



**HRVATSKE  
AUTOCESTE**

# **CORPORATE PLAN FOR 2011**

Zagreb, January 2011

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## **I. INTRODUCTION**

The Corporate Plan of Hrvatske Autoceste d.o.o. for 2011 compared to the plan for 2010 foresees a growth of the total income of 1.2% and a fall in the total expenditure by 3.3 %.

However, compared to the realization estimate for 2010 an increase in the planned total income is 1.0% and an increase in the total expenditure 32.3% owing to increased capital investment by 42.9%.

According to the Government Programme of Construction and Maintenance for the 2009 to 2012 Period the planned investment into motorway construction and heavy maintenance for 2011 amounts to HRK 1.039 billion.

In the projection of this plan this investment is increased by HRK 1.149 billion owing to the reallocation of the unrealised works from 2010, intensified construction on the existing projects and introducing new projects that are not foreseen by the Programme.

Increased capital investment shall be financed out of favourable term loans. For the realisation of the planned projects in 2011 and for debt servicing Hrvatske Autoceste need new loans in an amount of HRK 6.69 billion.

In 2011 opening to traffic of further 22 km of motorway sections is planned and thus by the end of the year the company will manage a total of 880 km of motorways. Owing to an increase in number of motorway kilometres and due to the anticipated price growth especially of power sources, the total expenditure for operating and routine maintenance shall have an increase of 3.8%.

The salary budget is planned at the level as it was in 2010, and there is an increase of 0.5% for the past work compared according to the Collective Agreement with trade unions.

**II. INCOME AND EXPENDITURE PLAN***Income and expenditure plan for 2011*

In HRK

No.	Item	Plan 2010	Estimate 2010	Plan 2011	Index (4/2)	Index (4/3)
0	1	2	3	4	5	6
<b>1.</b>	<b>INCOME</b>	<b>2.700.698.000</b>	<b>2.706.165.000</b>	<b>2.733.978.000</b>	<b>101,2</b>	<b>101,0</b>
1.1.	Toll income	1.255.000.000	1.230.000.000	1.242.000.000	99,0	101,0
1.2.	Budget grants (excise fees)	1.350.597.461	1.350.597.461	1.390.000.000	102,9	102,9
1.3.	Other income	95.100.539	125.567.539	101.978.000	107,2	81,2
1.3.1.	Income from motorway service facilities	38.000.000	39.451.000	40.406.000	106,3	102,4
1.3.2.	Income from dividends	0	7.556.000	7.700.000	-	101,9
1.3.3.	Other income	57.100.539	78.560.539	53.872.000	94,3	68,6
<b>2.</b>	<b>EXPENDITURES</b>	<b>4.355.444.000</b>	<b>3.183.684.000</b>	<b>4.210.909.000</b>	<b>96,7</b>	<b>132,3</b>
2.1.	Capital investment	2.096.106.000	1.530.672.000	2.188.021.000	104,4	142,9
2.1.1.	Capital investment in motorway construction	1.878.606.000	1.448.672.000	2.038.021.000	108,5	140,7
2.1.2.	Capital investment in motorway maintenance	217.500.000	82.000.000	150.000.000	69,0	182,9
2.2.	Expenditure for operation and routine maintenance	793.873.000	742.405.000	770.888.000	97,1	103,8
2.2.1.	Routine maintenance of motorways	134.273.000	130.000.000	136.200.000	101,4	104,8
2.2.2.	Operating expenditure	659.600.000	612.405.000	634.688.000	96,2	103,6
2.2.2.1.	Salaries	405.400.000	402.800.000	405.000.000	99,9	100,5
2.2.2.2.	Employee benefits	32.400.000	30.400.000	32.000.000	98,8	105,3
2.2.2.3.	Costs of materials	33.688.000	33.205.000	33.688.000	100,0	101,5
2.2.2.4.	Costs of services	107.530.000	106.000.000	110.000.000	102,3	103,8
2.2.2.5.	Other operating costs	12.196.000	15.000.000	16.000.000	131,2	106,7
2.2.2.6.	Purchase of basic resources for routine Maintenance and operation	68.386.000	25.000.000	38.000.000	55,6	152,0
2.3.	Financial expenditure for public good (interest and fees)	1.440.465.000	910.000.000	1.250.000.000	86,8	137,4
2.4.	Cofinancing of water management facilities, County roads public good	25.000.000	607.000	2.000.000	8,0	-
<b>3.</b>	<b>SURPLUS / DEFICIT (1. - 2.)</b>	<b>-1.654.746.000</b>	<b>-477.519.000</b>	<b>-1.476.931.000</b>	<b>89,3</b>	<b>309,3</b>
<b>4.</b>	<b>LOAN REPAYMENT</b>	<b>2.808.152.000</b>	<b>1.624.152.000</b>	<b>5.213.149.000</b>	<b>185,6</b>	<b>321,0</b>
<b>5.</b>	<b>BORROWING</b>	<b>4.462.898.000</b>	<b>2.930.051.000</b>	<b>6.690.080.000</b>	<b>149,9</b>	<b>228,3</b>

