



ELABORATE ABOUT SOCIAL-ECONOMICAL  
JUSTIFABILITY  
FURTHER DEVELOPMENT OF PROJECT CABLE  
CAR ON UČKA

Increase of Company equity for 2017. and 2018.g.

For ŽIČARA UČKA d.o.o.  
Board: Željko Kuiš  
Director of the project: Mladen Blažević  
Procurator: Milorad Stanić

Matulji, July 2017.g.

# I INTRODUCTION, REALISATION AND THE PHASES OF DEVELOPING THE PROJECT

The idea of connecting the sea and the Učka peak is over 100 years old. Many possible variants of connection with different locations have been considered, such as for the base station (Ika, Lovran, Medveja, Ičići, Opatija) and for the station at the top (Vojak, Poklon, Tisva, Sedlo ispod Vojaka).

In the past, those dilemmas and everlasting debates about the optimal track of the Učka cable car were the main stopping point for any kind of project development and any initiative, or even an idea that had the project worked out has finished with a negative rating or with a decision to stop further activities.

Using the created prerequisites for the reconstruction of the idea, primarily the planning documents and the establishment and start of the Učka Nature Park's Public Park, work on the construction of a cable car at Učka was started. The idea has survived and the project, along with all the problems present, develops with a clear goal to be realized in phases and finishes.

## 1. THE ROLE OF THE CONSORTIUM IN DEVELOPING THE PROJECT

The Consortium, which started work on the construction of a cable car on Učka, was established with the intention to prepare all the necessary backing so that, through pre-investment looking for options of more alternatives of building and exploitation of the cable car on Učka, an optimal model for developing the project could be defined.

Operational leader of all activities in the Consortium (Mladen Blažević, Željko Kuiš, Milorad Stanić i Miroslav Gudelj) prepared all spatial, technical, financial, statistical-commercial and property legal backgrounds, so that maker of Pre-investment study (firm KOHL@PARTNER from Villach (Austria)) can recommend the optimal model for developing the project.

The study crystalized the optimal track of the Učka cableway in the direction of the Medveja – Vojak, the panoramic cable car as the most efficient technical solution for connecting the first and final station, potential costs as well as the income of such lifts confirming the viability of the investment and justifying further work on the project. There are also recommendations for further steps on project development.

## 2. THE ROLE OF THE COMPANY "ŽIČARA UČKA" D.O.O. IN DEVELOPING THE PROJECT

Company "ŽIČARA UČKA" d.o.o. was founded in 2010. as an organizational structure and marketing recognizable form of conducting the project in relation to the consortium.

The structure organized as a trading company has made it possible, through the Social Contract on Establishment, to clearly define all the goals, to affirm planned activities and to provide the necessary funds for the further development of the project by paying all the shareholders in the Company's share capital.

The following activities are planned in phase I of the project development:

- Creation of substrates for the track and the starting and closing station of the cableway,
- making modifications and amendments to the Spatial Plan of the Učka Nature Park,
- construction of the Environmental Study with environmental acceptability solutions,
- the making of a Detailed urbanistic plan for the location Sedlo ispod Vojaka,
- the making of a detailed investment study and Partner program for the cable car
- looking for an option of obtaining a concession for the cable car,
- creation of the Concept design of the route, the first and final station Idea project, and restaurant lookout on Učka
- procurement of a location permit for the route of the cable car, the first and final station and restaurant
- analyzing and suggesting models of further development of the Project with preparation of Feasibility study in whole period of project with preparation of documentation for making decisions about cost effectiveness of the financing model
- elaboration of an analysis of the financial means and professional qualifications

For the construction or management of the lifts and the way of ensuring access to the lifts, and accordingly to the Law on Lifts for the Transport of Persons,

- creating a base for the management and commercial use of the cable car and
- defining models for further development of the project

Of the above mentioned planned activities, the following is realized (documentation specification and list of activities that were carried out):

The Pre-investment study for project of Cable car on Učka was made in 2009.

