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HŽ CARGO d.o.o., Zagreb
SUSTAINABLE CROATIAN RAILWAYS IN EUROPE PROJECT
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT LOAN No. 8502 HR

PROJECT FINANCIAL STATEMENTS AND SPECIAL ACCOUNT STATEMENT TOGETHER WITH INDEPENDENT AUDITOR`S REPORTS FOR THE YEAR ENDED 31 December 2018

SUSTAINABLE CROATIAN RAILWAYS IN EUROPE PROJECT
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT LOAN No. 8502 HR

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INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying Financial Statements of the SUSTAINABLE CROATIAN RAILWAYS IN EUROPE PROJECT (hereinafter: the "Project") financed under the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT LOAN No. 8502 HR ("Loan"), which comprise the Statement of Assets and Liabilities, the Statement of Sources and Uses of Funds, the Statement of Uses of Funds by Project Activities, Statement of Expenditure (SOE) and Designated Account Statement for the year ended 31 December 2018 ("Project Financial Statements").

2. The Project Financial Statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the Project Financial Statements based on our audit.

3. We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Project management's policy is to prepare the accompanying statements on the cash receipts and payments basis in conformity with International Public Sector Accounting Standards issued by the Public Sector Committee of the International Federation of Accountants. On this basis, cash receipts are recognized when received and cash expenditures are recognized when paid rather than when incurred.

4. In our opinion, Financial Statements of the SUSTAINABLE CROATIAN RAILWAYS IN EUROPE PROJECT present fairly in all material respects the cash receipts and payments of the Project during the year ended 31 December 2018 in accordance with International Public Sector Accounting Standards issued by the Public Sector Committee of the International Federation of Accountants.

5. With respect to Summary Statement of Expenditure ("SOE") - Application for Loan Withdrawal:

(a) Adequate supporting documentation has been maintained to support claims for reimbursements of expenditures incurred; (b) the Summary Statement of Expenditure has been reconciled to the other Project Financial Statements and (c) the expenditure disbursements underlying the Summary Statement of Expenditure have been made in accordance with the purposes intended in the Loan Agreement No. 8502 HR.

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V Stipić

Vedrana Stipić, Member of the Management Board

V Stipić

Vedrana Stipić, certified auditor

Zagreb, 29 June 2019

STATEMENT OF ASSETS AND LIABILITIES
for the year ended 31 December 2018

	Notes	31 December 2018	31 December 2017
		EUR	EUR
Assets			
Front end fee	8	103,750	103,750
Project expenditures	8	28,081,507	22,971,002
Letter of credit		-	291,008
Designated Account	9	249,379	87,957
TOTAL		**28,434,636**	**23,453,717**
Liabilities			
IBRD Loan No. 8502 HR	2	28,434,636	23,453,717
TOTAL		**28,434,636**	**23,453,717**
NET ASSETS		-	-

Project is effective as of 4 August 2015.

STATEMENT OF SOURCES AND USES OF FUNDS
for the year ended 31 December 2018

	Actual in EUR		Plan in EUR	
	2018	Cumulative until 31 December 2018	Plan during Project life	Completion progress in %
	EUR	EUR	EUR	
Sources of Funding	**4,819,496**	**28,185,257**	**40,964,712**	**69%**
Counterpart funding	-	-	-	-
IBRD Loan Funds	**4,819,496**	**28,185,257**	**40,964,712**	**69%**
Payments from Designated Account	4,822,248	16,692,689	-	-
Reimbursement	-	10,265,309	-	-
Direct Payments	-	1,227,259	-	-
Project expenditures by loan categories	**4,819,496**	**28,185,257**	**40,964,712**	**69%**
Retrenchment Payments - cat 4.	517,788	17,780,306	20,867,248	85%
Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	4,592,716	10,301,201	19,993,714	52%
Front end fee - cat 8.	-	103,750	103,750	100%
Letter of credit-cat 5.	(299,200)	-	-	-
Letter of credit-Goods-cat.5. HZC-119-9.11.17. payment correction	10,944	-	-	-
Letter of credit-refund of unused founds	(2,752)	-	-	-

The difference between the payment from the Designated Account and the IBRD Loan Funds amounts to the sum of the refund of the unused part of the letter of credit.

STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY
for the year ended 31 December 2018

Project Components and Subcomponents	2018	Cumulative till 31 December 2018	Plan Project Life	Completion in %
	EUR	EUR	EUR	
C 1. Retrenchment payments - retroactive reimbursement	-	**10,265,309**	**10,265,309**	**100%**
Severance Payments - voluntary leaves	-	4,877,832	-	-
Severance Payments - business reasoned dismissal	-	3,934,325	-	-
Railway Fund Payments	-	1,453,152	-	-
C 1. Retrenchment payments - current	**517,788**	**7,514,996**	**10,601,939**	**71%**
Severance Payments	148,384	3,488,204	-	-
Severance Payments - business reasoned dismissal	-	-	-	-
Railway Fund Payments	205,447	2,817,860	-	-
Subsidiaries	163,957	1,208,932	-	-
C 2. Investment to contribute to the restructuring plan	**4,301,708**	**10,301,202**	**19,993,714**	**52%**
Investment	-	-	793,530	-
Goods	1,658,671	5,850,632	8,916,660	66%
Non-consulting services	2,803,863	3,927,372	8,781,399	45%
Consulting services	74,678	274,368	1,168,476	23%
Operating cost	55,504	248,830	333,649	75%
Letter of credit-Goods-cat.5.	(299,200)	-	-	-
Letter of credit-Goods-cat.5. HZC-119 9.11.17. payment correction	10,944	-	-	-
Letter of credit-refund of unused founds	(2,752)	-	-	-
Front End Fee	-	**103,750**	**103,750**	**100%**
TOTAL	**4,819,496**	**28,185,257**	**40,964,712**	**69%**

				in EUR			
Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
1.	30 September 2015	53,649	-	-	-	-	53,649
2	19 October 2015	(53,649)	-	53,649	-	53,649	-
3.	26 October 2015	-	10,265,309	-	-	10,265,309	10,265,309
4.	30 October 2015	960,000	-	-	-	-	960,000
5.	25 November 2015	(953,001)	953,001	-	-	953,001	-
Total 2015		**6,999**	**11,218,310**	**53,649**	**-**	**11,271,959**	**11,278,958**

		in EUR					
Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
6.	19 February 2016	400,000	-	-	-	-	400,000
7.	11 March 2016	(355,947)	355,947	-	-	355,947	-
8.	17 March 2016	1,760,000	-	-	-	-	1,760,000
9.	24 March 2016	61,500	-	-	-	-	61,500
10.	30 March 2016	(1,791,654)	1,791,654	-	-	1,791,654	-
11.	04 April 2016	(64,898)	-	64,898	-	64,898	-
12.	19 April 2016	(16,000)	16,000	-	-	16,000	-
13.	13 May 2016	450,000	-	-	-	-	450,000
14.	31 May 2016	(448,107)	448,107	-	-	448,107	-
15.	18 July 2016	205,000	-	-	-	-	205,000
16.	09 August 2016	(205,126)	205,126	-	-	205,126	-
17.	18 August 2016	94,000	-	-	-	-	94,000
18.	22 August 2016	(92,603)	92,602	-	-	92,603	-
19.	30 August 2016	580,000	-	-	-	-	580,000
20.	20 September 2016	92,000	-	-	-	-	92,000
21.	23 September 2016	(566,776)	566,776	-	-	566,776	-
22.	23 September 2016	(15,048)	-	15,048	-	15,048	-
23.	17 October 2016	(92,382)	92,382	-	-	92,382	-
24.	21 October 2016	89,000	-	-	-	-	89,000
25.	30 October 2016	(88,769)	88,769	-	-	88,769	-
26.	15 November 2016	87,500	-	-	-	-	87,500
27.	22 November 2016	(87,947)	87,947	-	-	87,947	-
28.	16 December 2016	85,500	-	-	-	-	85,500
29.	05 January 2017	(85,831)	85,831	-	-	85,831	-
Total 2016		**(6,588)**	**3,831,141**	**79,946**	**-**	**3,911,088**	**3,904,500**

		in EUR					
Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
30.	25 January 2017	83,500	-	-	-	-	83,500
31.	25 January 2017	971,000	-	-	-	-	971,000
32.	26 January 2017	(84,645)	84,645	-	-	84,645	-
33.	30 January 2017	(141,336)	-	141,336	-	141,336	-
34.	1 February 2017	(172,240)	-	172,240	-	172,240	-
35.	2 February 2017	(131,071)	-	131,071	-	131,071	-
36.	7 February 2017	1,160,000	-	-	-	-	1,160,000
37.	10 February 2017	100,000	-	-	-	-	100,000
38.	15 February 2017	(155,110)	-	155,110	-	155,110	-
39.	15 February 2017	210,000	-	-	-	-	210,000
40.	15 February 2017	(142,324)	-	142,324	-	142,324	-
41.	16 February 2017	(177,666)	-	177,666	-	177,666	-
42.	22 February 2017	105,000	-	-	-	-	105,000
43.	17 February 2017	(100,939)	100,939	-	-	100,939	-
44.	23 February 2017	(57,823)	-	57,823	-	57,823	-
45.	6 March 2017	533,000	-	-	-	-	533,000
46.	2 March 2017	(83,038)	-	83,038	-	83,038	-
47.	8 March 2017	83,000	-	-	-	-	83,000
48.	9 March 2017	(535,335)	535,335	-	-	535,335	-
49.	16 March 2017	535,000	-	-	-	-	535,000
50.	17 March 2017	(336,927)	336,927	-	-	336,927	-
51.	20 March 2017	(40,721)	-	40,721	-	40,721	-
52.	20 March 2017	(100,339)	100,339	-	-	100,339	-

