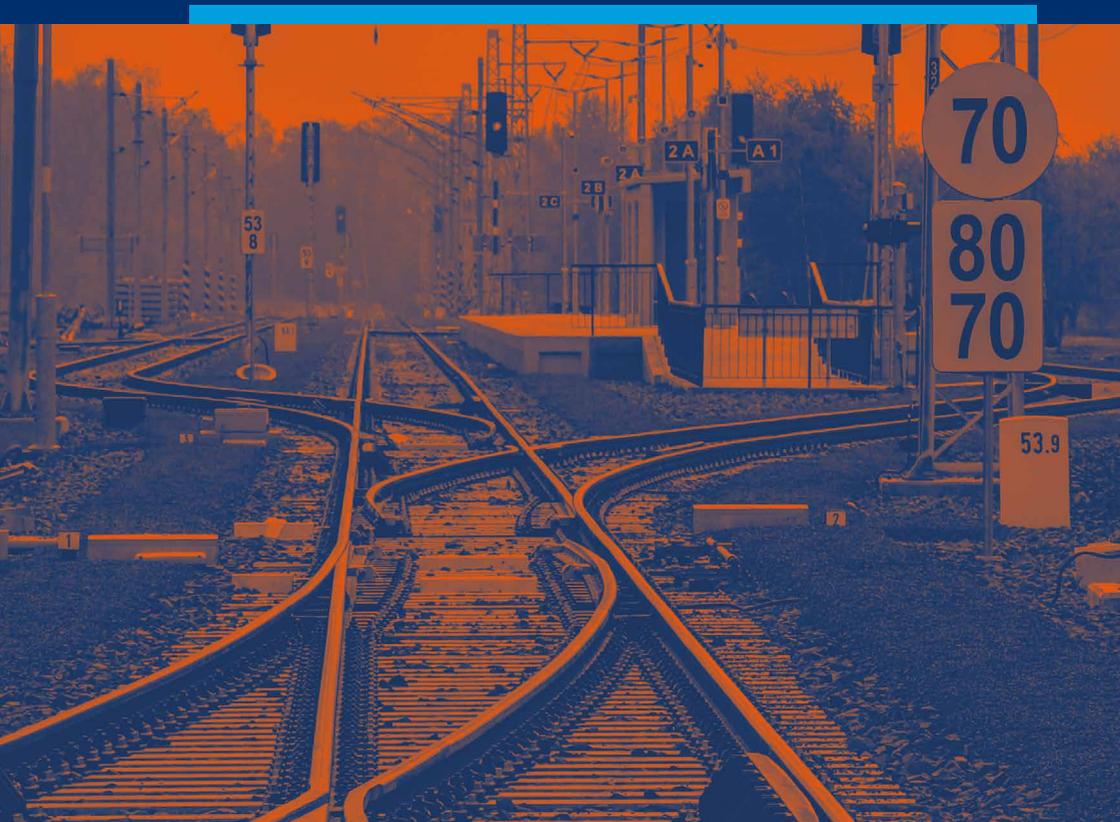


Annual report 2020



Significant constructions completed in 2020

Interactive map of
Správa železnic

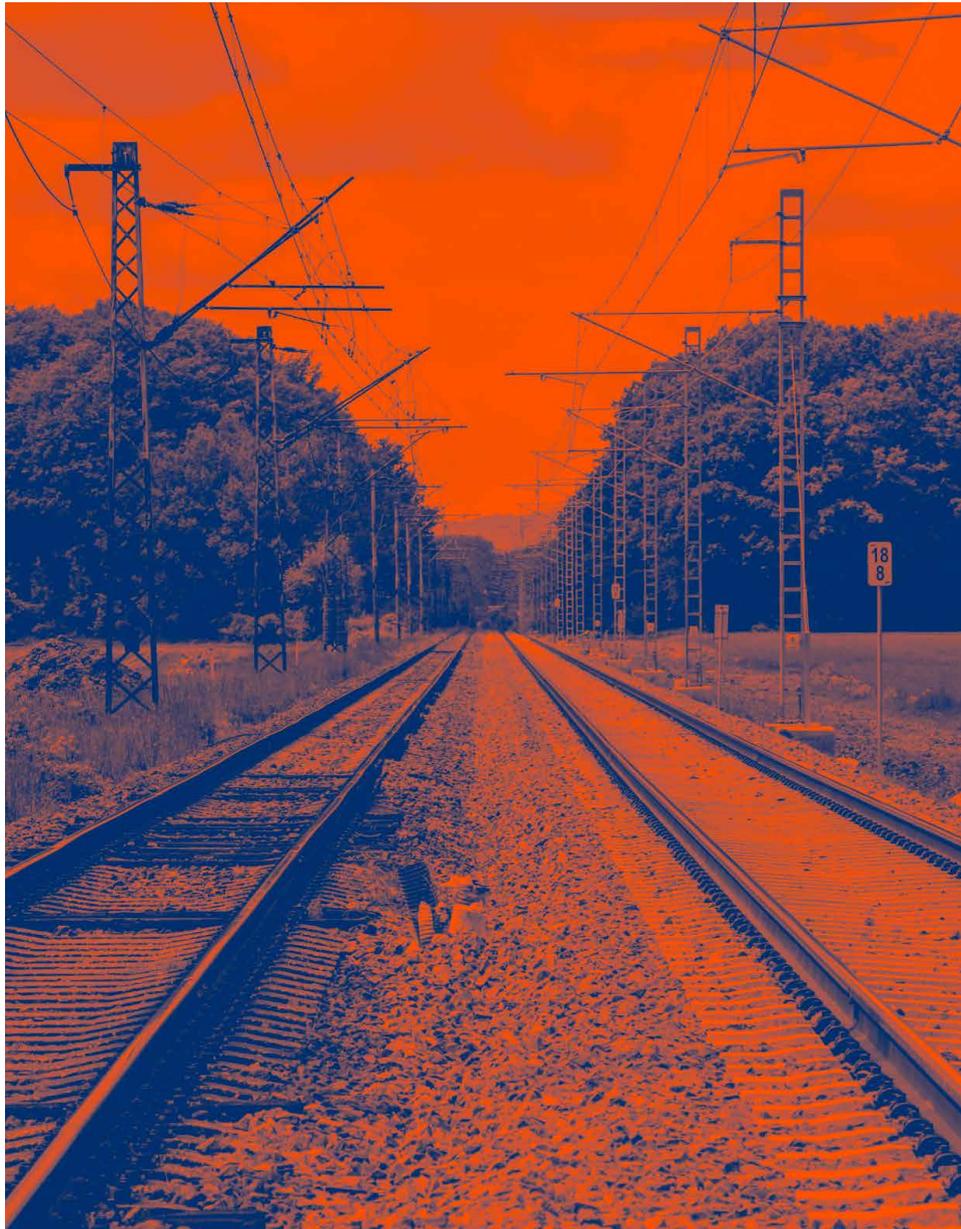


Significant constructions launched in 2020

Interactive map of
Správa železnic



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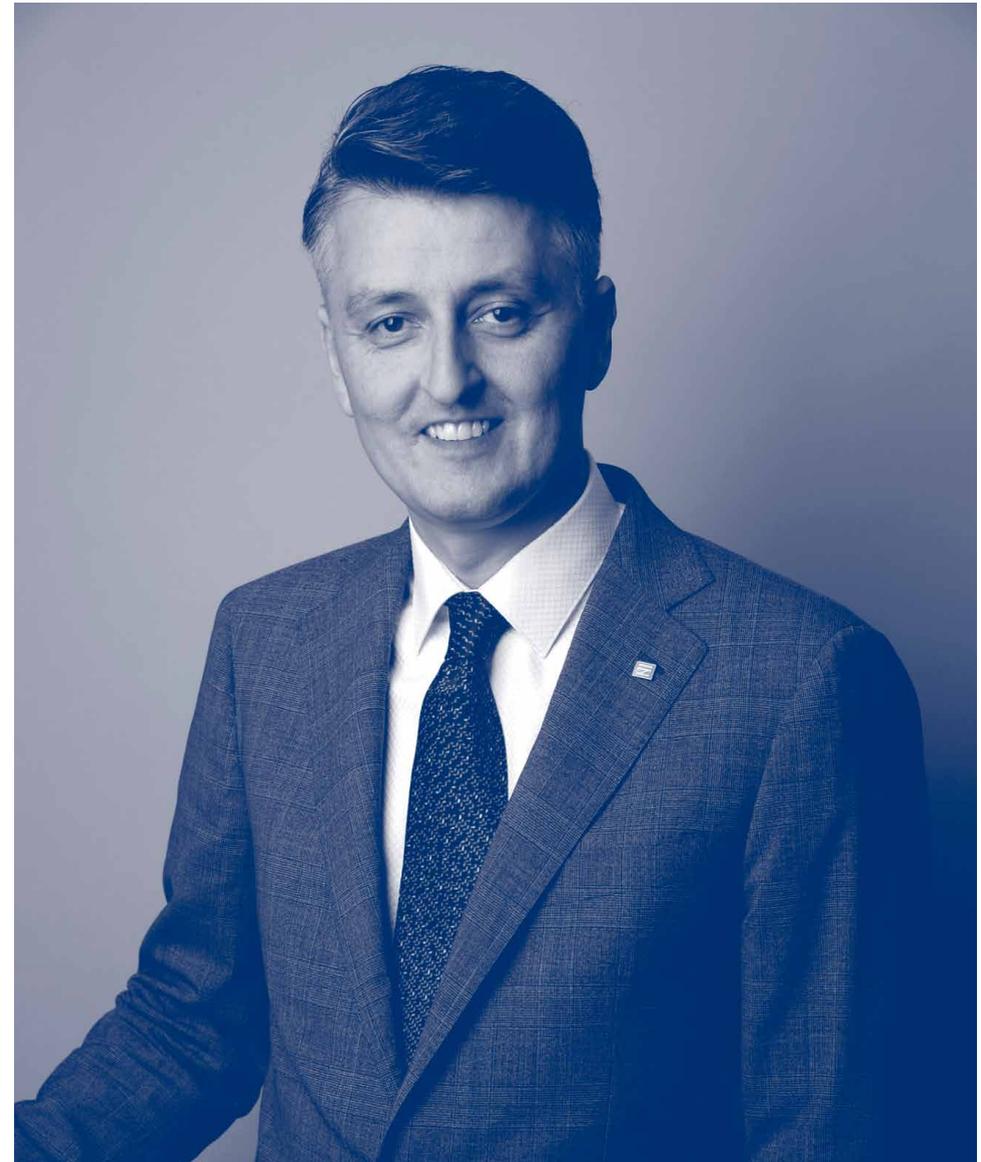
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Foreword

**Ladies and gentlemen,
dear business partners,**

2020 was a year of changes, extraordinary experiences and unusual situations. We entered it with a new name, only to find within the first months that it would not be the only addition to our vocabularies: COVID was the other new word, and the pandemic caused by the outbreak of the coronavirus affected all spheres of life in the Czech Republic, our organisation included. Nevertheless, 2020 was a successful year for Správa železnic. I believe that we did well under the unforeseen circumstances, becoming