

ZADAR NEW PORT

Guarantee Agreement

Between

Republic of Croatia

and

European Investment Bank

Zadar, 7 September 2007

THIS AGREEMENT IS MADE BETWEEN :

the Republic of Croatia, for the purposes of this agreement represented by its Minister of Finance, Mr Ivan Šuker,

hereinafter also called: **"the Guarantor"**,

of the first part,

and

the European Investment Bank having its seat in Luxembourg, represented by its Vice-President, Mr Mathias Kollatz-Ahnen,

hereinafter called: **"the Bank"**

of the second part.

WHEREAS :

- a Finance Contract entitled "Zadar New Port" between the European Investment Bank and Lucka Uprava Zadar (hereinafter called the "**Borrower**") has been signed on 3 September 2007, by which contract (hereinafter called the "**Finance Contract**") the Bank has established a credit in an aggregate amount of or equivalent to EUR 100,000,000 (one hundred million euros) in favour of the Borrower to be used for the construction of the infrastructure of a new ferry port at Gazenica, 3.5 kilometers south of Zadar city centre, in the Republic of Croatia;
- by entering into this guarantee agreement (hereinafter this "**Guarantee Agreement**") the Government of the Republic of Croatia acknowledges that the loan financing to be provided under the Finance Contract falls within the scope of the Framework Agreement governing the Bank's activities in the Republic of Croatia concluded on 13 December 2000 between the Republic of Croatia and the Bank as ratified by law published in the official gazette of the Republic of Croatia "Narodne novine - međunarodni ugovori" nr. 6/2001;
- the conclusion of this Guarantee Agreement has been authorised by a decision of the Government of the Republic of Croatia dated 19 July 2007.

NOW THEREFORE it is hereby agreed as follows :

ARTICLE 1
Finance Contract

- 1.01** The Guarantor declares that it is well acquainted with the terms, conditions and clauses of the Finance Contract, a true copy of which, as signed by the parties thereto, has been delivered to it.

Terms defined in the Finance Contract shall have the same meaning in this Guarantee Agreement.

ARTICLE 2
Guarantee

- 2.01** The Guarantor, as primary obligor and not merely as surety, guarantees entirely the full and punctual performance of all payment obligations of the Borrower to the Bank under the Finance Contract in respect of principal monies, interest without any limitation, commissions and all other charges, expenses and sums which may from time to time become due under or pursuant to any provision of the Finance Contract (each amount so guaranteed hereinafter referred to as a "**Guaranteed Sum**").

ARTICLE 3
Enforcement of Guarantee

- 3.01** Demand may be made hereunder as soon as the Borrower has not performed, whether on a Payment Date, upon demand for early repayment or otherwise, all or part of the obligations guaranteed pursuant to Article 2.

Simultaneously with (i) each reminder sent to the Borrower in respect of any instalment payable by it on a Payment Date and (ii) each demand for payment made to the Borrower, the Bank will send a copy of such reminder or demand to the Guarantor.

- 3.02** The Guarantor hereby waives irrevocably any objection or exception in law to the total or partial enforcement of this Guarantee Agreement. It undertakes to perform its obligations upon first written demand by the Bank whenever such demand is made and to pay the sums due without any limitation, retention or condition, without the Bank having to furnish any special evidence in support of its request other than the reason for the demand under this Guarantee Agreement. In particular, the Bank is not bound to prove that it has taken any action against the Borrower and it is not obliged, prior to the enforcement of this Guarantee Agreement, to realise securities or to enforce any other security that the Borrower or a third party may have constituted.
- 3.03** Any payment of a Guaranteed Sum by the Guarantor shall fall due seven (7) Luxembourg Business Days after the date of the relevant demand and shall be made in the currency of that Guaranteed Sum and to the account specified in the demand.
- 3.04** In the event of the Bank making any demand hereunder, the Guarantor shall have the right to pay immediately to the Bank, in full and final settlement of its obligations under this Guarantee Agreement, the balance of the Loan outstanding at the date of such payment, interest accrued thereon until that date and any other Guaranteed Sum then payable by the Borrower, together with any indemnity which would have been payable by the Borrower pursuant to Article 4.02B of the Finance Contract if the latter would have voluntarily prepaid the balance of the Loan on the date of the payment under this Paragraph 3.04.
- 3.05** The guarantee under this Guarantee Agreement shall remain in force until all Guaranteed Sums have been fully and unconditionally paid or discharged, of which date the Bank shall promptly inform the Guarantor.

ARTICLE 4
Subrogation

- 4.01 When the Guarantor has made a payment to the Bank, it is subrogated, to the extent of such payment, to the rights and actions relating to the said payment that the Bank has against the Borrower; this right of subrogation shall not be invoked to the detriment of the Bank.

ARTICLE 5
Modification of the Finance Contract

- 5.01 The Bank may not amend or vary the terms of the Finance Contract save with the prior written consent of the Guarantor, which consent shall not be unreasonably withheld.

ARTICLE 6
Taxes, Charges and Expenses

- 6.01 Taxes or fiscal charges, legal costs and other expenses incurred in the implementation of this Guarantee Agreement shall be borne by the Guarantor. The Guarantor shall make payments hereunder without withholding or deduction on account of tax or fiscal charges.

ARTICLE 7
Law and Jurisdiction

- 7.01 This Guarantee Agreement shall be governed by the laws of the Republic of Austria.
- 7.02 Disputes arising out of this Guarantee Agreement shall be submitted to the jurisdiction of the Court of Justice of the European Communities. The parties to this Guarantee Agreement hereby waive any immunity from, or right to object to, the jurisdiction of that Court. A decision of the Court given pursuant to this Paragraph 7.02 shall be conclusive and binding on the parties without restriction or reservation.
- 7.03 Any document and notice submitted to the Bank in accordance with the provisions of this Guarantee Agreement shall be made in the English language or shall be accompanied by a duly certified translation thereof in English

ARTICLE 8
Final Provisions

- 8.01 Notices and other communications given hereunder by one party to this to the other shall be in writing and sent to the relevant address set out below or to such other address as the addressee shall have previously notified in writing as its new address for such purpose; provided that notices to the Guarantor shall be sent to the address mentioned under (1) save if relating to litigation whether pending or threatened, in which case they shall be sent to the address mentioned under (2) below where the Guarantor elects domicile:

- for the Guarantor: (1) Ministry of Finance of the
Republic of Croatia
Katančičeva 5
HR-10000 Zagreb

(2) the Mission of the Republic of Croatia
to the European Communities
Avenue des Arts 50
B-1000 Brussels.

– for the Bank: boulevard Konrad Adenauer 100
L-2950 Luxembourg.

8.02 The Recitals form part of this Guarantee Agreement.

8.03 This Guarantee Agreement shall enter into force on the date on which the law on its ratification will enter into force.

IN WITNESS WHEREOF the parties hereto have caused this Guarantee Agreement to be executed on their behalf in three (3) originals in the English language. Each page hereof has been initialled by Sanja Flegar, for the Guarantor, and by Mr Matteo Rivellini, Legal Counsel, for the Bank.

This 7th day of September 2007, in Zadar.

Signed for and on behalf of the
REPUBLIC OF CROATIA
The Minister of Finance

Signed for and on behalf of the
EUROPEAN INVESTMENT BANK
The Vice-President

Ivan Šuker

Mathias Kollatz-Ahnen