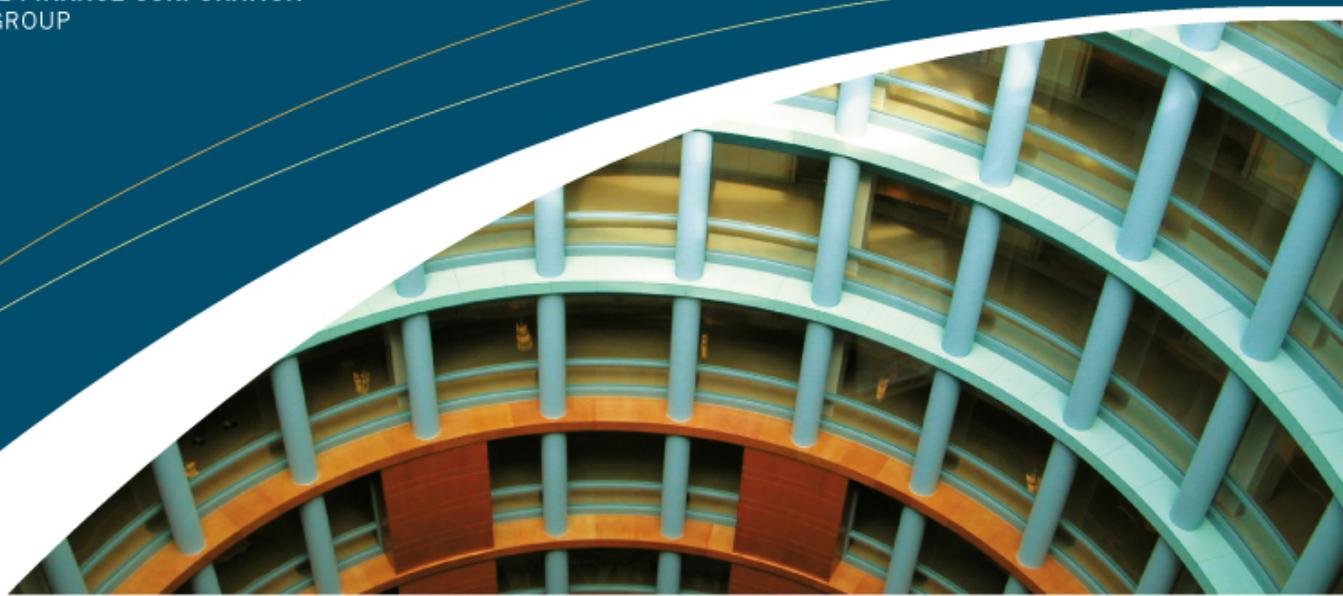




INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP



Corridor 5c PPP, Bosnia Investor Teaser

October 2013



AC JP **Autoceste** FBiH

Corridor 5c

- Corridor 5c follows European route E73 from Budapest to the port of Ploče (Croatia) via Sarajevo
- Bosnia and Herzegovina (B&H) contains the longest section of Corridor 5c with a total length of approximately 335 km
- Corridor 5c is a Pan-European transport corridor which enjoys strong support from the EU and IFIs
- The project has strong support from all levels of the political spectrum in B&H