## **1. INCOME**

For 2011 a total income of HRK 2,733,978,000 has been planned which is 1.0% more than the estimated realisation in 2010.

There is an increase in toll income of 1.0%, in the capital grant from the budget (fuel tax) by 2.9 %, in income from motorway service areas by 2.4%, in income from dividends from affiliates by 1.9% and the group of other income is decreased by 31.4% mostly owing to the lack of income generated from default interest collected for the late payment of excise fees. Out of the total planned income 45.4% is foreseen from toll collection, 50.9% from the budget (fuel tax) and 3.7% from other income.

### **1.1. Toll income**

The planned income from toll collection in 2011 shall amount to HRK 1,242,000,000 or 1.0% more than in 2010. This increase is estimated based on the expected traffic growth on all routes.

### **1.2. Capital grant from the budget (excise fees)**

The capital investments from the budget (fee from the collected excise in an amount of HRK 0.60 per liter of fuel) is planned in the amount of HRK 1,390,000,000. With regard to the realization in 2010 it is increased by HRK 39,402,539 or 2.9% based on an estimate made by the Ministry of Finance for state budget for 2011.

### **1.3. Other income**

The total amount of other planned income is HRK 101,978,000 which is 18.8% less than the amount realized in 2010 mostly owing to unplanned income from default interest collected for the late payment of excise fees that were realised in 2010 in an amount of HRK 32.9 million.

This other income comprises HRK 40,406,000 from the motorway services, and the charges for the use of road land, and HRK 53,872,000 from liquidated damages, tenders, financial income, prepayment sales, restaurants etc. and HRK 7,700,000 of income from dividends.

## **2. EXPENDITURES**

For 2011 the planned expenditure make a total of HRK 4,210,909,000 of which 52.0% are expenditure for capital investments in construction, rehabilitation and periodic motorway maintenance, 18.3% are expenditures for operation and routine motorway maintenance, 29.6% are financial expenditures for public good and 0.1% are expenditure for co-financing the HC structures, water management structures, of county, local and non-classified roads etc.

The total planned expenditure is greater than the amount realised in 2010 by 32.3% and mostly owing to an increase of capital investment by 42.9% and of financial expenditure for public good by 37.4%.

### **2.1. Capital investment**

The planned capital investment in motorways shall amount to HRK 2,188,021,000 which is 42.9% more than the amount invested in 2010 and 4.4% more than the amount planned for 2010. Out of the total planned investment 93.1%, shall be spent on motorway construction and 6.9% on periodic motorway maintenance.

2.1.1. Capital investment in motorway construction shall amount to HRK 2.038.021.000 which is 40.7% more than the amount realized in 2010, and 8.5% more than the planned capital investment for 2010.

2.1.2. Capital investment in motorway maintenance (periodic maintenance) is planned in the amount of HRK 150,000,000 which is 82.9% more than the amount realized in 2010. A significant increase in periodic maintenance compared to the previous year is shown because in 2010 only 37.7% of the planned rehabilitation works were completed.

### **2.2. Expenditure for operation and routine maintenance**

The expenditure for operation and routine maintenance is planned in a total amount of HRK 770,888,000 which is 3,8% more than the realised amount in 2010.

