

**FINAL PROPOSAL OF THE LAW ON DIVISION OF THE COMPANY HŽ –
HRVATSKE ŽELJEZNICE D.O.O. (CROATIAN RAILWAYS LTD.)**

Article 1.

Company HŽ - Hrvatske željeznice d.o.o. will be divided into four limited liability companies for business areas:

1. management, maintenance and building of railway infrastructure;
2. passenger transport;
3. cargo transport;
4. train traction.

A limited liability company will be established by a special decision of the Government of the Republic of Croatia. Its only member will be the Republic of Croatia to which by this decision, the Government of the Republic of Croatia will transfer business shares that will be acquired by the Republic of Croatia in companies from the paragraph 1. of this article pursuant to the provision 3 of the Law.

Article 2.

In order to carry out provisions of the article 1. of this Law, the Government of the Republic of Croatia, upon the suggestion of the Minister of the Sea, Tourism, Traffic and Development (hereinafter: Minister), will bring the Decision till 1 June 2006, by which it will determine which property (movables and immovables, business shares, rights and money) of the company HŽ-Hrvatske željeznice d.o.o. will become the property of these companies, on the date of entry in the Court Register of Companies from the article 1. of this Law.

By the decision from the paragraph 1. of this article, the list of lands, buildings and facilities will be determined which make the railway infrastructure and are public good in public use, owned by the Republic of Croatia and do not become the property of companies from the paragraph 1. of this Law.

On the day of entry in the Court Register, the company established for management, maintenance and building of railway structure, will take into possession for use and management the railway infrastructure from the paragraph 2. of this article, which will by the contract with the Government of the Republic of Croatia determine mutual rights and obligations from the article 18. of the Law on railways (“Official Gazette”, number 123/03 and 30/04).

An exception from the provision of the paragraph 2., by the decision from the paragraph 1. of this article, will be business buildings which will be given for common use to all companies from the article 1. of this Law, which will by contract regulate issues regarding the use of business buildings which are given for common use.

By the decision from the paragraph 1. of this article it will be determined which workers of the company HŽ-Hrvatske željeznice d.o.o. on the day of deletion of that Company from the Court Register become the workers of companies from the article 1. paragraph 1. of this Law and which become the workers of the company from the article 1. paragraph 2. of this Law.

Article 3.

The Government of the Republic of Croatia will bring the Decision about establishing companies from the article 1. paragraph 1. of this Law by 30 June 2006 and upon the suggestion of the Minister.

By the decision from the paragraph 1. of this article the share capital value of these Companies will be determined, which will make the basic shares taken over by the Republic of Croatia.

By the decision from the paragraph 1. of this article the objects of transactions of these companies, their bodies and the way of their appointing will be determined.

Article 4.

The Government of the Republic of Croatia will bring the Decision about establishing companies from the article 1. paragraph 2. of this Law by 30 June 2006 and upon the suggestion of the Minister.

By the decision from the paragraph 1. of this article the objects of transactions of these companies, their bodies and the way of their appointing will be determined.

Article 5.

By the decisions from the article 3. and 4. of this Law the method of realising rights of the Republic of Croatia in the assembly of the Company from the article 1. paragraph 2. of this Law and the method of realising interests of the Republic of Croatia will be determined, by the rights of this company in the assembly of companies from the article 1. paragraph 1. of this Law.

Decisions from the article 3. and 4. of this Law will be accompanied by the statement on establishing companies from the article 1. paragraph 1. and the company from the article 1. paragraph 2. of this Law and a certain person who will, on behalf and at the account of the Republic of Croatia, adopt and sign statements on establishing companies and take other necessary actions for carrying out these decisions.

Article 6.

Upon the suggestion of the Minister, the Government of the Republic of Croatia can exempt the use and management of a part of railway infrastructure from the article 2.

paragraph 2. of this Law from the possession of the company established for management, maintenance and building of railway infrastructure and give it to some other domestic or foreign legal person under conditions from the article 33. of the Law on railways.

Article 7.

On the day of entry into the Court Register of Companies from the article 1. of this Law, the entry of the company HŽ-Hrvatske željeznice d.o.o. will be deleted from the Court register.

Companies from the article 1. paragraph 1. of this Law are legal successors of the company HŽ-Hrvatske željeznice regarding the taken property, rights and obligations, except for obligations from the article 42. paragraph 3. of the Law on railways.

Article 8.

Until the day of entry in the Court register of companies from the article 1. of this Law, the Company HŽ-Hrvatske željeznice d.o.o. will perform all the jobs of managing the railway infrastructure and transport services in railway traffic without an obligation to obtain permits and decisions from the article 5. paragraph 1. and the article 17. paragraph 1. of the Law on railways.

Companies from the article 1. of this Law are obligatory within 90 days from the day of entry in the Court register to obtain permits and decisions from the article 5. paragraph 1. and article 17. paragraph 2. of the Law on railways and until that time they will perform jobs from their activity as if they had those permits.

Article 9.

When this Law comes into force, the provisions of the article 42., paragraphs 1., 2. and 6. of the Law on railways ("Official Gazette", number 123/03 and 30/04) stop being valid.

Article 10.

This Law shall enter into force on the day of its publication in the "Official Gazette".