Corridor 5c: Status of Motorway Sections

Section	Length, km	Financing Secured	Status	Construction Completion
Svilaj-Odzak	11.0	Yes	Contractor selected	2014
Odzak-Karuse (Republika Srpska)	48.0	No	PPP tender ongoing	2017
Karuse-Poprikuse	38.6	No	PPP tender ongoing	2018
Poprikuse-Zenica North	18.4	No	Preliminary design completed	N/A
Zenica North-D.Gracanica	3.0	No	Main design ongoing	N/A
D.Gracanica-Klopce	5.5	Yes	Issuance of construction permit	2016
Klopce-Drivusa (Zenica South)	2.5	Yes	Contractor selection	2016
Drivusa (Zenica South)-Biljesevo	6.5	Yes	Under construction	2014
Biljesevo-Kakanj	10.0	Yes	Open and operating	2013
Kakanj-Josanica (Sarajevo)	36.6	Yes	Open and operating	2012
Josanica-Vlakovo (Sarajevo Bypass)	8.0	Yes	Under construction	2014
Vlakovo-Tarcin	20.4	Yes	Under construction	2014
Tarcin-Konjic	21.0	No	Issuance of construction permit	N/A
Konjic-Mostar North	47.0	No	Preliminary design completed	N/A
Mostar North-Pocitelj	37.0	No	Preliminary design completed	N/A
Pocitelj-Zvirovici	11.2	No	Tender for main design ongoing	N/A
Zvirovici-Kravice	5.0	Yes	Under construction	2014
Kravice-Bijaca	5.1	Yes	Open and operating	2013
Total	334.8			

