



ADRIATIC – IONIAN TRANSPORT CORRIDOR ON THE TERRITORY OF THE REPUBLIC OF CROATIA

November 2006

As a central European and Mediterranean country situated at the middle Mediterranean line, Croatia is an especially important part of South Eastern Europe, because its position of direct contact with the European Union makes Croatia the key transport bridge between European West and European Southeast and Northeast.

Due to its specific geographical position and spread: Panonian/Central European line and coastal/Adriatic line – Croatia has a demanding form. Therefore its transport network has an above-average length, because it has to follow the main developmental axes and connect all its focal points and regions, integrating them into one spatial-transportation unit.

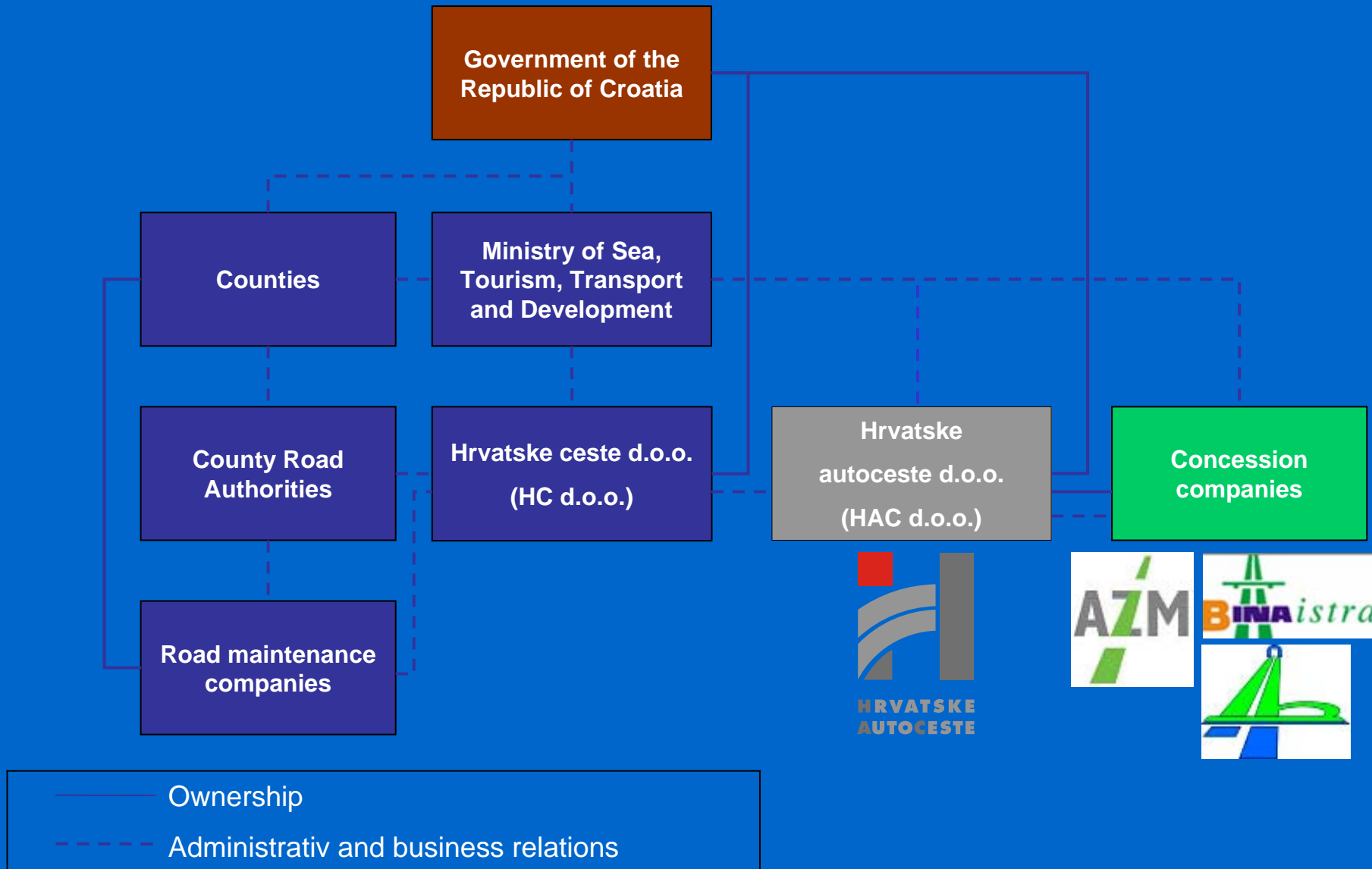
Road traffic linking various areas is a question of strategic, economic and political importance and interest. The importance of the said subject underlines the historic regional division of Croatia, the topic of connecting continental Croatia with Dalmatia, with added interest in balanced regional development and the fact that opening Dalmatia and its islands to European visitors using road transport allows for a new level of offers in the key economic industry in Croatia, tourism.