Compared to the amount realized last year the planned expenditure for routine maintenance of motorways is higher by 4.8% and the expenditure for operation by 3.6%. These expenditures are entirely financed by toll income.

#### 2.2.1. Routine maintenance of motorways

The expenditure for routine maintenance of motorways is planned in the amount of HRK 136,200,000, which is HRK 6,200,000 more than the realised amount in 2010. The expenditure increase is owed to the expected increase in the price of power sources but also to the opening to traffic of new 22 km of motorways. In addition to power and fuel the routine maintenance expenditure includes spare parts, small inventory, necessary material, mechanical cleaning of pavement and winter service, routine rehabilitation of structures on roads and pavement, maintenance of equipment and machines etc. This expenditure does not cover the salaries of the maintenance staff and other expenses of the Maintenance Department that are planned within item 2.2.2. Operating expenditure

#### 2.2.2. Operating expenditure

The operating expenditure is planned in the amount of HRK 634,688,000. Compared to 2010 it is 3.8% less than the planned amount and 3.6% greater than the realised value. It includes the following:

*2.2.2.1. Salaries* in an amount of HRK 405,000,000 (net salaries, taxes, and contributions assessed on salaries) make 63.8% of total operating costs. The salary budget is planned at the level as it was in 2010 (99.9%), and there is an increase of 0.5% for the past work compared to the realised amount in 2010 according to the Collective Agreement with trade unions.

*2.2.2.2. Employee benefits* in the amount of HRK 32,000,000 make 5.1% of the total operating expenditure. This expenditure shall go up by 5.3% compared to the realised amount in 2010 owing to the expected growth of commuting costs which account for 63.0% of the total expenses for employee benefits.

In addition to commuting costs employee benefits expenses include various bonuses (Easter bonus in the amount of HRK 1,000, Christmas bonus in the amount of HRK 1,000 and non-taxable part of the annual leave bonus in the amount of HRK 500), financial aids to workers, jubilee bonuses, severance pay, children Christmas gifts in the amount of the non-taxable annual amount.

*2.2.2.3. Material costs* from the business activities of Hrvatske Autoceste amount to HRK 33,688,000 or 5.3% of total operating expenditure and they include the costs of power and material for maintaining the company's property and the compensation of costs to employees (daily allowances, compensation for living outside home, for work on sites, travel expenses, costs of professional training) and other material costs: payment for municipal services, membership fees, prepayment products - ETC, SMART card, temporary service contracts and office supplies).

It is estimated that in 2011 there will be an increase in prices especially of power and fuel but some savings are expected in other expenditure and therefore the total material costs shall go up by just 1.5% compared to the realisation in 2010.

*2.2.2.4. The costs of services* amount to HRK 110,000,000 or 17.3% of the total operating expenditure and they include municipal services, services of payment transactions and banks, insurance, intellectual, IT services, telecom services, the costs of routine and periodic maintenance of the company assets etc. Within the costs of services the greatest costs are planned for intellectual services, municipal services, asset and employee insurance premium and the services of maintaining the IT hardware and software.

*2.2.2.5. Other operating costs* amount to HRK 16,000,000 or 2.5% of the total operating expenditure and they consist of financial expenditure from the company's core business, extraordinary expenses, compensation for damages, penalties etc. Compared to the realization in 2010 these expenditures shall go up by 6.7% owing to the foreseen expenses for interest rates and principal in accordance with the courts' decisions.

2.2.2.6. *Procurement of basic resources for routine motorway maintenance and operation* in a total amount of HRK 38,000,000 makes 6% of total operating expenditure. The greatest part of the planned proceeds shall be spent to machinery, equipment and vehicles for maintenance of motorways and tunnels and for equipment and modernizing toll stations and technical units.

### **2.3. Financial expenses for public good** (interest rates and charges)

Based on loan accumulation from past years and planned indebtedness in 2011 financial expenditure of public good for interest and charges shall amount to HRK 1,250,000,000.

### **2.4. Co-financing of HC's structures, water management structures, of county roads etc.**

- the cost of public good

Co-financing shall be in the amount of HRK 2,000,000 and it will be spent on the realization of the existing co-financing agreements.