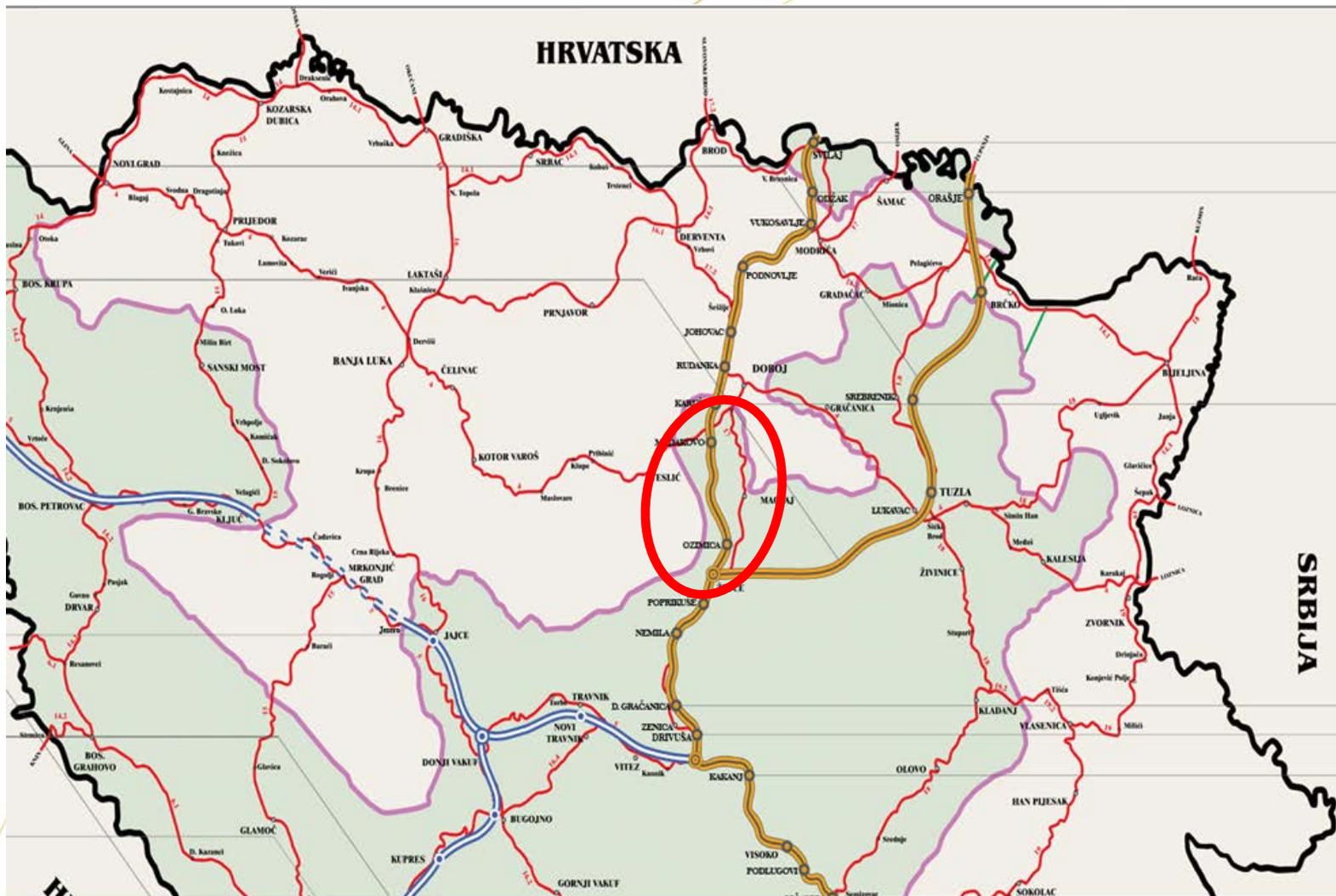
Grantor's Scope of Work

- Government of the Federation of Bosnia and Herzegovina (FBiH) and Motorways Authority FBiH (Autoceste FBiH) with assistance from IFC and its advisors Arup and DLA Piper will structure a PPP transaction for design, financing, construction, operation and maintenance of a **38km long** section of Corridor 5c between **Karuše and Poprikuše** in FBiH
 - Comprehensive assessment of the Project (technical, environmental, legal and financial due diligence)
 - Structuring of the PPP transaction
 - Drafting of the tender documents, including the Concession Agreement
 - Marketing of the Project to investors and lenders
 - Negotiations with short-listed investors
 - Implementation of the tender process

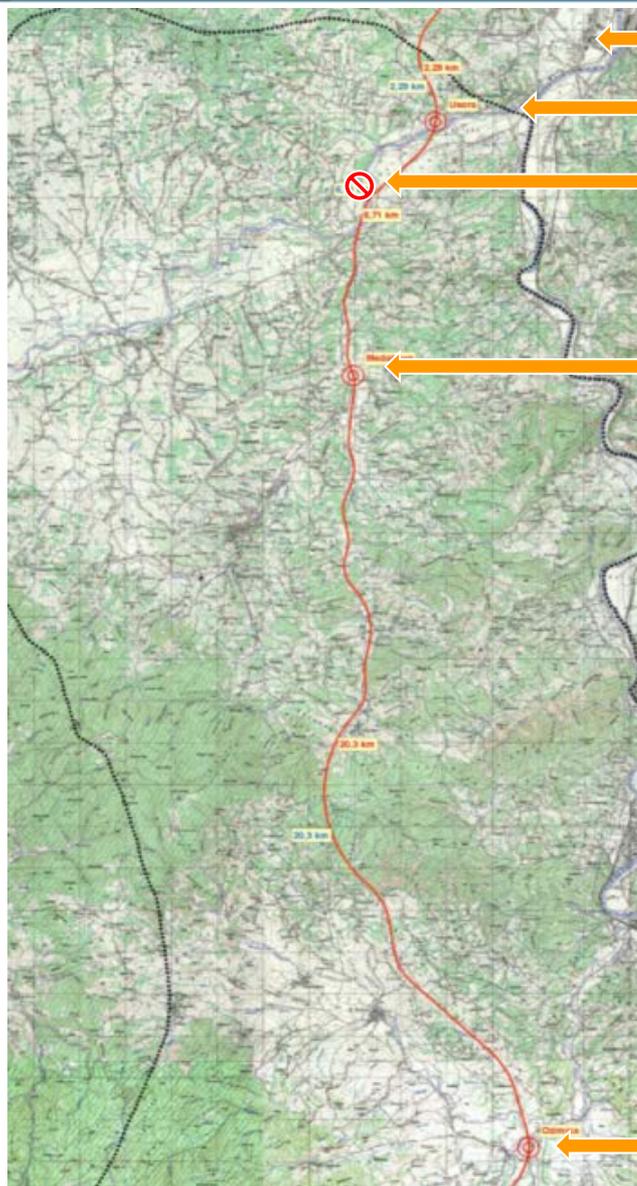
Project Snapshot

- Greenfield construction and subsequent operation and maintenance of a double carriageway motorway
- Design, finance, build, operate, maintain and transfer concession model
- Total length is 38.6km
- Preliminary construction cost has been estimated on the basis of the **existing preliminary design** (which is currently being optimized)
 - Bare construction cost: between €380M and €450M
 - Estimate is before VAT (17%) and savings from design optimization
- 30 year concession term
- Traffic risk to be assumed by the Government
 - Availability payment model (details to be finalized in consultation with sponsors and lenders)