1. **The Elaborate alignment** of the track of the lifts with the elements of the Spatial Plan PP Učka was completed (October 2010).
2. The Final **adjustment of route of the cable car with the Space plan NP Učka has been accomplished** through discussions and argumentation on relevant state and county bodies (procedures lasted from 16.11.2010. do 31.03.2011.).
3. during 2010. and 2011. **the necessary geodetic bases** have been made as the preparation for an Environmental study, Concept design of Cable car on Učka and the Concept design of the road on first station of cable car.
4. the written **consent of the Ministry of Culture** of Republic of Croatia has been obtained (statement from 31.03.2011.) that we can access further procedures in developing the project)
5. We were actively involved in the creation of **Town planning scheme 2 Medveja** whose adoption was provided with a design marker for the starting station of the cable car behind the Medveja Camp in a total surface of 8,000 m<sup>2</sup>.
6. **Program elements Pre-assessment** of the acceptability of intervention for the ecological network (legal obligation according to the opinion of the Ministry of Culture of Republic of Croatia).
7. **Ministry of Culture of Republic of Croatia** Administration for environmental protection with letter from 31.03.2011.g. has appointed **procedures regarding Environmental Protection Act that is making of Past remark** of acceptability of intervention for ecological network.
8. A **call for tenders**, a selection of contractors and the contracted work of making a preliminary assessment of the acceptability of the project for the ecological network was issued.
9. **The Elaboration of the Priority Assessment of Eligibility** for the Ecological Network was prepared and submitted to the competent Ministry of Culture of the Republic of Croatia.
10. We have received **the opinion of the Ministry of Culture** on the submitted documentation (22.08.2011), which requires a Study on Environmental Impact Assessment for the planned

construction of the cableway to Učka and the same should include the chapter "Acceptance of the project for the ecological network".

11. **Programming Elements for the Environmental Impact Study** have been drawn up with the Main Assessment of Acceptability of the Project for the Ecological Network.
12. **A call for tenders**, a selection of contractors and the contracted work of the Environmental Impact Study with the inclusion of a major assessment of the acceptability of the ecological network was carried out; a detailed tour of the route was carried out.
13. **All the technical characteristics of the future facility** from the renowned world manufacturers of the cableway system have been obtained and as a relevant expert background for the Environmental Impact Study Study, including the Main Assessment of Acceptability of the Ecological Network Acceptance submitted to the Study Maker.
14. **An Environmental Impact Study was prepared** and presented at the Assembly of the Company on 27.12.2011. The study contained variant solutions for individual track areas (column height, access paths, columns etc.).
15. **The expert analysis** was carried out in cooperation with experts from Doppelmayr from Austria and Garavent from Switzerland and Učka Nature Park during February 2012. With a reconnaissance of the route, all **the critical positions on the track of the lifts**, and agreed views on all the details needed for the final design of the Study.
16. Study on Impact of Environmental Action with Involvement The main assessment of the acceptability of the project for the ecological network is submitted in further procedure on 12.04.2012.
17. **An advisory expert commission** for environmental impacts assessment was selected, followed by 3 sessions at the end of October 2012. prepared a positive opinion on the acceptability of the project to the environment.
18. County of Primorje-Gorski kotar, Department of Construction and Environmental Protection dated 22.02.2012. issued a **RESOLUTION that the intention of the Učka cableway is environmentally acceptable** in the corrected version B of the Medveja-Vojak route, with the application of the law prescribed by this decision and the environmental protection measures established and the implementation of environmental monitoring.
19. The text of the provisions for the elaboration of **Art. 438 Proposals** of the Spatial Plan of Primorje-Gorski Kotar County with elements for immediate implementation, with the Učka Bridge Project included in the Spatial Plan of the Primorje-Gorski Kotar County as an operation of **special interest and as suitable for immediate implementation**.
20. **The Regional Plan of Primorsko-goranska County** published in the Official Gazette dated 13.09.2013. The side 5253 establishes the Učka ski lifts as a building i.e. the county and state interest.
21. The **program elements for the creation of the Ideal Solution** for the Cableway, the Starting Station, the Panorama Restaurant Terminal and the Complete Infrastructure (Location Permit) have been prepared.
22. **A call for proposals** was made, a selection of contractor and contracted works for the design of a cableway project for a price of HRK 312,000.00 and completed until March 5, 2013, and funding for the Idea Project was provided.
23. **The Ministry of Defense's consent** was requested for the planned operation-construction of the terminal of the cableway at Vojak.
24. **The consent of the Ministry of Maritime Affairs, Transport and Infrastructure, the Communications Directorate was requested** for the planned construction of the terminal station of the cableway in Vojak.
25. **The Idea project for the Učka cable car was completed as a whole** (including the starting and closing station of the cable car, the cableway route and the panoramic restaurant with the final lifts station) and was in October 2013. A request for issuing Location permissions was issued.
26. County of Primorje-Gorski kotar, Department of Physical Planning, Construction and