				in EUR			
Withdrawal application No.	Date of receipt of funds (DA, reimbursemen	Initial Deposit/ (Recovery of the	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
53.	24 March 2017	478,500		-	-	-	478,500
54.	23 March 2017	(16,318)	16,318	-	-	16,318	-
55.	23 March 2017	(13,613)	13,613	-	-	13,613	-
56.	27 March 2017	(50,924)	-	50,924	-	50,924	-
57.	29 March 2017	(169,192)	-	169,192	-	169,192	-
58.	31 March 2017	(267,728)	267,728	-	-	267,728	-
59.	4 April 2017	(118,016)	-	118,016	-	118,016	-
60.	4 April 2017	(91,676)	-	91,676	-	91,676	-
61.	11 April 2017	480,000	-	-	-	-	480,000
62.	18 April 2017	(6,031)	6,031	-	-	6,031	-
63.	19 April 2017	(74,779)	-	74,779	-	74,779	-
64.	24 April 2017	(115,321)	115,321	-	-	115,321	-
65.	25 April 2017	(16,117)	16,117	-	-	16,117	-
66.	25 April 2017	(260,092)	-	260,092	-	260,092	-
67.	2 May 2017	(8,035)	8,035	-	-	8,035	-
68.	4 May 2017	(106,500)	-	106,500	-	106,500	-
69.	9 May 2017	375,000	-	-	-	-	375,000
70.	8 May 2017	(11,622)	-	11,622	-	11,622	-
71.	11 May 2017	(8,091)	8,091	-	-	8,091	-
72.	19 May 2017	-	-	1,123,509	-	1,123,509	1,123,509
73.	18 May 2017	(58,665)	-	58,665	-	58,665	-
74.	25 May 2017	170,000	-	-	-	-	170,000
75.	22 May 2017	(47,250)	47,250	-	-	47,250	-
76.	24 May 2017	(8,073)	8,073	-	-	8,073	-

			in EUR				
Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
77.	1 June 2017	70,000	-	-	-	-	70,000
78.	29 May 2017	(12,792)	-	12,792	-	12,792	-
79.	30 May 2017	(261,314)	261,314	-	-	261,314	-
80.	7 June 2017	215,000	-	-	-	-	215,000
81.	5 June 2017	(168,466)	-	168,468	-	168,468	-
82.	12 June 2017	(179,075)	-	179,075	-	179,075	-
83.	16 June 2017	40,000	-	-	-	-	40,000
84.	14 June 2017	(40,542)	40,542	-	-	40,542	-
85.	30 June 2017	330,000	-	-	-	-	330,000
86.	29 June 2017	(26,590)	26,590	-	-	26,590	-
87.	30 June 2017	(14,752)	-	14,752	-	14,752	-
88.	6 July 2017	(32,418)	32,418	-	-	32,418	-
89.	6 July 2017	(118,016)	-	118,016	-	118,016	-
90.	7 July 2017	(224,657)	-	224,657	-	224,657	-
91.	10 July 2017	(18,860)	-	18,860	-	18,860	-
92.	11 July 2017	(6,273)	6,273	-	-	6,273	-
93.	12 July 2017	(8,641)	-	8,641	-	8,641	-
94.	19 July 2017	(26,248)	26,248	-	-	26,248	-
95.	26 July 2017	80,000	-	-	-	-	80,000
96.	11 August 2017	140,000	-	-	-	-	140,000
97.	25 August 2017	60,000	-	-	-	-	60,000
98.	24 August 2017	(74,240)	-	74,240	-	74,240	-
99.	24 August 2017	(22,768)	22,768	-	-	22,768	-
100.	29 August 2017	(277,553)	-	277,553	-	277,553	-

				in EUR			
Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
101.	29 August 2017	(24,808)	24,808	-		24,808	-
102.	5 September 2017	120,000	-	-		-	120,000
103.	5 September 2017	(196,163)	-	196,163		196,163	-
104.	14 September 2017	110,000	-	-		-	110,000
105.	12 September 2017	(123,092)	-	123,092		123,092	-
106.	15 September 2017	(23,139)	23,139	-		23,139	-
107.	22 September 2017	(47,519)	-	47,519		47,519	-
108.	28 September 2017	130,000	-	-		-	130,000
109.	3 October 2017	(74,018)	-	74,018		74,018	-
110.	3 October 2017	(134,368)	-	134,368		134,368	-
111.	10 October 2017	35,000	-	-		-	35,000
112.	17 October 2017	(33,951)	-	33,951		33,951	-
113.	27 October 2017	130,000	-	-		-	130,000
114.	27 October 2017	(22,487)	22,487	-		22,487	-
115.	31 October 2017	(74,240)	-	74,240		74,240	-
116.	7 November 2017	(5,273)	5,273	-		5,273	-
117.	7 November 2017	(26,115)	-	26,115		26,115	-
118.	10 November 2017	82,000	-	-		-	82,000
119.	14 November 2017	(191,972)	-	191,972		191,972	-
120.	23 November 2017	(21,391)	21,391	-		21,391	-
121.	30 November 2017	60,000	-	-		-	60,000
122.	5 December 2017	67,000	-	-		-	67,000
123.	5 December 2017	(298,743)	-	298,743		298,743	-
124.	5 December 2017	(7,424)	7,424	-		7,424	-