Project Alignment



Project Alignment, Karuše-Ozimica



← Doboј, Republika Srpska

← Federation BiH – Republika Srpska border

← Karuše – northern end point of the project section

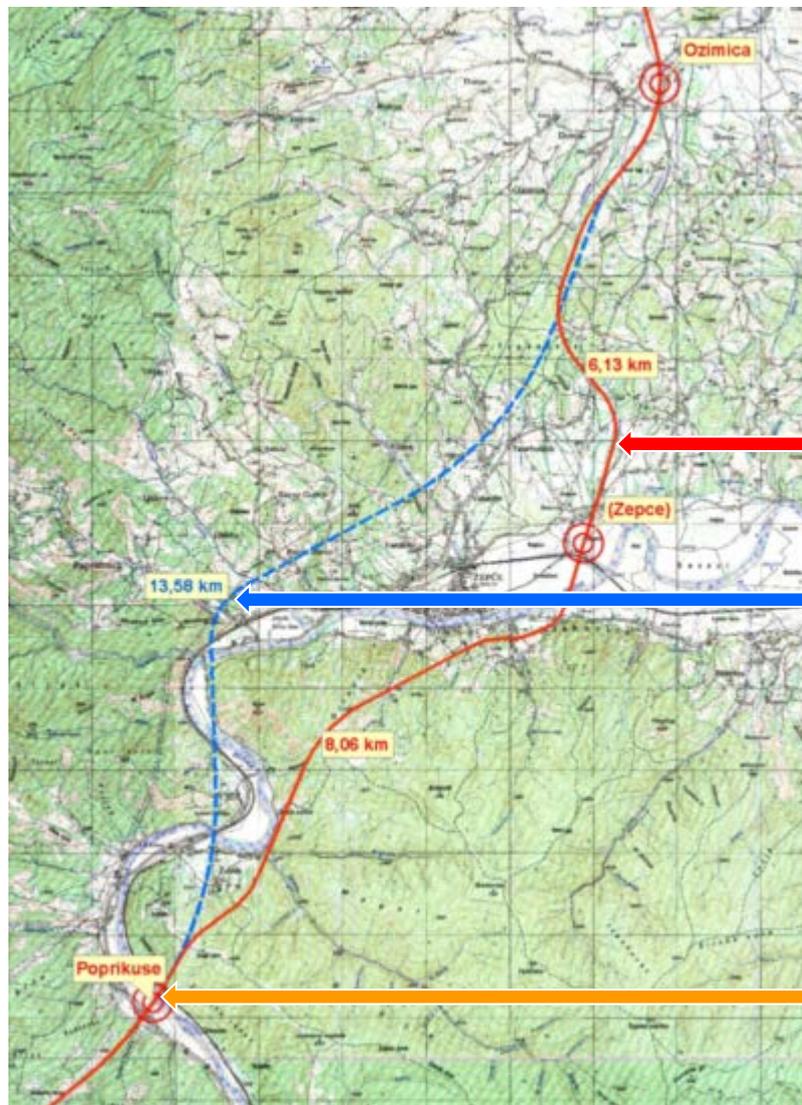
Sub-section 1 – Karuše-Medakovo, 4.0 km

← Medakovo

Sub-section 2 – Medakovo-Ozimica, 20.9 km

← Ozimica

Project Alignment, Ozimica-Poprikuše



Sub-section 3 – Ozimica-Poprikuše, 13.6 km

Alternative alignment (objected to by the local community in Zepce)

Original alignment (most likely to be adopted)