## **3. DEFICIT**

The deficit of HAC as a result of a difference between income and expenditure is planned in an amount of HRK 1,476,931,000 which is HRK 999,412,000 more than the realised amount in 2010. An increase of the deficit is a result of planned increased capital investment in motorways and financial expenditure for public good (interest rates and bank charges).

## **4. LOAN REPAYMENT**

The loan repayment in 2011 shall be in a total amount of HRK 5,213,149,000 which is HRK 3,588,997,000 more than in 2010. The repayment plan is in line with the loan maturity deadlines except for the loan from Hypo-Alpe-Adria-Bank (EUR 100 million) whose repayment has been extended from December 2011 to June 2014.

## 5. DEBT ACCUMULATION

In 2011 new loans are planned in an amount of HRK 6,690,080,000 which is 128.3% more than in 2010.

New loans are planned for financing capital investment in construction and periodic maintenance of motorways and for loan repayment.

Out of the stated HRK 6.690 billion of loans in 2011 HRK 283 million are EIB and EBRD loans.

## III. PLAN OF FINANCING

### 1. SOURCES OF EXPENSES FINANCING

*Planned sources of financing of expenses in 2011*

in 000 HRK

No.	Expenditure	Sources of financing			
		Income		Loan	Total resources (2+3+4)
		Toll & other income of HAC	Capital grant from the budget		
0	1	2	3	4	5
1.	Capital investment in motorway construction	0	0	2.038.021	2.038.021
2.	Capital investment in periodic m/way maintenance	0	0	150.000	150.000
3.	Costs of routine maintenance and operation	770.888	0	0	770.888
4.	Total liabilities per loans	573.090	1.388.000	4.502.059	6.463.149
4.1.	<i>Costs of interests and charges</i>	<i>573.090</i>	<i>676.910</i>	<i>0</i>	<i>1.250.000</i>
4.2.	<i>Loan repayment</i>	<i>0</i>	<i>711.090</i>	<i>4.502.059</i>	<i>5.213.149</i>
5.	Co-financing of HC's structures, water man. facilities, county roads	0	2.000	0	2.000
	<b>Total expenditure</b> (1.+2.+3.+4.+5.)	<b>1.343.978</b>	<b>1.390.000</b>	<b>6.690.080</b>	<b>9.424.058</b>

In 2011 expenditure and loan repayment in a total amount of HRK 9,424,058,000 shall be financed as follows:

- 71.0% out of loans,
- 14.7% from the state budget,
- 14.3% out of toll income and other income.

HRK 6,690,080,000 of loan proceeds shall be used to finance capital investment in construction and periodic maintenance entirely and 86.4% of loan repayment that cannot be financed from the state budget (excise fees).

HRK 1,390,000,000 from state budget grant shall be used to finance a part of interest and charges on loans that cannot be covered from toll income, part of loan repayment and total expenditure for co-financing.

HRK 1,343,978,000 of total income and HRK (1,242,000,000 of toll income and HRK 101,978,000 from the company's own income) shall be used to finance the costs of routine maintenance and operation of motorways and the rest shall be used to cover part of the interest and charges on loans.

## 2. LOAN ACCUMULATION

The loan accumulation of HAC at the beginning of 2011 was HRK 20,934,548,238. New loans to be taken in 2011 shall be used for financing the capital investment in motorway construction and maintenance in the amount of 2,188,021,000 and for loan repayment in the amount of HRK 4,502,059,000.

The total necessary borrowing in 2011 to finance deficit and for loan repayment is HRK 6,690,080,000.

The balance of loan accumulation at the end of 2011 is projected as follows:

		in EUR
1. Indebtedness at the beginning of 2011	+	2,834,672,694
2. New loans in 2011.	+	892,010,667
<u>3. Loan repayment in 2011</u>	<u>-</u>	<u>695,086,514</u>
4. Indebtedness at the end of 2011	+	3,031,596,847
<b>5. Net indebtedness (4.-1.)</b>	<b>+</b>	<b>196,924,153</b>

The projection of indebtedness for 2011 has been made based on the planned exchange rate 1 EUR = 7.5 HRK and therefore based on the above said the indebtedness at the end of 2011 shall amount to HRK 22.736.976.353 which means an increase in net indebtedness compared to 2010 in an approximate amount of €197 million or 6.9%.