			in EUR				
Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
125.	21 December 2017	90,000	-	-		-	90,000
126.	21 December 2017	(111,353)	-	111,353		111,353	-
127.	28 December 2017	(27,628)	27,628	-		27,628	-
Total 2017		**378,554**	**2,213,065**	**5,574,890**	-	**7,787,955**	**8,166,509**
Total		**378,965[1)]**	**17,262,516**	**5,708,485**	-	**22,971,002[2)]**	**23,349,967**

1) The amount of EUR 378,554 represents transactions on the Designated Account in 2017, plus EUR (6,588) from the SOE table in 2016, plus EUR 6,999 from the SOE Table in 2015, totaling EUR 378,965, which is the sum of the letter of credit, and the Designated Account on December 31, 2017.

2) The amount of EUR 22,971,002 represents the sum of Project Expenditures in 2015, 2016 and 2017. That increased for the letter of credit in 2017 and the initial fee gives the total expenses as of 31 December 2017 in the amount of EUR 23,365,760.

			in EUR				
Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
128.	4 January 2018	405,000	-	-	-	-	405,000
129.	12 January 2018	80,000	-	-	-	-	80,000
130.	1 February 2018	75,000	-	-	-	-	75,000
131.	15 January 2018	(542,518)	-	542,518	-	542,518	-
132.	9 February 2018	720,000	-	-	-	-	720,000
133.	15 January 2018	(17,655)	17,654	-	-	17,654	-
134.	6 February 2018	(374,224)	-	374,224	-	374,224	-
135.	21 February 2018	35,000	-	-	-	-	35,000
136.	12 February 2018	(695,848)	-	695,848	-	695,848	-
137.	23 February 2018	433,000	-	-	-	-	433,000
138.	15 February 2018	(17,739)	17,739	-	-	17,739	-
139.	27 February 2018	(469,707)	-	469,707	-	469,707	-
140.	14 March 2018	19,000	-	-	-	-	19,000
141.	28 February 2018	(6,449)	6,449	-	-	6,449	-
142.	21 March 2018	465,000	-	-	-	-	465,000
143.	20 March 2018	(18,722)	18,722	-	-	18,722	-
144.	23 March 2018	(463,096)	-	463,096	-	463,096	-
145.	3 April 2018	(1,811)	-	1,811	-	1,811	-
146.	12 April 2018	720,000	-	-	-	-	720,000
147.	9 April 2018	(247)	247	-	-	247	-
148.	27 April 2018	6,000	-	-	-	-	6,000
149.	20 April 2018	(698,831)	-	698,831	-	698,831	-
150.	20 April 2018	(17.894)	17,894	-	-	17,894	-

				in EUR			
Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
151.	15 May 2018	22,000	-	-	-	-	22,000
152.	2 May 2018	(11,897)	-	11,897	-	11,897	-
153.	29 May 2018	30,000	-	-	-	-	30,000
154.	30 May 2018	(47,827)	47,827	-	-	47,827	-
155.	13 June 2018	17,000	-	-	-	-	17,000
156.	11 June 2018	(2,259)	-	2,259	-	2,259	-
157.	29 June 2018	173,000		-	-	-	173,000
158.	11 July 2018	186,000	-	-	-	-	186,000
159.	29 June 2018	(25,856)	25,856	-	-	25,856	-
160.	17 July 2018	17,000	-	-	-	-	17,000
161.	23 July 2018	(16,465)	16,465	-	-	16,465	-
162.	31 July 2018	6,000	-	-	-	-	6,000
163.	30 July 2018	(1,179)	1,179	-	-	1,179	-
164.	8 August 2018	20,000	-	-	-	-	20,000
165.	16 August 2018	(23,206)	23,206	-	-	23,206	-
166.	28 August 2018	10,000	-	-	-	-	10,000
167.	4 September 2018	21,000	-	-	-	-	21,000
168.	31 August 2018	(10,501)	-	10,501	-	10,501	-
169.	4 September 2018	(20,908)	-	20,908	-	20,908	-
169.	10 September 2018	20,908	-	-	-	-	20,908
170.	12 September 2018	140,000	-	-	-	-	140,000
171.	17 September 2018	(14,172)	14,172	-	-	14,172	-
172.	29 September 2018	30,000	-	-	-	-	30,000