a safe refuge for our employees and business partners. Importantly, thanks to the commitment of us all, we successfully performed all activities that our role of railway infrastructure manager entails.

First of all, we managed to meet our ambitious plans regarding the modernisation of railway infrastructure, despite the complications connected with the pandemic. We managed a record volume of funds and were thus able to continue the pace set in previous years, thanks to which Czech railway infrastructure is fundamentally changing. In the past year, we spent CZK 29.7 billion on investment projects. We maintained the established trend and are still among the biggest end recipients of EU funds. We initiated the construction of two projects financed from Blending Call, a new European Union support programme,



Jiří Svoboda, Director General

and three more projects proceeded to the implementation stage.

As for the major investment projects: we started the refurbishment of the Mstětice – Praha-Vysočany line, which will provide the metropolis with a new triple track section, including the Praha-Rajská zahrada station with the option of transferring to the metro, and a rehaul of the Praha-Vysočany station. Furthermore, the modernisation of the key railway junction at Pardubice, and the long-awaited electrification of Brno – Zastávka u Brna line were started. The previously initiated modernisation of parts of the railway Corridor IV Sudoměřice – Votice and Soběslav – Doubí continued at full speed in 2020. We also made great progress with the optimisation of the Praha-Hostivař – Praha hl. n. line, and with the electrification of the Šakvice – Hustopeče u Brna line. Four new stations were put into operation – at Neratovice, Příbram, Karlovy Vary and Praha-Eden. We also proceeded with preparations for introducing speeds of up to 200 km/h to 15 sections, and we successfully tested speeds of 200 km/h in the Ejpvovice Tunnel.