#### **IV. CONSTRUCTION PLAN**

The construction plan of Hrvatske Autoceste d.o.o. for 2011 includes all activities on motorway construction including: land acquisition and archaeological investigation, utility relocation, design development, construction works and supervision.

The activities and investment in an amount of HRK 2,038,021,000 are planned on all routes with 53.2% of the allocated for the Zagreb - Sisak route and the Split - Ploče route.

In 2011 new 22 km of motorways shall be opened to traffic such as the 10 km long Jakuševac - Velika Gorica (South) section on the Zagreb - Sisak route, and 10 km long Ravča - Vrgorac on the Split - Ploče route and 2 km long route on the route between Bosnian and Herzegovina border and Metković.

The planned amount of investment in motorway construction per routes is shown in the following table:

## Plan of construction for 2011

			u kunama
No.	M/way	Name of the Route	Plan for 2011
0	1	2	3
1.	A1	Bosiljevo - Split	16.782.000
1.1.	A1	Bosiljevo - Sveti Rok Interchange	5.035.000
1.2.	A1	Sveti Rok Interchange - Split	11.747.000
2.	A1	Split - Ploče	475.326.000
3.	A1	Ploče - Dubrovnik	134.676.000
4.	A2	Zagreb - Macelj	10.391.000
5.	A3	Bregana - Zagreb - Lipovac	83.900.000
6.	A4	Zagreb - Goričan	600.000
7.	A5	Beli Manastir - Osijek – B&H border	318.191.000
8.	A7	Rupa - Rijeka - Žuta Lokva	1.000.000
9.	A8 & A9	Istrian „Y“ motorway	7.689.000
10.	A10	B&H border - Metković	61.423.000
11.	A11	Zagreb - Sisak	609.551.000
12.	A12	Vrbovec2 interch.-Križevci-Koprivnica-Hung.border	172.168.000
13.	A13	Vrbovec2 interch.-Bjelovar-Virovitica-Hung. border	100.006.000
14.	-	Link road TG Karamatići – Ploče Seaport	0
15.	-	Link road Zagvozd-Baška Voda and Sv.Ilija tunnel	24.118.000
16.	-	New Zagreb bypass	7.600.000
17.	-	Other projects (toll collection system)	14.600.000
<b>T o t a l</b>			<b>2.038.021.000</b>

Capital investment in motorway construction for 2011 has been planned as follows:

<u>Activity</u>	<u>Amount in HRK</u>	<u>% participation</u>
- construction	1,657,310,000	81.3
- land acquisition & arch. Works	187,634,000	9.2
- design development	109,046,000	5.4
- supervision	44,881,000	2.2
- utility relocation	39,150,000	1.9
<b>T o t a l</b>	<b>2,038,021,000</b>	<b>100.0</b>

## V. MAINTENANCE PLAN

### 1. PERIODIC MAINTENANCE

Periodic maintenance works in 2011 include reconstruction and rehabilitation of pavement structure and the pertaining structures, traffic signs, roadside service facilities and traffic control and maintenance centres, upgrading of the video surveillance systems and similar in order to improve the quality and safety of road traffic.

The value of the planned works within periodic maintenance in 2011 is shown in the table below:

*Periodic maintenance plan for 2011*

		In HRK
No.	Name of the Route	Plan 2011
0	1	2
1.	Zagreb (Bosiljevo) - Split	57.584.261
2.	Zagreb - Lipovac	48.295.985
3.	Zagreb - Goričan	25.022.864
4.	Zagreb bypass	10.096.890
5.	Krk Bridge	9.000.000
<b>T o t a l</b>		<b>150.000.000</b>

### 2. ROUTINE MAINTENANCE

Hrvatske Autoceste company with its 20 technical units maintains 858 km of motorways. Upon opening to traffic of 22 km of new motorway sections in 2011 the motorway network will comprise 880 km.

In 2011 modernization of the existing technical units will be continued which will imply new machines and equipment for the execution of works as well as ancillary infrastructure (procurement of IT equipment, development of IT and communication network etc.).