COST STATEMENT AND WITHDRAWAL REVIEW-continued
for the year ended 31 December 2018

				in EUR			
Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
173.	1 October 2018	145,000	-	-	-	-	145,000
174.	26 September 2018	(163,957)	163,957	-	-	163,957	-
175.	1 October 2018	(185,199)	-	185,199	-	185,199	-
176.	2 October 2018	(89,179)	-	89,179	-	89,179	-
177.	11 October 2018	60,000	-	-	-	-	60,000
178.	3 October 2018	(47,741)	-	47,741	-	47,741	-
179.	3 October 2018	(99,141)	-	99,141	-	99,141	-
180.	15 October 2018	61,000	-	-	-	-	61,000
181.	9 October 2018	(10,578)	10,578	-	-	10,578	-
182.	11 October 2018	(138,514)	-	138,514	-	138,514	-
183.	15 October 2018	(46,670)	-	46,670	-	46,670	-
184.	11 October 2018	113,000	-	-	-	-	113,000
185.	16 October 2018	(14,099)	14,099	-	-	14,099	-
186.	24 October 2018	16,000	-	-	-	-	16,000
187.	22 October 2018	(35,066)	-	35,066	-	35,066	-
188.	22 October 2018	(23,346)	23,346	-	-	23,346	-
189.	24 October 2018	(48,036)	-	48,036	-	48,036	-
190.	25 October 2018	(15,152)	-	15,152	-	15,152	-
191.	30 October 2018	(7,029)	7,029	-	-	7,029	-
192.	9 November 2018	64,000	-	-	-	-	64,000
193.	12 November 2018	(4,999)	-	4,999	-	4,999	-
194.	19 November 2018	57,000	-	-	-	-	57,000
195.	13 November 2018	(46,613)	-	46,613	-	46,613	-
196.	21 November 2018	16,000	-	-	-	-	16,000

in EUR

Withdrawal application No.	Date of receipt of funds (DA, reimbursement)	Initial Deposit/ (Recovery of the Designated Account)	1. HZC Retrenchment Payments - cat 4.	2. Goods, works, non-consulting services, consultants' services and Training for Part C - cat 5.	3. Front end fee - cat 8.	Total Expenditures Claimed in SOE	Amount Received (DA reimbursement)
197.	15 November 2018	(12,997)	12,997	-	-	12,997	-
198.	19 November 2018	(46,683)	-	46,683	-	46,683	-
199.	30 November 2018	38,000	-	-	-	-	38,000
200.	21 November 2018	(26,961)	26,961	-	-	26,961	-
201.	3 December 2018	(38,164)	-	38,164	-	38,164	-
202.	11 December 2018	370,000	-	-	-	-	370,000
203.	12 December 2018	(93,669)	-	93,669	-	93,669	-
204.	13 December 2018	(27,924)	27,924	-	-	27,924	-
205.	17 December 2018	(23,486)	23,486		-	23,486	-
206.	28 December 2018	390,000	-	-	-	-	390,000
207.	18 December 2018	(70,579)	-	70,579	-	70,579	-
208.	19 December 2018	(140,587)	-	140,587	-	140,587	-
209.	10 October 2018	(14,253)	-	14,253	-	14,253	-
210.	28 December 2018	(140,872)	-	140,872	-	140,872	-
Total 2018		**(129,596)**[1)]	**517,788**	**4,592,716**	**-**	**5,110,504**	**4,980,908**
TOTAL		**249,369**	**17,780,306**	**10,301,201**	**-**	**28,081,507**	**28,330,876**

1) The amount of EUR (129,596) represents transactions on the Designated Account in 2018, plus EUR 378,554 from the SOE table in 2017, plus EUR (6,588) from the SOE table in 2016, plus EUR 6,999 from the SOE Table in 2015, totaling EUR 249,369 which is the sum of the Designated Account on December 31, 2018.

(EUR)

Account No.	HR2123900011300035785
Depository Bank	Hrvatska poštanska banka d.d., Zagreb
Address	Jurišićeva 4, Zagreb
Loan	IBRD Loan No. 8502

		For the year EUR	From the beginning of the Project EUR
1	**Opening balance at the beginning of the period**	87,967	-
	Add:		
2	World Bank advances into DA during the period	4,980,908	16,942,057
3	Letter of credit-refund of unused funds	2,752	2,752
4	Interest earned (if credited into DA)	-	10
	Funds available during the period	**4,983,660**	**16,944,819**
	Less:		
5	Payments for eligible expenditures during the period	(4,822,248)	(16,695,440)
		(4,822,248)	**(16,695,440)**
6	**Closing balance at the end of the period**	**249,379**	**249,379**