- Environment 31.12.2013. **issued the location permit for the building and transit of Učka Cableway** (license validity was issued on 29.01.2014 for 2 years = until 29.01.2016).
27. At the request of the Municipality of Lovran, the drafting of **the Ideal project of the access road** was started at the Učka cableway station. Based on the Idea Project, a Location Permit was requested by the Primorje-Gorski Kotar County, the Department of Physical Planning, Construction and Environmental Protection issued on 30.12.2013.
  28. The tender was held and on the 03.04.2014. the geodetic preparations for the project of construction of the cableway to Učka have been contracted. The works included the creation of the necessary additional geodetic images, multiple parcel elaborations and special geodetic substrates. Works were submitted on 26.06.2014.
  29. The tender was conducted and it is 02.06.2014. And the contractual design of **the feasibility study and a partnership program** for the construction of a cable car at Učka. The study was prepared on 27.01.2015. Commended to Primorje-Gorski Kotar County and Žičara Učka d.o.o
  30. The tender was conducted and in October 2014. **the design phase I of the Main Architectural Project** which included the architectural-landscape design of platoon plinths and paths of access roads and the need for additional geodetic substrates for preparation of the II Phase of the Main Project. The documentation was created.
  31. The tender was opened and the contractor was selected for the construction of **Stage II of the Main and the Design of the Lifts at Učka**. The contractor has concluded a framework contract for the execution of the main project, however, because of the fact that the contract was not realized.
  32. A tender was opened and the contractor selected for the **I phase of property legal preparation** for real estate included in the scope of the project Žičare na Učku. An overview of the ownership and ownership status was made, the land use and the status of the land at the Croatian Forests were determined. In the production process, the aggregate estimate of the particle size for conversations with the owners.
  33. **The validity of the location permit** for the starting and ending station of the Učka cableway and the complete route and the pillars on the access roads for the next two years until 29 January 2018 **have been extended**.
  34. **The validity of the location permit** for the access road from the Lovran-Labin highway to the cableway station for the next two years until 11.07.2018.
  35. A tender for procurement of **consultancy services** for the preparation of a project for EU funds and the elaboration of a justification study, i.e. a master plan for Žičar Učka, was completed and the documents are planned to be drafted in 2017.
  36. The selection of a cameraman for the creation of a promotional film for the construction of the cable car at Učka was carried out. The movie is under construction, the first version is over.

In addition to the predetermined activities and procedures prescribed by the law, as well as the documentation provided to such a significant project such as Učka ski lifts, the expert team has also carried out the following activities and documentation:

1. Based on the open public invitation issued by the **Ministry of Tourism of the Republic of Croatia** during the summer of 2011, we have been running for granting state aid grants from the Public Tourism Infrastructure Preparation Program for the Structural Funds of the Republic of Croatia and our candidacy was accepted and the granting of the grants In the amount of 145.000,00 kn. That was with our own funds enough to finance the Environmental Impact Study
2. On the basis of an open public invitation issued by the **Ministry of Tourism of the Republic of Croatia** "Tourism projects for the Structural Funds" through Primorsko-goranska County, we have been **running for the granting of grants** from the "Tourism

