt to suppliers amounting to about 95% in the FBiH and 5% in the RS. No specific regulation was adopted in BiH to prevent the negative effects of the crisis. The Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina has sent the Information on the Consequences of the AGROKOR Crisis on the BiH Economy, adopted by the Council of Ministers of BiH. In addition to the regular mechanisms of control over the legality of the work of legal entities, there are specific protection mechanisms provided for by individual regulations in BiH. The Law on Foreign Direct Investment in BiH<sup>69</sup>, the Law on Foreign Exchange<sup>70</sup> and the Law on Profit Tax<sup>71</sup> provide that the payment of profits to the founder can be made only if all tax liabilities, as well as all other obligations on taxes and contributions, and claims of workers from employment relationships to protect public income and workers' claims. However, first of all, it is necessary to accurately determine the state of Agrokor in

BiH, and to conduct intensive and continuous monitoring of the work of Agrokor in BiH, especially in terms of control of transactions with the founders, as well as the dynamics of settlement of obligations towards suppliers. The remedies available to Agrokor suppliers in Bosnia and Herzegovina are<sup>72</sup>: obtaining the means of securing claims, eventual compensation, initiating bankruptcy proceedings against the debtor, if the debtor is Agrokor himself d.d. Zagreb or its affiliate with headquarters in Croatia and filing a claim with the competent court in Croatia.

On April 6, the Law on Extraordinary Management in Companies of Systemic Importance for the Republic of Croatia, known as Lex Agrokor, was passed, according to which the administrator has full management rights with the permission of the creditor council, which houses representatives of creditors, bondholders and suppliers. This law essentially has all the provisions of the Bankruptcy Law procedure, and some of the provisions of the Bankruptcy Law apply directly, but it clearly states that it is forbidden to initiate bankruptcy. The law prohibits the settlement of mortgagors, primarily mortgage creditors, and even suspended the right of exclusive and distinct settlement of creditors. It is also forbidden to settle on the basis of bills of exchange and similar authentic documents. This applies in particular to Article 40 of this Law, on the basis of which the Government Commissioner is not obliged to settle the obligations on maturity, nor does the priority have to settle the obligations arising from loans taken or securities issued, but

<sup>68</sup> Cross-border loan, ie foreign currency loan with a bank guarantee in the country, cross-border loan, direct borrowing of foreign companies

<sup>69</sup> Law on Foreign Direct Investment Policy in Bosnia and Herzegovina Official Gazette of BiH no. 17/98 and three Amendments to the Law on Foreign Direct Investment Policy in BiH published in the Official Gazette of BiH no. 13/03, 48/10 and 22/15)

<sup>70</sup> Law on Foreign Exchange (FBiH Official Gazette 47/10)

<sup>71</sup> Law on Corporate Income Tax of the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of Bosnia and Herzegovina), No. 15/16 of 26.2.2016.

<sup>72</sup> Lex Agrokor / Lex Mercator: Legal Implications / Impact on BiH Market and Other South East European Regional Markets

that is why the Government Administrator is empowered to pay, at his own discretion, when and how he wants obligations to related parties in Agrokor. The bodies of extraordinary administration proceedings under this Act are the court, the extraordinary commissioner, the creditor council and the advisory body.

Lex Agrokor mentions that the Extraordinary Commissioner can take on a new loan to continue his business, which he did and borrowed Agrokor for a further EUR 480 million and plus EUR 50 million in merchandise with refinancing. **The roll up loan agreement**, signed on June 8, 2017 between Agrokor, lenders and loan agents, contains a number of provisions that give these lenders full authority in managing the Lex Agrokor process. Under this roll up model, Agrokor will have to repay 1.06 billion euros, that is, it will have to repay one euro of old credit for every euro of a new loan. The roll up loan provides that the bank will also receive a new loan to transfer a certain amount of the old loan into seniority.