The project of the realization of the motorway network foresees the completion of 600 km of roads for EUR 3,740,000,000 from 2001 to 2008, of which 300 km to be completed in two years, 2003-2004, with the investment of EUR 1,530,000,000. The project demands strategic political decisions and the elimination of uncertainty connected to annual budget talks and changes of government during the realization of the project.

The project also asks for long-term financial, technical and managerial effort. Different parts of the Croatian motorway network are financed and constructed using various models. Two-thirds of the project are being realized through the model proposed by the ministry and the government and adopted by the Croatian National Parliament in 2001. The model transfers the authority of management and realization of the project to a specially formed company Hrvatske autoceste (Croatian Motorways), financed through their own income from road tolls, direct income from remuneration amounting to 60 cents from oil derivatives sold in Croatia, loans and other means.

The model allows for financing of the construction, maintenance and regular servicing of all obligations, where the need for direct remuneration from oil derivatives ceases for the first four-year programme, ten years from the beginning of the project, because the system then becomes profitable. The same model is used for the 2005-2008 programme, and the final 248 km of roads will also be financed and be built by 2011, when the complete Croatian motorway system will be completed.

INSTITUTIONAL FRAMEWORK OF PUBLIC ROADS



The Adriatic-Ionian transport corridor stretches along northeast Adriatic and Ionian coastline, passes through seven countries (Italy, Slovenia, Croatia – approx. 34% of its length, Bosnia and Hercegovina, Montenegro, Albania and Greece – approx. 30% of the corridor length), from Trieste in Italy to Kalamata in Greece, in the length of approx. 1,500 kilometers.

As an integral transport corridor, the Adriatic-Ionian corridor integrates all road infrastructures in longitudinal connection of the seven countries: road complex, rail segment, sea complex and air transport.

The road complex connects: the existing coastal longitudinal link – Adriatic and Ionian highway, segments of new high-speed roads in town agglomeration areas and sensitive tourist areas, as well as a new Adriatic-Ionian motorway as the objective of an optimal road connection.

PAN-EUROPEAN TRANSPORT CORRIDORS PASSING THROUGH CROATIA

- Vb Budapest – Varaždin – Zagreb – Rijeka
- Vc Budapest – Osijek – Sarajevo – Ploče
- X Salzburg – Villach – Ljubljana – Zagreb –
Belgrade – Skopje – Thessalonike
- Xa Graz – Maribor – Zagreb



With their passing through Croatia, international pan-European transport corridors Vb, Vc, X and Xa, open Croatia bi-directionally to major European waterway networks.

The Adriatic-Ionian transport corridor would connect all major Adriatic and Ionian ports which are the endpoints of pan-European corridors and other important transversal corridors: corridor V in Trieste with nearby town of Kopar, corridor Vb in Rijeka, of Zagreb – Split motorway on joint Lika – Dalmatia part, corridor Vc in Ploče, transversal corridor in Montenegrin port of Bar, corridor VIII in Albanian port of Durrësi, corridor Via Egnatia in Igoumenitsa and the link towards Athens and the port of Patras.

The Adriatic-Ionian motorway represents the integrity of the road complex with all complementary longitudinal and connection roads in the corridor, consisting of: present Adriatic and Ionian highway and others bypasses – new high-speed roads in areas of large town agglomerations, such as Rijeka and Split, and on longer sections of southern Dubrovnik coastal region, but also in Montenegro, Albania and Greece.

