

Contract Award

Project Name: SUSTAINABLE CROATIAN RAILWAYS IN EUROPE PROJECT
CONSULTING SERVICES FOR **STRATEGY 2020 - ASSESSMENT OF RESTRUCTURING
POTENTIAL OF HŽ INFRASTRUCTURE LTD.**

Purchaser: HŽ INFRASTRUKTURA d.o.o.
Mihanovićeve 12
10000 Zagreb
Croatia

Country: CROATIA

Project Number: **SUCRE-HZI-CS-CQS-14/2016**

Report Period: from 1st August 2016 to 20th September 2016

Awarded Firm/Individual: **McKinsey & Company, Inc. Croatia Podružnica Zagreb, PIN 17099237397
Ulica grada Vukovara 269a, 10 000 Zagreb**

Address: Ulica grada Vukovara 269a, 10 000 Zagreb Croatia

Contract signature date: September 2016

Method of Procurement/Selection: CQS – Consultants Qualifications

Price: HRK 1,646,851.00 excluding VAT (2,058,563.75 including VAT).

Duration: The duration of the Contract is estimated up to 6 months.

Summary scope of contract: Restructuring would involve organizational changes and, even more importantly, changes in the core business (investments, maintaining business and traffic management) in order to become more efficient and, consequently, improve our operational and financial performance. The final goal of the restructuring process is to reduce operating costs and to redirect part of the state budget funds (for maintaining and traffic) to the investments component and thus reduce the need for future borrowing for the purposes of investment financing.

Several elements which can have a big impact in operating and investment costs depend on the government of Croatia's decisions (definition of the network including closing of lines, service standards to be maintained by HZ Infrastructure on its network). The proposed assignment will focus on the elements of reorganization and restructuring of the company which are directly under the control of the company, but will also make proposals in the areas that may require decisions from the government.

In line with this, the Consultant should prepare a detailed plan of restructuring with clearly defined and described measures, a time schedule for implementation of the mentioned measures (including these that require approval or decisions beyond the company) and identified savings, which arise from a specific measure. A restructuring plan will present a basis for further implementation in the restructuring process.

The goal of drafting a restructuring plan is to identify potential savings in operational business in order to redirect funds to investments in railway infrastructure and in this way to improve the network condition. Within the restructuring plan, it is also necessary to define priority investment projects on sections, which have the greatest potential for traffic increase, and if realized, significant improvements on the network will be achieved.