## 5. The aftermath of the Agrokor crisis

The guild of the current situation of Agrokor will first and foremost be paid by workers who will lose their jobs both in Croatia and in Bosnia and Herzegovina. Serbia will solve the problem of Agrokor internally and will not allow the measures for the rehabilitation of Agrokor to be transferred to Serbia. Due to the overall economic and political situation in BiH, the consequences will primarily be borne by employees for layoffs and pay cuts, which will also make business difficult. There will be a restructuring of the group, whose formation was not based on scientific and market assumptions, so that all companies that did not belong to Agrokor will be

eliminated. Agrokor's property portfolio<sup>73</sup> consists of 200 companies and 80 companies, 40 of which are operating companies and the rest have no operating business and as such are likely to go into liquidation.

Economic growth could be lower than expected, precisely because of the crisis that will spread from Agrokor to suppliers and banks and adversely affect employment in Croatia, credit activity and investment. The negative consequences of the Agrokor Group crisis may mean a slower pace of personal consumption and investment activities in the coming years.

Firms have yet to make reservations, which will soon be reflected in their business results, and then more cautious running their business, which will then have repercussions on the entire economy. This is just the beginning, and the real consequences will be apparent at the beginning of the new year when the settlement of debt-trust relations and the restructuring process begin.

### 5.1. The consequences of the Agrokor crisis on the citizens of the Republic of Croatia

In the biggest corporate crisis in Croatia that hit a company that accounted for 15% of domestic GDP, employees of that company were the first to hit, about 60,000 of them, most of them, about 45,000, in Croatia. Should Konzum take over, part of the jobs are expected to disappear. Some of these people will find jobs in other retail chains, some will retire and some, if no work, could become part of the eviction statistics. Other Agrokor companies do not have as much competition in the market, so the opportunities for their workers to find new jobs are less. This means a greater cost to the state for their care and less income from contributions and income taxes.

---

<sup>73</sup> A portfolio is a set of financial assets, made up of various financial instruments (securities) that an individual or company owns.

The crisis in Agrokor showed all the weaknesses of the Croatian agricultural and food industry, which, for years leaning on Konzum, did not seek a second path to consumers. Tens of thousands of small Agrokor suppliers will be forced to think about other chains or other types of products and even markets outside Croatia, for which they do not have a network built. Although all current estimates suggest that the impact of the Agrokor crisis on the domestic economy is about 0.3% this year, the outcome of the aforementioned problems will show how strong that impact will be in the coming year. There is a possibility of a decrease in production, which in turn necessitates an increase in imports and a decrease in the number of jobs. The consequences of such a situation could jeopardize Croatia's economic growth, as well as budget revenues, on the basis of taxes and contributions for pension and health insurance. Less budget revenue can also mean new budget savings, which means less money for education, health, pensions, social programs, or some new taxes to overcome some new crises.

The Croatian National Bank (CNB) and the Government of the Republic of Croatia expect banks to increase their cost of provisioning due to exposure in Agrokor, which may mean lower profits than banks. Banks are feeling this consequence now, because of the stricter laws, they have to put risky placements in reservations immediately. For many banks this has already caused serious losses. According to available CNB data, in the first nine months of this year, banks' profits in Croatia decreased by about 47% compared to the same period last year. The decline in bank profitability was mostly influenced by the risks associated with Agrokor and its affiliates, which caused the banks to raise provisions, that is, to increase the cost of value adjustments to company placements. Also, the number of banks operating at a loss increased.

At the end of September, half of the banks in Croatia (13 out of 26) operated at a loss. The loss is related to the deterioration of the credit rating of the Agrokor Group and related parties.

If, following the implementation of Lex Agrokor, a portion of the creditors, led by Sberbank, go to court, this could further jeopardize the budget. To this end, the Government of the Republic of Croatia would have to hire lawyers, which would incur huge costs. However, if the lawsuits do not end well for the state, in that case they will receive damages that will amount to hundreds of millions of euros. Paying those damages again means less money in the budget. Such judgments could in the future also negatively affect the Croatian credit rating, and its deterioration means more expensive interest rates on debt, and again less money for budget expenditures. Although Croatian pension funds, most of the workers' money, were invested in government bonds, some went to Agrokor's companies. A bad outcome would also mean lowering the savings value of future retirees.

