Supplemental Letter No. 2

PORT OF RIJEKA AUTHORITY

July 12, 2003

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Loan No. 4715 HR
Rijeka Gateway Project
Representations

Dear Sirs and Mesdames:

In connection with the Loan Agreement of this date between the International Bank for Reconstruction and Development and Port of Rijeka Authority (the Borrower) for the above-captioned project, the Borrower hereby undertakes and warrants to the Bank that:

1. The financial statements for the fiscal year of 2002, copies of which have been furnished to the Bank, correctly set forth the financial and operating condition of the Borrower as of that date and that since such date there have been no material adverse changes in the financial and operating conditions of the Borrower.

2. The Borrower is not engaged in litigation as plaintiff or defendant, the outcome of which might materially and adversely affect its financial condition.

3. The Borrower has no outstanding agreements or liabilities, contingent or otherwise (including taxes) which might materially and adversely affect its financial condition.

4. No debt of the Borrower is secured by any mortgage, pledge, charge, priority or other lien, and no contract or arrangement exists for the creation of any such mortgage, pledge, charge, priority or other lien.

5. There are no existing defaults in the payment of principal of, or interest or other charges on, any debt of the Borrower.

6. The Borrower is not in violation of, the execution and delivery of the Loan Agreement and the compliance with all its terms does not and will not result in any violation of, any provisions of any exiting agreement, franchise, concession, license or permit, or of any law, regulation, or any other legal rule of a similar nature presently in effect and applicable to the Borrower.
7. The Borrower is a duly existing company under the laws of the Republic of Croatia, with full authority to carry out its present business, to carry out the Project and to execute and deliver the Loan Agreement, and had furnished to the Bank true copies of The Decision of the Government of the Republic of Croatia establishing the Port of Rijeka Authority (Official Gazette 42/96, 26/02, 54/02), as well as of its charter presently in effect and governing the Borrower.

It is our mutual understanding that, in making the Loan and entering into the Loan Agreement with the Borrower, the Bank may rely on the representations contained herein.

Very truly yours,

PORT OF RIJEKA AUTHORITY

By

Authorized Representative