The Adriatic-Ionian road route through Croatia starts at the border with Slovenia at the border crossing Rupa (Croatia)/Jelšane (Slovenia), ends at the border with Montenegro at the Karasovići border (Croatia)/Debeli Brijeg (Serbia and Montenegro) in the length of 570 kilometers, 530 kilometers of motorways and 40 kilometers of high-speed roads.

ADRIATIC – IONIAN MOTORWAY PASSING THROUGH CROATIA



KEY:

	COMPLETED
	UNDER CONSTRUCTION
	IN PREPARATION

Motorway with connection roads induces and encourages new intergovernmental and remote European waterway networks, and at the same time releases coastal towns from transport pressure, as well as from urban-environmental unacceptable pressure.

34% of the total length of the Adriatic-Ionian motorway, i.e. 530 kilometers including Rijeka bypass road, passes through Croatia. 280 kilometers (53%) was built to date, and about 105 kilometers (20%) is under construction.

By 2008, Croatia will build more than 70% of own total length of Adriatic motorway, i.e. a quarter (25%) of total length of the Adriatic-Ionian motorway.



**REPUBLIC OF CROATIA
FORESEEN COMPLETION
OF CONSTRUCTION**

TOTAL LENGTH

1492 km

COMPLETED BY 2000

391 km of motorways

131 km ½ of semi-motorways

2001 to 2004 PROGRAMME

341 km of motorways

2005 to 2008 PROGRAMME

257 km of motorways

TO BE BUILT AFTER 2008

248 km of motorways

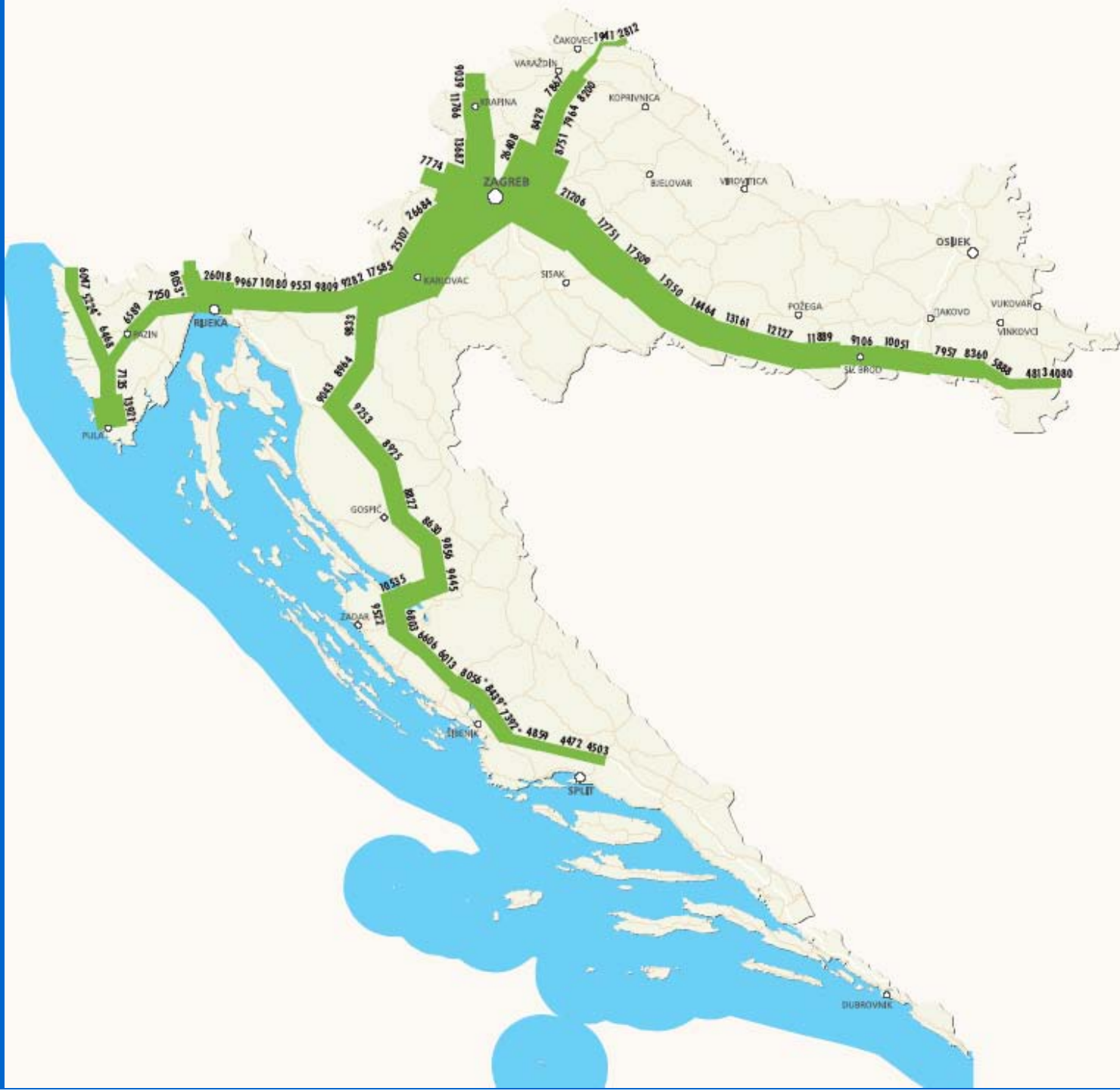
KEY:

- █ COMPLETED
- █ COMPLETION IN 2005
- █ COMPLETION BETWEEN 2006 AND 2008
- █ PLANNED FOR AFTER 2008

AVERAGE ANNUAL
DAILY TRAFFIC
(PGDP) AND
AVERAGE DAILY
TRAFFIC (PDP) ON
CROATIAN
MOTORWAYS
FOR 2005

Note:

* - PDP



AVERAGE SUMMER
DAILY TRAFFIC
(PLDP) ON
MOTORWAYS A1, A3
A4, A7
FOR 2006

Note:
* - estimation of PLDP





MOTORWAY CONSTRUCTION, MAINTENANCE AND OPERATION PROGRAMME

FOR 2001 TO 2004 PERIOD

In accordance with the Traffic Development Strategy of the Republic of Croatia, the Government of the Republic of Croatia in early 2001 issued the Programme of Construction and Maintenance of Public Roads for 2001 to 2004 period (hereinafter the Programme).

The basic Programme relating to motorway construction was supplemented on several occasions, first by including the accelerated construction of Zagreb-Bosiljevo-Sveti Rok-Zadar-Šibenik-Split motorway which is due to be opened to traffic on June 30, 2005 and later on by the following projects:

- preparation and partial construction of Split to Ploče motorway,
- preparation for construction of Beli Manastir-Osijek-Svilaj motorway in Vc corridor,
- construction of Županja-Lipovac motorway section which is part of corridor X with the deadline in 2006,
- preparation for construction of Zagreb-Sisak motorway with the foreseen commencement in 2005 and opening to traffic in 2007.

94.22% of the 2001 to 2004 Programme has been implemented, as follows:

in EUR million (1 EUR= 7.5 HRK)

ITEM	PROGRAM 2001 – 2004	PROGRAMME IMPLEMENTATION					INDEX (6/1)
		2001	2002	2003	2004	TOTAL	
0	1	2	3	4	5	6 (2+3+4+5)	7
CONSTRUCTION	2,094.76	182.95	455.27	782.02	596.82	2,017.06	96.29
REHABILITATION	116.96	0.00	14.34	8.15	34.94	57.43	49.10
OPERATION & ROUTINE MAINTENANCEE	166.49	24.36	36.37	39.67	65.88	166.28	99.97
TOTAL	2,378.21	207.31	505.98	829.84	697.64	2,240.77	94.22