## **6. Emergency Management Restructuring Plan for Agrokor**

Agrokor extraordinary management is 30.10.2017. presented its plan, vision and potential to the Group companies announcing debt relief by 70%. According to Agrokor's sustainability plans and business plan until 2020, significant restructuring of the Retail Group within the Agrokor Group was announced, continued growth of key indicators of the Food group, capitalization of previous strategic investments in the Agriculture group, and sale of other non-core values, while Agrokor's employees will be moved to core business. The major changes will be subject to retailing made by Mercator, Konzum, Velpro, Tisak and business in Bosnia and Herzegovina.

The settlement proposal will deal with different types of claims and in different

procedures. Financial creditors will have to write off on average 60 to 70% of their receivables, with some write-offs as high as 90% or more and some as 50%. This procedure violates the protection of property rights, as some creditors may write off claims in a higher percentage than others. In other words, for example, 50% of their accounts receivable will be written off to financial creditors who have stronger credit insurance (for certain assets of Agrokor and its companies, real estate or shares). Those creditors who have weaker claim insurance or have no insurance (such as Russia's Sberbank) may have to write off up to 80 or 90% of their claims.

The plan envisages reducing the size of the business, eliminating unfounded business and focusing on restructuring. In order to reduce the debt of € 7.5 billion, Agrokor plans to sell a number of companies outside its core business, e.g. travel, catering, energy, etc.

## 7. Potential solutions

A continuous system of borrowing and financing of extensive development in the business of Agrokor is required to be sensible. This is a process called “**downside**” in the economy, that is, reducing the volume of operations, especially in those parts that are not highly profitable or are at a loss, as is the case in Serbia. A large number of firms of a productive character will have to sell themselves to service their loans.

One solution to avoid the worst-case scenario for Agrokor is to recapitalize<sup>74</sup>, ie to convert 50% of all bank and supplier claims into capital to recapitalize Agrokor. For example, banks convert from their claims, which is about four billion euros of loans, into capital two billion and thus acquire ownership in Agrokor, and reduce the interest on the remaining debt to 2 to

3%. The suppliers would be paid 50% of the receivables and the remaining 50% would receive the shares. Another possible solution is that the value of the stock rises over time. Creditors would get their money back through the increase in the value of the shares, ie through their sale.

## 8. The outcome of the situation

The full outcome of Agrokor's situation will get an epilogue in court, as it is clearly a criminal offense of posting loans and loans in the value of assets, illegally spent funds, buying bonds and the like. At the same time, the judicial and business process, ie the restructuring of the group and the settlement with the creditors, are underway. Agrokor's extraordinary administration published a list of claims in early November. According to the tables published by the Commercial Court in Zagreb, the total amount of creditors 'and suppliers' acknowledged claims of Agrokor reached EUR 5.5 billion, while some EUR 2.1 billion was disputed. The main reasons for disputing claims were the conduct of legal proceedings in other jurisdictions, the unfounded existence of claims, as well as disputes related to the lease agreement. A quarter of the reported claims relate to Konzum and Tisak. The most recognized receivables relate to loans received, followed by securities liabilities, bills of exchange, and trade receivables. What gives complexity to this process are claims that are neither recognized nor contested but are recorded and have no voting rights. The London Court has decided to recognize the Emergency Management Act, which means that no lawsuit brought in London will be able to be prosecuted except as part of an extraordinary administration process. Therefore, all lawsuits brought before the British courts will be returned to the Croatian courts. This means that the

<sup>74</sup> The recapitalization represents an increase in share capital based on the second and each

subsequent issue of shares. By recapitalizing companies, they increase their share capital while earning cash from the sale of shares.



arbitration process will stop and that Sberbank will have to either return to court in Croatia or go to enforcement on assets in countries that have not recognized the law, namely BiH, Serbia and Montenegro. Thus, Sberbank in these countries could acquire assets worth around 110 to 150 million euros.