For material costs and routine maintenance costs in 2011 a total of HRK 136,200,000 shall be spent.

Out of the stated total amount HRK 96,350,000 will be spent on material costs such as costs of electric power supply, strewing agents, fuel and lubricants, guard rails, depreciated inventory, spare parts and other material for motorway maintenance.

The remaining amount of HRK 39,850,000 shall be used on routine maintenance of pavement of structures and road furniture and it includes: routine maintenance of buildings, machines, vehicles and equipment, leasing of vehicles and machinery, traffic signs and road marking, maintenance of green areas and public lightening poles, the services of repair and maintenance of fire alarm systems, ventilation, video surveillance, radio stations, traffic and information system etc.

The stated expenditure for routine motorway maintenance does not include the expenses for the maintenance staff nor the expenses for the procurement of basic resources and other expenditure of the Maintenance Department that are planned within operation expenditure.

## **VI. SALARY POLICY AND NUMBER OF EMPLOYEES**

### **1. SALARY POLICY**

In 2011 the planned expenses for salaries shall be kept at the level as it was planned for 2010 without any increase in the number of employees compared to the status in 2010.

The plan of salaries for 2011 foresees the payment of the taxable part of the annual leave bonus for 2010 since the Employer and the Trade Unions concluded an annex to the Collective Agreement with which the payment of the taxable part of the annual leave bonus for 2010 was agreed.

Payment of the taxable part of the annual leave bonus for 2011 is not foreseen in this Corporate Plan.

A correction of the basic salary in accordance with the increase of costs of living hasn't been implemented as of July 1, 2008 and it is not foreseen for 2011 either. The basic salary increase by 0.5% is foreseen in line with the collective agreement with the Trade Unions.

Based on the above said the expenditure for salaries in 2011 are planned in the amount of HRK 405,000,000 which is at the level of total salary expenditure in 2010.

The payment of Christmas and Easter bonuses each in the amount of HRK 1,000 per employee as well as HRK 500 of annual leave bonus and gifts for employees' children and gift certificates in the amount of HRK 400 has also been agreed all at the level of non-taxable annual amount.

## **2. NUMBER OF EMPLOYEES**

At the end of 2011 Hrvatske Autoceste d.o.o. shall employ 2,844 employees which means that the number of staff will not increase compared to the estimate as of December 31, 2010.

The planned increase in the average number of employees compared to 2009 will amount to 2.06% and it mainly refers to the works in maintenance, toll collection and IT and is associated with the opening of new technical units and toll plazas.

A need for the staff increase in some organisational units in 2011 owing to the increase of activities will be resolved by better organisation of work and efficiency and by reassignment of staff within the company. Hiring new workforce shall be at most to the number of newly retired employees, some staff cuts and termination of work contract.

*Planned number of employees in 2011  
per departments and independent divisions*

No.	DEPARTMENT / INDEPENDENT DIVISION	Realisation estimate 12/31/2010	Plan 12/31/2011	Difference (3-2)	Index (3/2)
0	1	2	3	4	5
1.	Management Board, Head Office, Advisors to the MB, Council of Workers, Trade Union	18	18	0	100,0
2.	Independent Division for Internal Audit	4	4	0	100,0
3.	Independent Division for Standardization and Quality	7	7	0	100,0
4.	Independent Division for Procurement	37	37	0	100,0
5.	Independent Division for IT and Telecom	26	26	0	100,0
6.	Independent Division for Internal Control	27	27	0	100,0
7.	Independent Division for Roadside Service Facilities	9	9	0	100,0
8.	Independent Division for Safety at Work	8	8	0	100,0
9.	Dept for Legal and General Affairs	74	74	0	100,0
10.	Department of Finance and Economy	48	48	0	100,0
11.	Construction Department	62	62	0	100,0
12.	Maintenance Department	1.577	1.579	2	100,1
13.	Toll Collection Department	880	877	-3	99,7
14.	Dept for Design and Development	50	51	1	102,0
15.	Traffic Engineering Department	17	17	0	100,0
<b>T O T A L</b>		<b>2.844</b>	<b>2.844</b>	<b>0</b>	<b>100,0</b>