Another 12 billion Czech crowns was spent on repairs and maintenance, for instance at sections of the Corridor I between Děčín-Prostřední Žleb and Dolní Žleb, and

between Dolní Žleb and the state border with Germany; furthermore, we repaired the Železný Brod – Tanvald, Kostelec u Jihlavy – Slavonice, Mšeno – Mladá Boleslav and Rakovník – Mutějovice lines. Major as well as minor repair projects were completed on regional railways in all regions.

We also progressed with the preparation of the pilot sections of high-speed railway lines (HSL), and completed a manual for their designing. This is an important milestone, which will allow us to determine the future shape of HSLs more precisely. With SNCF, we concluded a contract for services in the preparation of the construction of high-speed lines in the Czech Republic. This is another logical step towards the strategic goal: to start the construction of the first sections in 2025 and put them in operation three years later. The pilot sections – HSL Elbe Flatlands and HSL Moravian Gate – are already being prepared concurrently at an accelerated pace. As a part of the preparation of a new railway connection between Prague and Dresden, DB Netz together with Správa železnic announced a public tender for design work at the level of underlying documentation for issuing a decision on construction placement/zoning permit for the tunnel under the Ore Mountains (Erzgebirge/Krušné hory). At

the end of the year, we chose the architectural design for the historically first high-speed rail terminal.

We also increased the speed of renovations of railway station buildings. An unprecedented CZK 2.2 billion was spent on reconstructions and repairs in 2020. Work was underway on more than 70 buildings, including the Fanta building at the Prague main station, and the station buildings in České Budějovice, Beroun, Havířov, Křižanov, Přerov, Strakonice, Šternberk and Třebíč; for another 50 station buildings, renovations are in the preparatory stages.

In response to several railway accidents during the summer months, we introduced a reporting duty at all operating points at lines operated under the Regulation on Simplified Railway Traffic Control (D3). Subsequently we prepared and approved the Strategy to Improve Safety of Lines with Simplified Railway Traffic Control, with the aim of reducing the accident occurrence probability. We continued to adhere to the ERTMS/ETCS European Deployment Plan and National Implementation Plan.

2020 also marked an improvement in the safety of railway crossings. We invested an extraordinary amount in their

modernisation. We refurbished 155 level crossings at a cost of over CZK 1.5 billion. Modernising these crossings and increasing their security had the effect of reducing accidents: their number was the lowest in our organisation's existence.

Prague, 26 March 2021



Jiří Svoboda
Director General

WHO WE ARE

Pursuant to applicable legal regulations, Správa železnic, státní organizace (Správa železnic) acts as a railway infrastructure owner and operator.

LEGAL STATUS

The state organisation was incorporated on 1 January 2003 pursuant to Act No. 77/2002 Coll., on České dráhy, a.s. (Czech Railways, a joint-stock company), Správa železnic, státní organizace (Czech Railway Infrastructure Manager, a state organisation) and on an amendment to Railway Act No. 266/1994 Coll., as amended (the "Railway Act"), and Act No. 77/1997 Coll., on State Enterprises, as amended (the "Transformation Act"), as one of the legal successors of České dráhy, státní organizace (Czech Railways, a state organisation) – hereinafter referred to as "ČD, s. o.". The state organisation was incorporated without being founded; the Ministry of Transport (MT) of the Czech Republic is the establishing entity on behalf of the Czech Republic.

BUSINESS ACTIVITY

- operation of railway infrastructure
- ensuring the operability of railway infrastructure
- maintenance and repairs of railway infrastructure
- development and modernisation of railway infrastructure
- preparation of documents to fulfil public service obligations

- supervision of the use of railway infrastructure, railway operation and its operability.