Decision about final alignment will be finalized before tender completion

Poprikuše – southern end point of the project section

Project Design

- Preliminary design was prepared in 2006
 - Autoceste and IFC are preparing updates and recommended improvements of the design
 - Concessionaire will produce the final optimized detailed design before starting construction
- Design speed varies between 80km/h (in one spot), 110km/h and 130 km/h (maximum design speed)
- Preliminary design alignment crosses moderately difficult terrain and contains several viaducts and tunnels
- Various design optimization measures will be considered by Autoceste during the tender process, for example
 - Alignment optimization
 - Structures' design
 - Gradient steepness
 - Staged tunnel and/or viaduct construction (for large structures)

Description of Project Sections

On the basis of the current preliminary design, the project is divided in three sub-sections with the following characteristics

- Section n°1: Karuše - Medakovo (KM), L= 4.0km, of which bridges and viaducts – 0.4km, tunnel – 0.3km
- Section n°2: Medakovo - Ozimica (MO), L= 20.9km, of which bridges and viaducts – 0.9km, tunnels – 2.6km
- Section n°3: Ozimica - Poprikuše (OP), L= 13.6km, of which bridges and viaducts – 2.3km, tunnels – 6.4km

Alternative Route

- The existing regional road M17 will remain as a free alternative
- The route provides relatively low levels of service and passes through a number of smaller towns with significant speed restrictions (40-70km/h) and other slower moving traffic (agricultural machinery, mopeds and bicycles)

	Karuše - Maglaj	Maglaj - Ozimica	Ozimica - Zepce
Length (km)	18.91	10.43	5.91
Carriageway Layout	2 x 3.75 m plus shoulders 2x1m	2 x 3.75 m plus shoulders 2x1m	2 x 3.75 m plus shoulders 2x1m
Tolling	Free Access	Free Access	Free Access

Existing Traffic – Regional Road M17

Automatic Traffic Counter No.	Road Section (regional M-17)	Location of Traffic Counter	AADT 2012	AADT 2013*
525	Karuše - Ozimice	Maglaj	5,866	6,646
548	Ozimice - Nemila	D. Golubinja	8,088	8,944

* 2013 AADT is based on manual counts and automatic traffic counters courtesy of IPSA institute

Existing Traffic – Motorway Section

- Traffic on the tolled section of the Corridor 5c motorway (Kakanj-Sarajevo) has seen significant growth with summer peaks approaching 20,000 vehicles in 2013

	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13
Vehicles (000)	369	350	412	436	456	470	595					
Total Rev. (BAM million)	1.309	1.234	1.490	1.590	1.650	1.712	2.455					
	Jan'12	Feb'12	Mar'12	Apr'12	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12
Vehicles (000)	276	196	295	310	310	387	502	540	468	475	440	403
Total Rev. (BAM million)	0.717	0.536	0.793	0.817	0.785	1.348	1.868	1.898	1.677	1.649	1.542	1.385
								Aug'11	Sep'11	Oct'11	Nov'11	Dec'11
Vehicles (000)								375	354	347	321	316
Total Rev. (BAM million)								0.892	0.883	0.849	0.781	0.768
Traffic increase, Year on Year	34%	79%	40%	41%	47%	21%	19%	44%	32%	37%	37%	28%

Existing Tolling Structure

The following toll rates apply as of 2013 (payable in Bosnian Convertible Mark (BAM))

Vehicle Category	BAM/km
Category 1	0.11
Category 2	0.22
Category 3	0.33
Category 4	0.44