The time limits for opening of motorway sections to traffic foreseen by the 2001 to 2004 Programme have been met as follows:

in kilometres

ROUTE	TOTAL	IMPLEMENTATION PER YRS.			
		2001	2002	2003	2004
1. Zagreb - Bregana	14	14			
2. Zagreb - Lipovac, section Velika Kopanica – Županja	26		26		
3. Zagreb - Goričan, sections Breznički Hum – Varaždin	23			23	
4. Rijeka - Rupa, section Jušići – Rupa	4				4
Total 1. - 4.	67	14	26	23	4
5. Bosiljevo – Split					
5.1. Bosiljevo - Mala Kapela tunnel	36			36	
5.2. Mala Kapela tunnel - Gornja Ploča	96				96
5.3. Gornja Ploča - Zadar 2	61			61	
5.4. Zadar 2 – Pirovac	36				36
5.5. Vrpolje - Dugopolje	45				45
Total 5.	274			97	177
TOTAL 1. - 5.	341	14	26	120	181

The 2001 to 2004 Programme has been financed from the following sources:

in EUR million (1 EUR = 7.5 HRK)

ITEM	IMPLEMENTED PER YRS.					% PARTICI.
	2001	2002	2003	2004	TOTAL	
0	1	2	3	4	5 (1+2+3+4)	6
TOLL REVENUE	0.00*	57.11	71.99	103.32	232.42	9.28
FUEL LEVY REVENUE	83.11	165.71	176.28	178.46	603.56	24.11
OTHER OPERATING REVENUE	18.31	53.91	34.86	18.67	125.75	5.03
LOANS	134.17	341.34	495.49	570.72	1,541.72	61.58
TOTAL	235.59	618.07	778.62	871.17	2,503.45	100.00

* In 2001 toll income was part of the state budget and as of 2002 it has been added to the income of Hrvatske autoceste.

The financing model presented in the above table permitted long-term investment planning of construction and maintenance of public roads, financing from its own income (collected tolls and fuel levy), efficient control of the Programme implementation and expenditures as well as necessary additional financing from both national and international financial markets.

Between 2001 and 2004, 38.42 % of the Programme was financed from the collected tolls, fuel levy and charges for the use of road land and for conducting roadside services in the motorway area, whereas the rest of the Programme more precisely 61.58% was financed through loans.

EUR 1.54 billion (1 EUR= 7.5 HRK) in loan proceeds were used for financing motorway construction and maintenance. The average loan maturity is 13 years, the cost of loan 4%. The loans were taken from the following lenders:

-	Business banks (international and national)	31.35%
-	Export insurance agencies (NEXI, OPIC)	30.02%
-	Export banks (US EXIM)	10.23%
-	International fin. institutions (EBRD, EIB, IBRD)	2.25%
-	International development banks (KfW)	8.01%
-	Euro and domestic bonds	18.14%



MOTORWAY CONSTRUCTION, MAINTENANCE AND OPERATION PROGRAMME

FOR 2005 to 2008 PERIOD

MOTORWAY CONSTRUCTION PROGRAMME FOR 2005 – 2008 PERIOD

Upon completion and opening to traffic by June 2005, of 50 kilometres of motorway (39 km on Bosiljevo-Split route and 11 km on Rupa-Rijeka route), between 2005 and 2008 Hrvatske autoceste d.o.o. are planning to invest in the following routes:

- Beli Manastir - Osijek - B&H border
- Split - Ploče - Dubrovnik
- Rijeka - Žuta Lokva
- Županja - Lipovac
- Zagreb - Sisak
- Border crossings: Rupa, Goričan, Macelj

The value of investment shall total EUR 1,497.18 million divided as follows: EUR 1,297.28 million for construction, EUR 40.37 million for land easement, EUR 81.10 million for design development, EUR 31,87 million for utility relocation and EUR 46.56 million for supervision services (1 EUR = 7.5 HRK).