## 9. Conclusion

The solution to the Agrokor crisis is the most sensitive business, economic and political issue. And before the situation became a national problem no. 1, it could immediately be predicted that the state would attempt to nationalize Agrokor in some way. Although full nationalization has not been achieved due to EU regulations which make it impossible, the state has nevertheless entered into the management of Agrokor. Lex Agrokor was enacted, which is actually a soft<sup>75</sup> nationalization, the state taking control of one company. The whole process was initiated by the Law on Procedure of Extraordinary Administration. The Extraordinary Administration Act states that an extraordinary administration may end up in a settlement, bankruptcy, or the court interrupting the entire proceeding, which then implies that the owner resolves the problem. The best solution would be a settlement because all creditors, creditors and suppliers have a chance to collect their receivables only if the system operates, and it should be emphasized that most of the receivables from Agrokor are unsecured. Following the settlement of the creditors, they will have to move towards debt-equity swap in Agrokor as a whole, which will permanently change Agrokor's ownership structure and create legal and financial prerequisites for further restructuring. Creditors will decide on Agrokor's fate under the new Lex Agrokor legal solution,

which overlooks the decision-making process in accordance with the provisions of the Croatian Bankruptcy Law. The situation in Agrokor has caused a number of negative consequences in the Croatian economy, which are also reflected in the state of BiH. economy. First of all, indebted companies will slow down Croatia's GDP growth, and restructuring could be a risk factor for economic growth. The consequences will already be felt. Reduced staffing and wages, the vulnerability of the agricultural and food industries, reduced pension fund returns are just some of the negatives that result from the Agrokor crisis. The negative consequences of the Agrokor Group crisis may mean a slower pace of personal consumption and investment activities in the coming years. The impact of the Agrokor crisis is also manifested by the decline in bank profitability, ie. declining profits and losing business. In addition to the consequences that affect the citizens, the crisis in Agrokor has led to a reconstruction of government, and on the basis of the current situation, it is possible to predict the emergence of new negativities that can bring about the crisis in Agrokor.

### Literature:

### Internet sources:

- [1] [http://bosnien.ahk.de/fileadmin/ahk\\_bosnien/News\\_Dokumente/\\_Partners\\_\\_Lex\\_Agrokor\\_\\_Lex\\_Mercator\\_Sarajevo.pdf](http://bosnien.ahk.de/fileadmin/ahk_bosnien/News_Dokumente/_Partners__Lex_Agrokor__Lex_Mercator_Sarajevo.pdf)
- [2] <https://www.jutarnji.hr/biznis/top/Agrokor/detalji-nagodbe-kako-cese-rijesiti-teret-duga-za-spas-od-stecaja-dio-vjerovnika-morat-ce-otpisati-i-90-duga/6707586/>
- [3] <https://www.tportal.hr/biznis/clanak/ramljak-razotkrio-todorica-milijarde-sakrivenih-troskova-i-kredita-foto-20171009>

---

<sup>75</sup> Soft nationalization - Lex Agrokor allowed the state to put the concern under its control and thus became legally responsible for its debts.

- [4] [<http://hr.n1info.com/a257893/Vijesti/Ante-Ramljak-Morat-cemo-otpisati-70-posto-dugova.html>]

**Reports:**

- [5] Ante Ramljak, Table of Claims on Claims of Creditors of the Second Higher Payment Order, November 2017, Zagreb
- [6] Ante Ramljak, Lower Claims Creditors' Receipt Table, November 2017, Zagreb
- [7] Agrokor Extraordinary Management, Monthly Report on the Economic and Financial Condition and Implementation of the Extraordinary Management Measures in Agrokor dd, May / June 2017
- [8] Agrokor Extraordinary Management, Monthly Report on Economic and Financial Condition and Implementation of Extraordinary Management Measures in Agrokor dd, September / October 2017
- [9] PwC, Presentation of the 2016 Audited Financial Statements of Agrokor Group's Operating Companies, October 2017

**Newspaper articles:**

- [1] Dizdar, J, „Istina o Agrokoru koja trese Hrvatsku“, Oslobođenje
- [2] Dizdar, J, „Najvažnije je istražiti gdje su nestali novci“, Oslobođenje
- [3] Dizdar, J, „Osporena tražbina Sberbanke“, Oslobođenje
- [4] Grgić, I, „Zdrave kompanije spremne za restrukturiranje“, Privredni vjesnik, br. 4003, november 2017.

**Laws:**

- [5] Law on the procedure of extraordinary administration in companies of systemic importance for the Republic of Croatia