- Development Fund". 300,000.00 kuna approved. The funds we used to finance the design of the Idea Project and the Feasibility Study of the Project
3. Based on the open public invitation issued by the **Ministry of Tourism of the Republic of Croatia** "Tourism projects for Structural Funds" through Primorsko-goranska County during the spring of 2014. **We have been running for grant funding** from the "Tourism Development Fund" and in the summer of 2014. HRK 700,000.00 was approved. The funds were intended to finance the construction of the main project of the cableway to Učka but were not realized and were returned to the Ministry of Tourism of the Republic of Croatia.
  4. **Presentation of the project to the Ministry of Tourism of the Republic of Croatia** has been done (2012 Minister Ostojic and Minister Lorencin, 2014). The presentation of the project to the Istrian County, Flego
  5. We are constantly **communicating with the largest cable car manufacturers in the world**, Doppelmayr from Austria and Leitner from Italy with the aim of obtaining the most accurate technical and financial data for the final project feasibility study
  6. We performed **at the location of the upper test strip** (with transducer included) in order to obtain the area (micro location) of the **III Water Protection Zone**. This will significantly reduce the future costs of the final cell construction
  7. **The Correction of the Medveja Trail** was completed, and the alternative version and the bypass included in the **Modifications and Additions to UPU 2 Medveja**. Consequently, we are encouraged to enter into the financial plan of the JCC for 2017. Including the drafting of the so-corrected track of the Medveja Camp bypass
  8. **Special conditions for connection of the building** (Učka cableway) to the distribution network **were requested by HEP**
  9. **By Komunalca d.o.o. Opatija was asked for and obtained the necessary conditions** for connecting the Učka cableway facilities to the water supply and sanitary sewerage system.
  10. In order to resolve the property rights relationship on the part of the project, 91 of the owners of the project, 52 **communications were established**, and 26 **signed overlapping** of real estate sales and / or establishment of the right of service and / or real estate investment in the company. For all other prepared documentation for the upcoming expropriation process, which may follow after the funds for the purchase of land have been secured (approx. 630,000.00 euros)
  11. We have encouraged **donors and sponsors** and we have received grants amounting to over HRK 100,000.00
  12. We encouraged **the inclusion of LRH d.d. in our project**, realized by signing a donor contract by allocating HRK 20,000.00 for the project needs already in 2011. Further, already agreed with the LRH d.d. Allocations in the amount of 40.000,00 kn we expected until the end of 2012, but we have not been assigned to this date.
  13. **The reports on the implemented activities are always submitted to all participants of the project** (PGŽ, Opatija and Rijeka, other units of local self-government, economic sector participants and shareholders of natural persons)

### 3. THE ROLE OF THE PUBLIC SECTOR IN FURTHER REALISATION OF DEVELOPING THE PROJECT

Throughout the time of the Company's activities related to the further development of Učka's cableway project, our knowledge of the characteristics of such a project was strengthened, and the influence of the environment and the specially qualified experts on our behavior and the optimization of the project optimum within the given framework.

First of all, the project has been refined and aligned with the recommendations of independent experts from the manufacturer of the cable car manufacturer (DOPPELMAYER,

Austria -GARAVENTA, Switzerland) and a consultant for tourism infrastructure projects (KOHL & PARTNER - Austria).

At the same time, through a wider presentation of the project and the activities we were obliged to implement in cooperation with the Public sector (ministries, counties, cities, municipalities), we increased our communication with the relevant public sector bodies and realized financial support the project and project included all the significance of the strategic documents of the republic Croatian.

By the joining of the Republic of Croatia in the EU, the possibility of running a project of obtaining grants from the EU Structural Funds was opened. The new circumstances have influenced the definition of our final model for financial implementation of the project by investing our own funds mainly from the public sector and using EU grants.

The grants received by the Ministry of Tourism of the Republic of Croatia were realized mainly through the cooperation with the County of Primorje Gorski Kotar County to assist in the realization of the above mentioned activities of the Company. PGŽ, together with other units of local self-government, is the majority owner of the company "ŽIČARA UČKA" d.o.o. The role of the public sector, especially the PGC, is crucial for further development of the Učka cable project.