The foreseen investment per routes and years is given in the table bellow:

in EUR million (1 EUR = 7.5 HRK)

ITEM	PROGRAMME OF CONSTRUCTION				
	2005	2006	2007	2008	TOTAL
0	1	2	3	4	5 (1+2+3+4)
1. DRAGONJA - PULA - RIJEKA	7.07	0.00	0.00	0.00	7.07
2. ZAGREB - VARAŽDIN - GORIČAN	11.46	10.02	0.00	0.00	21.48
3. ZAGREB - KRAPINA - MACELJ	4.98	7.95	0.00	0.00	12.93
4. BREGANA - ZAGREB - LIPOVAC	85.47	88.06	5.10	0.00	178.63
5. BOSILJEVO - SV. ROK - SPLIT	213.90	3.56	0.00	0.00	217.46
6. SPLIT - PLOČE	50.01	241.92	187.90	179.29	659.12
7. RUPA - RIJEKA - ŽUTA LOKVA	56.16	4.48	3.14	3.20	66.98
8. BELI MANASTIR – B&H border	9.33	34.78	88.23	62.05	194.39
9. ZAGREB – SISAK	3.49	22.24	42.10	59.74	127.57
10. OTHER (Krk bridge, toll collection system)	6.87	2.00	0.00	2.67	11.54
TOTAL 1. – 10.	448.74	415.01	326.47	306.95	1,497.17

259 km of motorways is planned for opening for traffic in the period 2005 – 2008. Of the total of 259 km, 50 km was opened in June 2005, while the construction and opening for traffic of the remaining 209 km will be realized in the mentioned period as shown in the table:

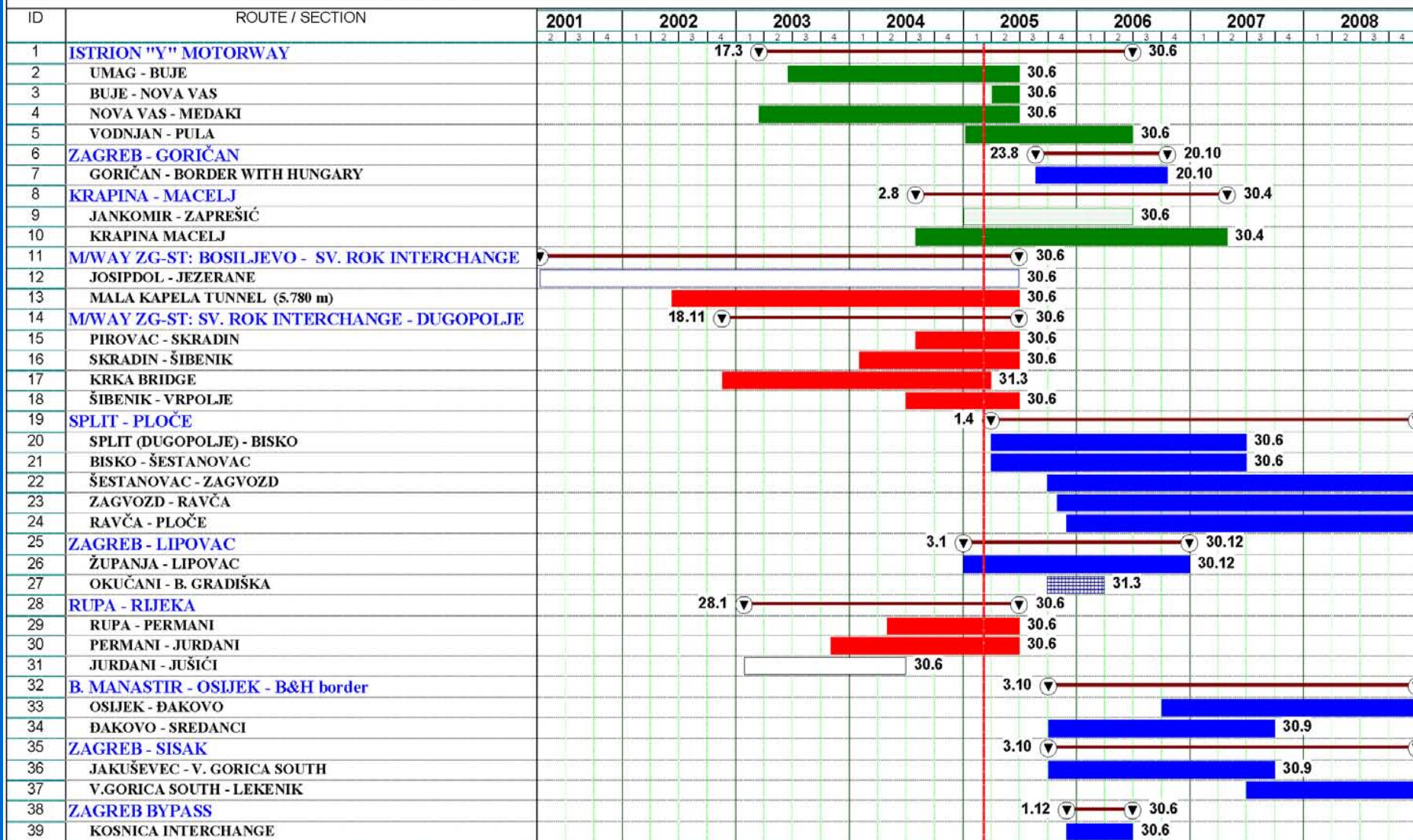
in km

NAME	TOTAL	OPENING FOR TRAFFIC			
		2005	2006	2007	2008
1. GORIČAN – HUNGARIAN BORDER	1		1		
2. MALA KAPELA TUNNEL	6	6			
3. PIROVAC – VRPOLJE	33	33			
4. DUGOPOLJE – PLOČE	96			37	59
5. ŽUPANJA – LIPOVAC	29		29		
6. JURDANI – PERMANI – RUPA	11	11			
7. SREDANCI – ĐAKOVO – OSIJEK	55			23	32
8. ZAGREB – VELIKA GORICA – LEKENIK	28			8	20
TOTAL 1. - 8.	259	50	30	68	111



HRVATSKE AUTOCESTE

PROGRAMME OF CONSTRUCTION FOR 2005 - 2008 PERIOD



KEY: ■ CONCESSION ■ COMPLETION IN 2005 ■ CONSTRUCTION & COMPLETION BETWEEN 2005 - 2008

 ■ PREPARATORY OR FINISHING WORKS



FINANCING OF THE PROGRAMME FOR 2005 - 2008 PERIOD

in EUR million (1EUR = 7.5 HRK)

ITEM	EXPENDITURE PLAN OF HRVATSKE AUTOCESTE d.o.o.					% PARTICP.
	2005	2006	2007	2008	TOTAL	
0	1	2	3	4	5 (1+2+3+4)	6
CONSTRUCTION	455.07	368.97	326.47	306.95	1,457.46	58.21
PERIODIC MAINTENANCE	53.04	26.67	14.19	13.78	107.68	4.30
OPERATION AND ROUTINE MAINTENANCE	65.04	65.43	67.72	67.30	265.49	10.61
FINANCIAL EXPENSES	85.75	102.39	118.09	126.37	432.60	17.28
CO-FINANCING OF WATER SUPPLY STRUCTURES, COUNTY ROADS ETC.	3.47	2.67	2.67	1.33	10.14	0.40
LOAN REPAYMENT	0	36.4	80.52	113.48	230.40	9.20
TOTAL	662.37	602.53	609.66	629.21	2,503.77	100.00

Financing of construction, maintenance and operation of motorways in 2005-2008 period shall be provided from the following sources:

in EUR million (1 EUR = 7.5 HRK)

ITEM	REVENUE PLAN OF HRVATSKE AUTOCESTE d.o.o.					% PARTICIP
	2005	2006	2007	2008	TOTAL	
0	1	2	3	4	5 (1+2+3+4)	6
TOLL REVENUE	108.8	110.93	118.56	123.31	461.60	18.44
FUEL LEVY REVENUE	196.91	204.78	212.98	221.49	836.16	33.40
OTHER OPERATING REVENUE	10.00	10.40	10.93	10.94	42.27	1.69
LOANS	346.66	276.42	267.18	273.48	1,163.74	46.47
TOTAL	662.37	602.53	609.65	629.22	2,503.77	100.00

Between 2005 and 2008, EUR 1,163.74 million of loan proceeds shall be used. Out of this amount EUR 177.08 million has already been agreed and as for the remaining amount of EUR 986.66 million new loans shall be executed.



Thank you for your attention !