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Intentions of Croatian „shipbuilder“ in Ulstein, Norway

Dear to whom it may concern,

we are sending You this e-mail in best intention, hoping that „Kleven Verft AS“ shipyard is familiar with the condition regarding „DIV Group“ owned by Mr.Tomislav Debeljak, which owns the „shipbuilding“ company „Brodosplit d.d.“ (further BIS) in Split, Croatia, and which is in process to conclude an agreement to buy the Norwegian company based in Ulsteinvik.

At this moment (12th February 2020.) about 30 subsidiary/daughter companies, all named Brodosplit-Boja d.o.o., Brodosplit-Čelik d.o.o. etc., have frozen accounts (names in attachment with OIB - Croatian tax number). The accounts are probably frozen because of the claims by the Tax Administration of Republic of Croatia since tax debt is approximately 17 millions kuna (cca 2.300.000,00 euro) on 30/09/2019.

MEP I.V.Sinčić and his team have been researching the performance of BIS for several years as a part of his anti-corruption campaign. Unfortunately, after being given to Mr.Tomislav Debeljak in 2013. the number of ships built has greatly decreased and quality

is questionable – from 6 to 7 ships per year to only a few ships in 7 years. We would like to note several things:

- 1.) When BIS was given to Mr. Debeljak's DIV in 2013, that company had no experience in shipbuilding.
- 2.) Restructuring plan was signed and in action 2013.-2018. where about 30 ships were supposed to be built. The plan was accepted by the European Commission. Few if any ships were built even though the Croatian government subsidised 1.5 billion kuna (cca. 200 million euro) and fulfilled its part of the deal.
- 3.) The 1.5 billion kuna was used against the rules which is confirmed by the State Audit Office (<http://www.revizija.hr/en>) in 5 successive annual reports.
- 4.) In addition to State Audit Office another government owned supervision company - Croatian Shipbuilding Corporation (<https://hb.hr/?lang=en>) has warned in tens of monthly reports since 2013. up until today that things are not being made right in legal, financial and engineering aspects.
- 5.) BIS may not be making ships but they are making many fake news about their performance in Croatian media. For example, there is a newspaper article in the attachment which claims that companies have 240 million euros of capital. I am afraid that nothing could be further from the truth.
- 6.) BIS has very little success with acquiring loans by commercial banks. Most of the money comes from the Government of Croatia / Ministry of Economy (up to 2018. during restructuring) or by the state owned Croatian Bank for Reconstruction and Development (<https://www.hbor.hr/en/>).
- 7.) A few years ago Croatian Ministry of Defence ordered 5 patrol vessels for Croatian Coast Guard from BIS. Only one of these ships was built after extreme delays and with questionable quality.
- 8.) The few projects BIS has are often agreed with Mr. Debeljak's own companies in offshore countries (ex. Marshall Islands or British Virgin Islands). He is basically building ships for himself hoping someone will take them later.

9.) Unfortunatley, this crisis is escalating in the last months as salaries to workers have started to come late.

10.) BIS has been having problems paying electricity bills, equipment suppliers, several communal taxes and several national taxes and other expenses.

11.) At this moment (12th February 2020.) around 30 companies od BIS have frozen accounts for days. The parent company Brodosplit d.d. also had frozen account a few days ago.

12.) MEP Sinčić has reported all the irregularities and ilegal activites to Croatian and European Institutions. A question for written answer was also submitted in order to conclude the research (https://www.europarl.europa.eu/doceo/document/E-9-2019-004045_EN.html) .

13.) It is estimated by MEP Sinčić and his research team that BIS lost money on almost every ship they have built since DIV entered in 2013. up until today.

14.) Subsidiary company BRODOSPLIT-TVORNICA DIZEL MOTORA d.o.o. is probably in worst shape since insolvency procedure was recently proposed (commercial court document in attachment).

In conclusion: the state of the company is not as they might present it to be.

As far as we see the deal is described in Norwegian media in the way that BIS will be investing and building ships. This is unlikely since BIS is failing in shipbuilding in Croatia and it is in poor financial situation. Since BIS has defaults and subsidiary companies have frozen accounts we believe it is far away from truth that BIS is a saviour of Kleven Verft.

Unfortunately, Croatia is very corrupt and police investigations are going slow. The media freedoms are not good enough so there are only a few articles about BIS problems (<https://www.index.hr/vijesti/clanak/debeljaku-blokirani-racuni-u-hrvatskoj-a-on-spasava-norveska-brodogradilista/2154027.aspx>). In this article for example, BIS claims that around 30 companies with frozen accounts are not their but bussines partners which is not true – they are all part of the BIS Group (*company ownership structure in attachment*) and have similar names.

In conclusion, fake financial reports of companies are not rare in Croatia and the most knows is that of Agrokor which faced bankrupt in 2017. and we fear this is the case with BIS as well.

We can provide more information on the issue if needed.

12th February 2020.

Ivan Vilibor Sinčić,

Member of European parliament