#### 4. THE ROLE OF NATURE PARK UČKA IN FURTHER REALISATION OF DEVELOPING THE PROJECT

Due to the specific conditions that are prescribed by law for all solutions (construction, carrying out activities, traffic, etc.) in nature parks, the role of the Učka Nature Park in our project is defined as well as the communication model of all interested parties for work and Encouraging activities in the area of Nature Park.

It is important that, for ecological and commercial tourism reasons, in the future, after the construction, Učka cable car will be the main entrance to the Nature Park.

There is also a study on the physical-ecological acceptance capacity of the Vojak-Učka site.

A feasibility study as a document for launching an EU funded funding initiative and a Master Plan called "Učka Regional Development Project" will be further developed in cooperation with Učka Nature Park

#### 5. ANALYSIS OF THE JUSTIFICATION OF THE PROJECT

When developing the idea of connecting the sea and Učka peak it was necessary to evaluate the usefulness of such a project and to find the optimal model for realization of the construction of the lifts. Various variants of Učka mountain climbing and various types of lifts were analyzed. At the end it was necessary to choose the technically optimal track and type of cableway, and to analyze the justification of the project itself. For this purpose, two consultants from KOHL & PARTNER from Austria have made two studies of the Pre-investment Study and the Feasibility Study with the Partner Program for the Učka Cable Project.

## 6. PRE-INVESTMENT STUDY RESULTS

The pre-investment study gave the final answer to the question of which track of the lifts and which technical model of lifts is the most favorable of the most of the analyzed ones. The route of the Medveja cableway - Sedlo ispod Vojak was selected and the transport of passengers with a cabin (2 cabins) with a maximum capacity of 60 passengers.

After the analysis of technically acceptable lift models, market analysis, comparable lifts analysis and economic parameter analysis, the pre-investment study assessed that the project for the construction of Učka lifts was of strategic importance for local tourism, local self-government, micro region and Učka Nature Park.

*Advantages for local tourist activities are:*

- larger number of tourists in micro area
- possibility to offer special packages to visitors who stay overnight and
- possibility of increasing average length of customers stay on micro area

*Advantages for local and county government units are:*

- new, first class tourist attraction for region,
- additional work places,
- creating tourist brand from peak Učka and
- higher income from tax collection

*Advantages for Nature Park Učka are:*

- bigger frequency in the Nature park,
- possibility to create new tourist products in park and
- possible close cooperation with cable car operator

*In order to successfully continue the project of the cable car, it is recommended that: the further investment structure of the project be resolved; Planning a cable car in such a way that it reaches the top of Učka Vojak Mountain (instead of Sedla below Vojak); Solution for the currently open road Poklon-Vojak; And in the sense of possible improvement of the pre-investment study. \**

*\* Source: Pre-investment study for project Cable car on Učka 2009.*

## 7. RESULT OF FEASIBILITY STUDY WITH PARTNER PROGRAM

Considering socio-economic framework in which the project is developing, through SWOT analysis, suggestion of possible investment models, financial analysis (economic forecasts), simulation of scenario of realization of the project and socio-economic analysis costs and benefits (CBA), maker of Study propounded as final grade:

*„Cable car would probably be profitable – the realization of whole project would depend on final investment model and amount of received supports“*

*Conclusion*

*• Possible flux of the money will depend on final investment model and chosen way of financing project – to remain financially stable (even if pessimistic scenario) it is not recommended with loan finance over than 15 % total estimated investment.*



- *That project can be attractive to investors; the main purpose of the Cable car on Učka now should be maximization of the amount of supports for realization of the project.*
- *Content of this Feasibility study – along with content of already carried out studies – should be base to Žičara Učka d.o.o. to apply to EU funds programs and prepare concrete business plan.*