Ongoing PPP Tender in Republika Srpska

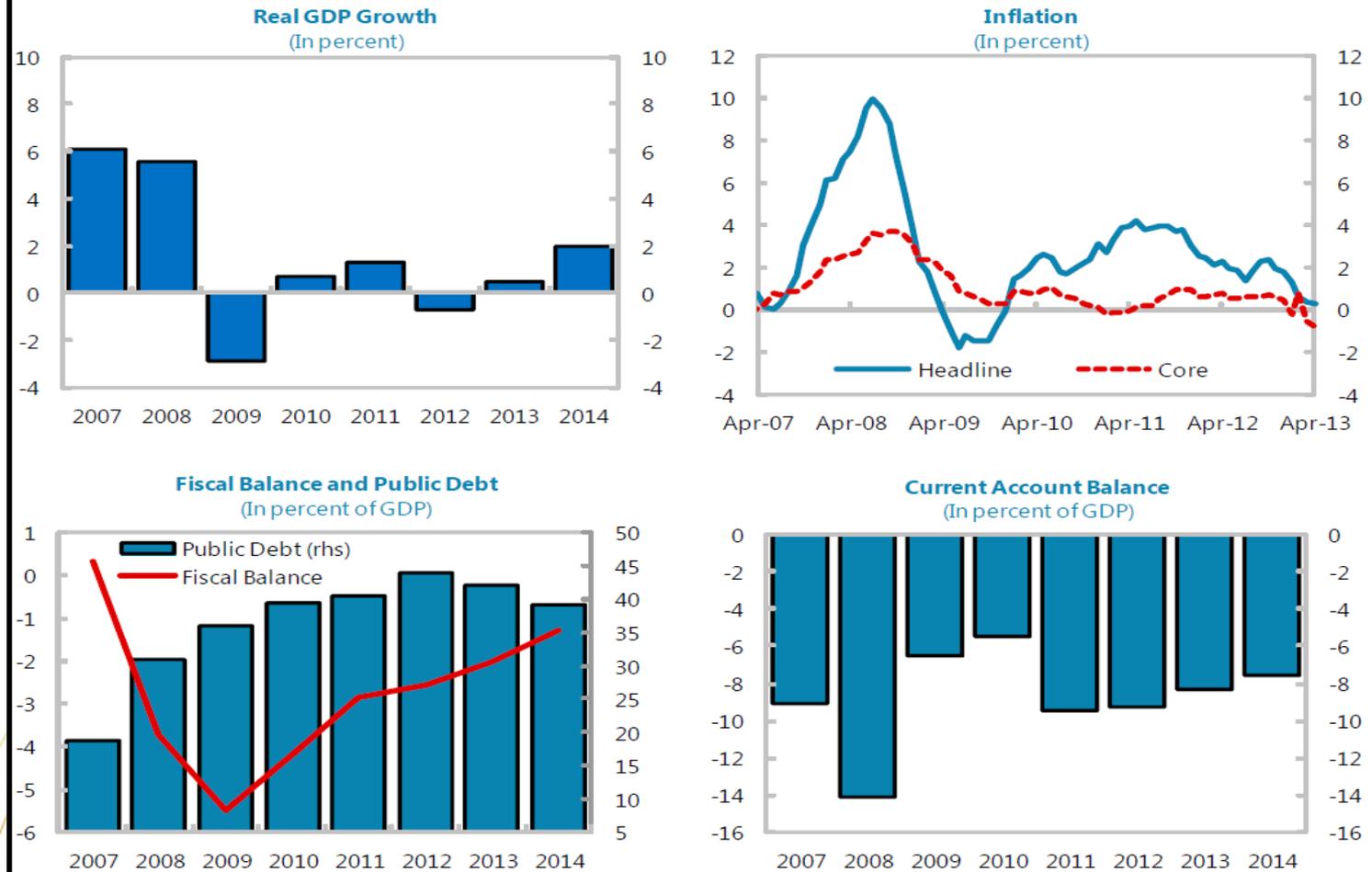
- The 46.6km section of Corridor 5c that runs through Republika Srpska (RS) is currently being implemented as a PPP
- The tender process is ongoing. Prequalification of bidders is complete and final bids are due in spring 2014
- A 30 year design, build, finance, operate and maintain concession
- The plan is that Concessionaire will receive annual availability payments from the Republika Srpska Motorways company, which will be backed by a sovereign guarantee from the RS government
- The project has preliminary lender support (e.g., EBRD)