Payments from the WB Special Account
for the project expenditures

Description/supplier/contract	Date	EUR	HRK
KONČAR ELEKTRIČNA VOZILA	5 January 2018	**408,141**	3,032,488
LUMARO PROJEKT d.o.o.	5 January 2018	**54,282**	403,313
CKTZ	5 January 2018	**20,064**	149,075
TONELI d.o.o.	8 January 2018	**10,260**	76,312
LUMARO PROJEKT d.o.o.	15 January 2018	**49,772**	369,703
ŽELJEZNIČKI FOND	15 January 2018	**17,654**	131,137
CKTZ	23 January 2018	**7,099**	52,675
TONELI d.o.o.	5 February 2018	**36,828**	273,336
CKTZ	5 February 2018	**29,272**	217,143
CKTZ	6 February 2018	**12,769**	94,772
KONČAR ELEKTRIČNA VOZILA	9 February 2018	**407,592**	3,032,488
KONČAR ELEKTRIČNA VOZILA	12 February 2018	**288,256**	2,144,625
ŽELJEZNIČKI FOND	15 February 2018	**17,739**	131,785
LUMARO PROJEKT d.o.o.	21 February 2018	**45,235**	336,094
KONČAR ELEKTRIČNA VOZILA	26 February 2018	**408,251**	3,032,488
INSTITUTE FOR LABOR MARKET DEVELOPMENT	27 February 2018	**16,221**	120,572
Non retroactive retrenchments	28 February 2018	**6,449**	48,000
ŽELJEZNIČKI FOND	20 March 2018	**18,722**	139,232
RAILDATA	22 March 2018	**55,504**	-
KONČAR ELEKTRIČNA VOZILA	23 March 2018	**407,592**	3,032,488
LUMARO PROJEKT d.o.o.	3 April 2018	**1,811**	13,444
Non retroactive retrenchments	9 April 2018	**247**	1,821
KONČAR ELEKTRIČNA VOZILA	17 April 2018	**289,423**	2,144,625
KONČAR ELEKTRIČNA VOZILA	20 April 2018	**409,408**	3,032,488
ŽELJEZNIČKI FOND	20 April 2018	**17,894**	132,543
INSTITUTE FOR LABOR MARKET DEVELOPMENT	2 May 2018	**11,897**	88,095
ŽELJEZNIČKI FOND	21 May 2018	**19,408**	143,096
Non retroactive retrenchments	30 May 2018	**28,419**	209,733

Payments from the WB Special Account
for the project expenditures

Description/supplier/contract	Date	EUR	HRK
TONELI d.o.o.	11 June 2018	**2,259**	16,650
ŽELJEZNIČKI FOND	20 June 2018	**17,728**	130,815
Non retroactive retrenchments	29 June 2018	**8,128**	60,000
ŽELJEZNIČKI FOND	23 July 2018	**16,465**	121,710
Non retroactive retrenchments	31 July 2018	**1,179**	8,714
Non retroactive retrenchments	6 August 2018	**8,125**	60,000
ŽELJEZNIČKI FOND	16 August 2018	**15,082**	111,832
IVICA PERICA (UM i UM d.o.o.)	31 August 2018	**10,501**	77,917
INSTITUTE FOR LABOR MARKET DEVELOPMENT	4 September 2018	**20,908**	-
ŽELJEZNIČKI FOND	17 September 2018	**1,009**	7,481
ŽELJEZNIČKI FOND	17 September 2018	**13,163**	97,735
OV	5 July 2018	**163,957**	1,210,000
KONČAR ELEKTRIČNA VOZILA	12 July 2018	**185,199**	1,368,805
SMART CORPORATION	18 September 2018	**83,795**	621,337
TONELI d.o.o.	18 September 2018	**5,385**	39,995
TONELI d.o.o.	25 September 2018	**36,971**	274,253
TONELI d.o.o.	3 October 2018	**10,770**	79,990
SMART CORPORATION	26 September 2018	**40,658**	301,762
CIOS CARGO D.O.O.	2 October 2018	**58,483**	434,063
Non retroactive retrenchments	9 October 2018	**10,578**	78,470
CIOS CARGO D.O.O.	11 October 2018	**138,514**	1,023,619
CIOS CARGO D.O.O.	15 October 2018	**46,670**	345,638
ŽELJEZNIČKI FOND	16 October 2018	**14,099**	104,305
CIOS CARGO D.O.O.	22 October 2018	**35,066**	260,438
Non retroactive retrenchments	22 October 2018	**23,346**	173,389
CIOS CARGO D.O.O.	23 October 2018	**12,870**	95,494
CIOS CARGO D.O.O.	24 October 2018	**35,166**	260,438
BDO Croatia d.o.o.	25 October 2018	**15,152**	112,500
Non retroactive retrenchments	30 October 2018	**7,029**	52,185