#### *Summary*

- *If realized, Cable car on Učka will be one of the main tourist attractions in the region*
- *According to number of annual visits and residents in the coverage zone less than 60 min and moderate frequency rate (10 %), it seems realistic to accomplish between 200.000 and 300.000 visitors per year.*
- *With this number of visitors per year and predicted moderate cost, it seems possible to accomplish revenue of 2.4 million EUR in first stable year (third year of business) and gradually increase the income after that*
- *Considering costs, it is estimated that possible EBITDA in realistic scenario will be between 1 and 1,5 million EUR per year after third year of business.*

## 8. THE ROLE OF THE PROJECT IN THE STRATEGIC PLAN OF DEVELOPING TOURISM IN KVARNER

Within Strategic plan of developing tourism in Kvarner with Strategic and operative marketing plan for Kvarner 2016-2020, which is in the making on behalf of Faculty of tourism and hospitality management Opatija and Institute for tourism Zagreb, under scope V.3. through purpose of the scope it is determined significance of building cable cars as new tourist attractions on Kvarner, with special review on panoramic cable car on Učka.

Primorsko-goranska County was established as project implementation holders in co-operation with selected units of local self-government.

The timing of the task for implementation is determined from 2017 to 2020.

The defined activities to be carried out in accordance with the established plan fully coincide with the planned activities of ŽIČARE UČKA d.o.o. For 2017 - 2018.

## II ORGANIZATION AND FINANCIAL STATE OF COMPANY AFTER REALIZATION AND PHASE IN DEVELOPING THE PROJECTA – CURRENT CONDITION

### 1. OWNERSHIP STRUCTURE

| 3 groups of stakeholders                                     |                              | Individual contributions | Paid in equity         | Percentage |
|--|------------------------------|--------------------------|------------------------|------------|
| Public sector:<br><b>8 local and county government units</b> | Primorje-Gorski kotar county | 160.000,00 kn            | <b>1.441.000,00 kn</b> | 66,81%     |
|  | Primorje-Gorski kotar county | 617.000,00 kn            |                        |            |
|  | City of Opatija              | 160.000,00 kn            |                        |            |
|  | Borough Lovran               | 160.000,00 kn            |                        |            |
|  | City of Rijeka               | 100.000,00 kn            |                        |            |
|  | Istria county                | 100.000,00 kn            |                        |            |
|  | Grad Kastav                  | 48.000,00 kn             |                        |            |
|  | Borough Matulji              | 48.000,00 kn             |                        |            |
|  | Borough Mošćenička draga     | 28.000,00 kn             |                        |            |
|  | Borough Omišalj              | 20.000,00 kn             |                        |            |
| Business subjects:   | <b>29 subjects</b>           | 5.000,00-48.000,00 kn    | <b>366.000,00 kn</b>   | 16,96%     |
| Natural persons:   | <b>171 persons</b>           | 1.000,00-5.000,00 kn     | <b>350.000,00 kn</b>   | 16,23%     |

### 2. MANAGEMENT AND ORGANISATION OF COMPANY

By a Social Contract on the Establishment of the Company "ŽIČARA UČKA" d.o.o. a model of organization and management of the Company was established. The Company is organized on a rational basis with the aim of using all the funds of the Company's share capital to produce the necessary technical and commercial documentation and financing the procedures for obtaining all permits and approvals of the competent authorities.

The Company has no employees and all administrative costs, throughout the time of the present work, were covered by donations or sponsorship contracts.

Operations as well as management in the Company are carried out by the management Željko Kuiš and procurators Mladen Blažević and Milorad Stanić. The Company's work is supervised by the Supervisory Board of Ingo Kamenar - President and Katica Hauptfeld, Ervino Mrak, Emil Bratović and O'Brien Schlaunich as members

The headquarters of the Company are at Matulji, Ivana and Matka Baštijana 17.

### 3. ASSETS OF THE COMPANY

The carrying value of the Company's assets in April 2017 Corresponds to the amount of subscribed capital of the Company of HRK 2,157,000.00

Given that some of the grants that were allocated by the Ministry of Tourism of the Republic of Croatia, allocated for the financing of certain activities in the development of the project realized through Primorsko Goranska County, it was necessary to determine the balance of capital and assets in "ŽIČARA UČKA" d.o.o ..