Macroeconomic Conditions

- BiH has a currency board arrangement
- Credit rating: “B” / Stable outlook by S&P
- Steady progress is being made toward implementing structural reforms
- The banking system - predominantly owned by Austrian and Italian banks - is profitable and adequately capitalized at the aggregate level
- Following finalization of the state and entity budgets, progress was made towards re-engaging with the IMF, culminating in the signing of a €405 million Stand-By Arrangement

Macroeconomic Conditions

Figure 1. BiH: Selected Economic Indicators, 2007–14



Source: IMF Country Report, July 2013

Regulatory Framework

■ Corridor 5c Motorway Law

- Adopted in April 2013, the law contains measures which address, among others, the areas of construction, permits and licenses, use of land, property issues, protection of the environment, financing of construction, and technical standards specifically in relation to the Corridor 5c motorway

■ Concession Law

- Adopted in 2002, the Concession law provides a legal framework under which the project can be implemented, including rules for granting the concession, procurement procedures, legal status of the concessionaire and its obligations, jurisdiction, etc.

■ Spatial Planning Law

- Regulates issues related to spatial planning in FBiH

PPPs in B&H

Examples of successfully concluded PPPs in Bosnia & Herzegovina in the recent years include:

- Biomass District Heating – Gracanica
- Privatization of Energopetrol (fuel distribution and storage)
- Privatization of Telekom Republike Srpske
- Two licenses for mobile telephone services (Telecom Austria and Telecom Slovenia)

SWOT

Strengths

1. Grantor is willing to provide availability payments
2. IFIs are interested in financing the project
3. Acceptance of tolling by drivers
4. Project is part of a European corridor

Weaknesses

1. Low traffic volumes
2. No space for increasing toll rates

Opportunities

1. Possibility to reduce capex and cost of O&M through the use of the DBOT model
2. MIGA's Breach of Contract guarantee
3. Synergies with the PPP project which is being structured in the RS

Threats

1. Political cycle
2. High cost of construction
3. Affordability of availability payments for the Grantor

Anticipated Timeline

Project implementation timeline is currently under review and will be made available in the Investment Memorandum which will be distributed in the near future.

Contact Details

AG JP Autoceste FBiH

Mr. sci. **Ensad Karić**
Director

Dubrovačka 6
71000 Sarajevo, BiH
www.jpautoceste.ba

Tel.: +387 33 277 900
Fax: +387 33 277 901
E-mail: k.ensad@jpautoceste.ba



Oleg Kudashov
Investment Officer
Transaction Advisory – Infrastructure
Europe and Central Asia

Kralja Aleksandra 86
11000 Belgrade, Serbia
Tel: +381 11 330 8957
Mob: +381 63 103 3968
Email: okudashov@ifc.org

Disclaimer

This presentation is proprietary and for confidential use only. It is being issued by Autoceste FBiH and IFC solely for use by addressed recipients and their advisors. It may not be reproduced or distributed in whole or in part, or divulged to, or shared with third-parties without Autoceste FBiH and IFC's prior written consent. No other person has been authorized to give any information or make any representations with respect to the project described herein, and, if given or made, such other information or representations must not be relied upon.

This presentation is for information purposes only. This presentation is intended to help recipients appraise whether the project is of interest but is not intended to provide the basis for a decision to invest. Each recipient is expected to make such independent investigation and to obtain such independent advice as he or she may deem necessary for such a decision.

No representation, warranty, or undertaking (express or implied) is made and no responsibility is or will be accepted by Autoceste FBiH and IFC as to the adequacy, accuracy, completeness or reasonableness of the information contained in this presentation. The information contained herein may be amended or replaced by Autoceste FBiH or IFC at any time, without giving any prior notice, or providing any reason. Nothing herein or attached hereto is, or may be relied upon as, a promise or a representation as to the future performance or policies of the Project, or should be considered as a recommendation by Autoceste FBiH or IFC to participate in the Project. Any liability in connection with the use by any recipient of the information contained in this presentation is hereby disclaimed.