Payments from the WB Special Account

for the project expenditures

Description/supplier/contract	Date	EUR	HRK
TONELI d.o.o.	12 November 2018	**4,999**	37,138
CIOS CARGO D.O.O.	13 November 2018	**46,613**	345,638
ŽELJEZNIČKI FOND	15 November 2018	**12,997**	96,410
CIOS CARGO D.O.O.	19 November 2018	**46,683**	345,638
Non retroactive retrenchments	19 November 2018	**10,766**	79,564
Non retroactive retrenchments	21 November 2018	**16,194**	120,000
TONELI d.o.o.	3 December 2018	**38,164**	282,823
CIOS CARGO D.O.O.	10 December 2018	**46,803**	345,638
CIOS CARGO D.O.O.	12 December 2018	**46,866**	345,638
Non retroactive retrenchments	11 December 2018	**8,621**	63,665
Non retroactive retrenchments	13 December 2018	**19,303**	142,363
ŽELJEZNIČKI FOND	17 December 2018	**23,486**	173,329
CIOS CARGO D.O.O.	18 December 2018	**70,579**	520,875
CIOS CARGO D.O.O.	19 December 2018	**70,294**	520,875
CIOS CARGO D.O.O.	20 December 2018	**70,294**	520,875
TONELI d.o.o.	27 December 2018	**14,253**	105,702
CIOS CARGO D.O.O.	28 December 2018	**140,872**	1,041,750
TOTAL		**4,822,248**	**35,201,017**

1. GENERAL INFORMATION

In May 2015 International Bank for Reconstruction and Development approved three loans to railway sector totalling to EUR 163,5 million, of which EUR 43 million to the company HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb, EUR 41 million to the company HŽ CARGO d.o.o., Zagreb and EUR 79 million to the company HŽ INFRASTRKTURA d.o.o., Zagreb. Granted loans are part of the "Sustainable Croatian Railways in Europe Project" (SUCRE) which became effective on 4 August 2015.

The objective of the Project is to improve the operational efficiency and the financial sustainability of the public railway sector in the Republic of Croatia.

The Project consists of the following parts:

Part A Support to the Sector Restructuring and Coordination

1. Finalizing asset management separation among the railway companies and clarifying the legal status of their main assets, through the provision of consulting services and non-consulting services to Ministry of Maritime Affairs, Transport and Infrastructure.
2. Project coordination support, sector reform monitoring, and definition of railway services obligations with HŽ INFRASTRUKTURA d.o.o., Zagreb and HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb through the provision of consulting services, non-consulting services, Training, and Operating Costs to Ministry of Maritime Affairs, Transport and Infrastructure.

Part B Support to restructuring of the company HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb

1. Retrenchment. Provision of the retrenchment payments for the company HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb, including job outplacement and retraining services, counselling and advisory support.
2. Investment to contribute to the restructuring plan of the company HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb
   (a) Rehabilitating rolling stock to improve efficiency of the fleet.
   (b) Modernizing and integrating information technology.
   (c) Preparing studies to adapt business processes to reorganize operations and improve energy efficiency of operations.
   (d) Capacity building on management and restructuring.

Part C Support to the restructuring of the company HŽ CARGO d.o.o., Zagreb

1. Retrenchment -provision of the retrenchment payments for the company HŽ CARGO d.o.o., Zagreb, including job outplacement and retraining services, counselling and advisory support.

2. Investment to contribute to the restructuring plan of the company HŽ CARGO d.o.o., Zagreb

   (a) Rehabilitating rolling stock to improve efficiency of the fleet.
   (b) Modernizing and integrating information technology.
   (c) Capacity building on management and restructuring.

Part D Support to the restructuring of the company HŽ INFRASTRUKTURA d.o.o., Zagreb rand enabling investment to increase system efficiency

1. Retrenchment Provision of the retrenchment payments for the company HŽ INFRASTRUKTURA d.o.o., Zagreb including job outplacement and retraining services, counselling and advisory support.
2. Installing railway safety crossings based on prioritization criteria set forth in Supplemental Letter 4.
3. Undertaking other railway safety works, including:

   (a) Reinforcing cuts and slope on the two corridors from Rijeka;
   (b) Rehabilitating or replacing the Klostar and Ljubosina bridges on the Zagreb-Rijeka axis.

4. Undertaking emergency infrastructure investments, including:

   (a) Rehabilitating the Ogulin - Moravice line;
   (b) Rehabilitating the Varazdin-Cakovec line; and
   (c) Replacing switches, electrical, and support systems (for safety and signalling) on international and national corridors selected pursuant to criteria set forth in Supplemental Letter 4; and
   (d) Constructing and improving the Borongaj, Rijeka-Brajdica, and Vinkovci railway stations.

5. Capacity building on management and restructuring.

The Company is responsible for the management of the activities including procurement, disbursement, financial management, monitoring, reporting and coordination. The objective of these components is to support operational and financial restructuring of the Company and to contribute in restoration of the physical infrastructure's conditions.

2. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT LOAN AGREEMENT

HŽ CARGO d.o.o., Zagreb (the Company) signed a Loan Agreement with the International Bank for Reconstruction and Development (the Bank) in the amount of EUR 41 million on 6 May 2015 for the financing of the Sustainable Croatian Railways in Europe Project. Principal, charges, fees and interest are the obligations of the Company as a Borrower.

It was agreed that the Company would pay to the Bank a front-end fee in the amount of 0.25% from the total loan amount or EUR 103,750. The Commitment charge payable by the Company is 0.25% per annum on the unwithdrawn loan balance.

The interest payable by the Company is at a rate equal to reference rate for the loan currency plus the variable spread. Interest, commitment charges on the unwithdrawn loan balance and other charges shall be repayable semi-annually in arrears on 15 July and 15 January in each year.

The principal amount of the loan repayable on each principal payment date is determined by multiplying: withdrawn loan balance as of the first principal payment date; by the instalment share for each principal payment date as shown in the table below:

Principal payment date	Instalment share (Expressed as a percentage)
15 July 2020	2.28%
15 January 2021	2.34%
15 July 2021	2.40%
15 January2022	2.46%
15 July 2022	2.52%
15 January2023	2.58%
15 July 2023	2.64%
15 January2024	2.71%
15 July 2024	2.78%
15 January2025	2.85%
15 July 2025	2.92%
15 January 2026	2.99%
15 July 2026	3.07%
15 January 2027	3.14%
15 July 2027	3.22%
15 January 2028	3.30%
15 July 2028	3.39%
15 January 2029	3.47%
15 July 2029	3.56%
15 January 2030	3.65%
15 July 2030	3.74%
15 January 2031	3.83%
15 July 2031	3.93%
15 January 2032	4.02%
15 July 2032	4.12%
15 January 2033	4.23%
15 July 2033	4.33%
15 January 2034	4.44%
15 July 2034	4.55%
15 January 2035	4.54%

Pursuant to the finance contract, the Company has to ensure documents on the assets/funds usage and shall purchase goods, procure services and order works for the Project in accordance with the current edition of the IBRD Guide to Procurement.

The Company has to use funds approved by and remitted from the loan exclusively for the purpose they were intended. The Bank is authorized to cancel further assets usage if they establish that the approved assets are not used for designated purposes.

3. DEBT SERVICE COVERAGE

Except as the Bank shall otherwise agree, the Company shall not incur any debt unless a reasonable forecast of the revenues and expenditures of the Company shows that the estimated net revenues of the Company for each fiscal year during the term of the debt to be incurred:
(a) shall be at least 1.0 times the estimated debt service requirements of the Company in such year on all debt of the Company including the debt to be incurred, up to the Closing Date; and
(b) shall be at least 1.1 times the estimated debt service requirements of the Company in such year on all debt of the Company including the debt to be incurred, after the Closing Date until the repayment of the Loan under this Agreement.

4. PROJECT COST AND FINANCING

Sources of funds (in EUR million)	Total	Retrenchment Payments under Part C of the Project	Goods, works, non-consulting services, and consultants' services for Part C of the Project	Capitalization of interest charges & front-end fee
IBRD loan	41	20.9	20	0.1
Government funds	-	-	-	-
Total	**41**	**20.9**	**20**	**0.1**

5. PROJECT MANAGEMENT

Project implementation unit ("PIU") has been established within the Company and is in charge for the project implementation.

6. ACCOUNTING RECORDS AND BASE FOR PRESENTATION

Within the business books (general ledger) of the Company are recorded all Project transactions.

Project accounting records are also kept in supporting tables (excel), based on which the enclosed Financial Statements of the Project have been made.

7. DEVIATIONS FROM AGREED CONDITIONS

There were no deviations from the contracted terms.

8. PROJECT EXPENDITURES

Expenditures in EUR	31 December 2018	31 December 2017
Retrenchment Payments	17,780,306	17,262,517
Goods, works, non-consulting services, and consultants' services	10,301,201	5,708,485
Front end fee	103,750	103,750
Letter of credit	-	291,008
Total	**28,185,257**	**23,365,760**

9. DESIGNATED ACCOUNT AND NET ASSETS

The Company opened Designated Account at Hrvatska poštanska banka d.d., Zagreb ("HPB") in order to realize the Project. Designated Account balance as of 31 December 2018 in the amount of EUR 249,379 is confirmed by the bank statement of HPB.

Reconciliation of the Designated Account

	in EUR
Loan disbursed until 31 December 2018	**28,434,636**
Amount on Designated account	249,379
Add: total expenditures stated in the Statement of sources and Uses of funds	28,081,507
Add: Front-end fee	103,750
Letter of credit	-
Total recorded	**28,434,636**