The proposal of the solution was obtained by an authorized auditor IRIS NOVA d.o.o. River. At the regular assembly of the Company held on 26.07.2016. within the financial statements for 2015. Appropriate adjustments to the value of the assets were made, partly by deducting and partly increasing the value of the assets, and the fair value of the Company's assets was reconciled with the carrying amount of the assets and the amount of invested capital, thus creating the fair value of the Company before further increase of the share capital by investing Primorsko Goranska County. The capital stock (after deductions and value increases) was increased from HRK 1,440,000.00 to HRK 617,000.00 for Primorsko Goranska County's investment, amounting to HRK 2,057,000.00, and then for additional HRK 100,000.00 of intangible investment From the Istrian County. Consequently, the Company's share capital is now 2,157,000.00 kuna.

All decisions of the Company's Assembly concerning changes in the Company's share capital were made by registering at the Commercial Court in Rijeka.

The assets of the Company will be increased in the future by the new recapitalization of the Company on the basis of the payment of new shares, or through new grants that our project can realize, or by investing these funds in the necessary documentation for realization of the construction of the Žičara na Učku (Feasibility Study, Master Plan, Marketing activities).

### 4. BUSINESS PLAN OF THE COMPANY FOR THE PERIOD 2017.-2018.

#### 1. ACTIVITY PLAN

Activities that were realized by the end of 2016 and will take place in early 2017 are defined by the Agreement on co-financing of activities for the implementation of the project "Žičara na Učku" concluded by PGŽ and "Žičara Učka" d.o.o. The Agreement stipulates that the PGC will finance HRK 220,000.00 of consultancy services costs for the preparation of a new Concept of the Project to the Making of a Study of Justification and the Creation of Presentation Video Materials for the Purpose of Presenting the Project from the budget for the year 2016.. The competition was conducted and they are the chosen contractor. Work is under way.

The project management of the Učka cable car project after the competition was entrusted to a consulting house that will be in 7 stages within 10 months to realize the following activities:

- designing the overall project and defining all components of the overall project
- division of the project into independent technical / technological / operational functional units
- Defining and developing a public procurement project for the Justifiability Study
- preparation of a call for applications at the invitation of the competent state body to co-finance the

justification for the overall project

- to propose and define the methodology for filing a claim for funds given the type of project
- assistance in the preparation and implementation of public procurement of justification of the overall project and selection
- monitoring the quality and timing of the study of justification of the overall project

So far, the first 3 phases have been realized, i.e. all the documents have been prepared as a basis for launching a competition for the Development of a Justification Study.

By making a study of the justification of the overall project, the preconditions for preparing the project for applying for grants from the EU Structural Funds will be obtained.

A presentation video material was developed for the Učka cable car that will be used for future communication with potential investors, banks or EU funded procedures.

Planned activities for the period 2017 and 2018 will be conducted in 2 stages:

I. stage:

- designing the main and execution project with all accompanying facilities in accordance with the obtained valid local permit

II. stage:

- making a study of the justification of the overall project that should follow after the preparations have been completed
- preparation for project submission for co-financing from EU funds

## COST PLAN

The funds required for the realization of activities for the recapitalization of the Company as well as for the preparation of further activities in relation to the local, regional and state administration for receiving new grants are planned in the amount of HRK 70,000.00. The funds were secured by recapitalization which was carried out at the end of 2016. access and payment in the amount of HRK 100,000.00 by the Istrian County.

Planned expenses for realization of the activities in 2017. and 2018.g. are:

I. stage:

- for making the Main and Execution project and receiving rights for building cable car and for the right to build the cableways and the related infrastructure facilities (access road railways) 3,000,000.00 kunas

II. stage

- for making the Feasibility study of the whole project 1.000.000,00 kuna
- for financing administrative costs for business of the company 60.000,00 kuna (30.000,00 kuna per year) will try to find donators or sponsors of the project

## PLANNED INCOMES - FINANCING

From necessary financial resources for realization of the next phase in developing project in the amount of 4.500.000,00 kuna is planned:

- 1/3 necessary funds in the amount of 1.500.000,00 kuna ensure from recapitalization of the Company
- 2/3 necessary funds in the amount of 3.000.000,00 kuna ensure from state support

For financing administrative costs of the Company, plan is to gather funds from new donations or sponsorship of the project.

#### 4.4. OPERATIVE PLAN OF GATHERING NECESSARY FINANCIAL FUNDS FOR DOCAPITALISATION OF THE COMPANY

Considering activities regarding further development of the project will realize in the next 2 years, plan is that necessary funds for recapitalization of the Company shall be paid in two installments - 50% in 2017. i 50% in 2018.

Funds will be used dedicatedly with supervision from Board of the Company and Supervisory Board.

#### 4.5. APPEAL FOR RECORD OF NECESSARY FUNDS FOR DOCAPITALISATION OF THE COMPANY

Considering grand contribution of present investors in company ŽIČARA UČKA d.o.o. of development of the project, offer for recapitalization will be delivered first to current co-owners of the Company.

According to projections, co-owner would take part in recapitalization during 2017. and 2018. with the same amount they paid in equity when Company has been founded in 2010., enlarged by contribution of Istria County. Deposit would be paid in two annuities (50 % in 2017. and 50 % in 2018), all as follows:

| 3 groups of stakeholders                                     | Investors                    | Individual and planned payment of increasing equity | Paid in equity       | Comment |
|--|------------------------------|---|----------------------|---------|
| Public sector:<br><b>8 local and county government units</b> | Primorje-Gorski kotar county | 160.000,00 kn                                       | <b>824.000,00 kn</b> |         |
|  | City of Opatija              | 160.000,00 kn                                       |                      |         |
|  | Borough Lovran               | 160.000,00 kn                                       |                      |         |
|  | City of Rijeka               | 100.000,00 kn                                       |                      |         |
|  | City of Kastav               | 48.000,00 kn  |                      |         |
|  | Borough Matulji              | 48.000,00 kn  |                      |         |
|  | Borough Mošćenička draga     | 28.000,00 kn  |                      |         |
|  | <i>Istria county</i>         | <i>100.000,00 kn</i>                                |                      |         |
| Business subjects:   | <b>29 subjects</b>           | 5.000,00-48.000,00 kn                               | <b>366.000,00 kn</b> |         |
| Natural persons:   | <b>171 person</b>            | 1.000,00-5.000,00 kn                                | <b>350.000,00 kn</b> |         |
| Total:   |                              | 1.540.000,00 kn                                     | <b>1.540.000,00</b>  |         |
| Above planned, but unrealized investors                      | <b>10 - 20%</b>              | 154.000,00 kn /308.000,00 kn                        |                      |         |
| New unplanned  | <b>10 - 20%</b>              | 154.000,00 kn/                                      |                      |         |

|           |  |               |  |  |
|-----------|--|---------------|--|--|
| investors |  | 308.000,00 kn |  |  |
|-----------|--|---------------|--|--|

Invitation for recapitalization of company ŽIČARA UČKA d.o.o. will be delivered also to potential new investors, with purpose of financially improving the Company in II. phase of development, so that we could start solving property-legal works (buying up lands on first station and route of cable car.

For owners of the lands on location of cable car it is planned to ensure involvement in recapitalization of Company by entering property (real estate-land), and value of that kind of contribution would be accepted in the amount of estimated value of real estate enlarged by 25 %.

#### 4.6. CONCLUSION

Board and Supervisory Board of Company "ŽIČARA UČKA" d.o.o. consider justified to keep developing the project of building cable car on Učka.

Also, they consider justified to keep going with realization this new phase in developing project, because only in that way, with support from EU funds can this project from specific significance for Liburnia, Primorje-Gorski kotar county and Istra county can be realized.

For ŽIČARA UČKA d.o.o.  
Board: Željko Kuiš  
Director of the project: Mladen  
Blažević  
Procurator: Milorad Stanić