SPRÁVA ŽELEZNIC MANAGES

- railway infrastructure as a state-owned asset
- assets listed in the Annex to the Transformation Act
- specified payables and receivables of ČD, s. o., that existed as at 31 December 2002.

LEGAL GROUND OF BUSINESS ACTIVITIES

Správa železnic carries out its business activities in accordance with the Trade Licensing Act.

OUR STRATEGIC GOALS

- reliable, safe, smooth, and environmentally friendly rail operation
- development and modernisation with a view to increase the speed and capacity of the railway infrastructure
- greater efficiency of the railway infrastructure administration, supervision, maintenance and repairs
- interoperability – introducing modern interoperable systems and technologies
- strengthening of pro-client focus and active communication
- green transition and increase in the market share of rail transport
- strengthening of the position of Správa železnic as a significant and attractive employer.

Správa železnic is involved in a number of scientific and research projects, primarily as an application guarantor.

Management

STATUTORY BODY

as at 26 March 2021

Director General

Jiří Svoboda

(aged 50 years, graduated from the European Polytechnic Institute in Kunovice and the Institute of Law and Law Science in Prague, holding the office since 23 March 2018)

Statutory Deputy Director General

Mojmír Nejezchleb

(aged 58, graduated from the Faculty of Civil Engineering of the Brno University of Technology, representing the Director General in his absence since 23 March 2018)

MANAGEMENT OF SPRÁVA ŽELEZNIC, STÁTNÍ ORGANIZACE

as at 26 March 2021

Deputy Director General for Economics

Aleš Krejčí

(aged 61, graduated from the Faculty of Production and Economy of the University of Economics, Prague, holding the office since 1 June 2012)

Deputy Director General for Infrastructure Modernisation

Mojmír Nejezchleb

(aged 58, graduated from the Faculty of Civil Engineering of the Brno University of Technology, holding the office since 1 July 2013)

Deputy Director General for Rail Operability

Marcela Pernicová

(aged 48, graduated from the Faculty of Civil Engineering of the Brno University of Technology, holding the office since 1 May 2018)

Deputy Director General for Traffic Management

Miroslav Jasněčák

(aged 58, graduated from the University of Transport in Žilina, holding the office since 1 November 2018)

Corporate governance

STATUTORY BODY

As at 31 December 2020

The Organisation's statutory body manages its activities and acts on its behalf. It makes decisions on all corporate matters unless they have been entrusted to the competence of the Supervisory Board or the MT.

Director General

Jiří Svoboda

Statutory Deputy Director General

Mojmír Nejezchleb

As at 26 March 2021

Director General

Jiří Svoboda

Statutory Deputy Director General

Mojmír Nejezchleb

In 2020 and 2021, no changes occurred.

MANAGEMENT OF SPRÁVA ŽELEZNIC

As at 31 December 2020

Deputy Director General for Economics

Aleš Krejčí

Deputy Director General for Infrastructure Modernisation

Mojmír Nejezchleb

Deputy Director General for Rail Operability

Marcela Pernicová

Deputy Director General for Traffic Management

Miroslav Jasněčák

As at 26 March 2021

Deputy Director General for Economics

Aleš Krejčí

Deputy Director General for Infrastructure Modernisation

Mojmír Nejezchleb

Deputy Director General for Rail Operability

Marcela Pernicová

Deputy Director General for Traffic Management

Miroslav Jasněčák

In 2020 and 2021, no changes occurred.

SUPERVISORY BOARD

As at 31 December 2020

The Supervisory Board supervises the exercising of the powers of the Director General, the performance of the organisation's activities and the compliance of its activities with legal regulations. Upon proposals submitted by the Director General, the Supervisory Board approves key organisational policies. It also debates the annual report, evaluates the financial performance, and approves the annual budget.

Chairperson

Pavel Hruběš

Vice-chairperson

Martin Kolovratník

Members

Tomáš Čoček

Ladislav Němec

Jaroslav Foldyna

Ivo Drahotský

Vít Janoš

As at 26 March 2021

Chairperson

Pavel Hruběš

Vice-chairperson

Martin Kolovratník

Members

Ladislav Němec

Jaroslav Foldyna

Ivo Drahotský

Vít Janoš

Changes in 2020 and 2021

Office

Member

Period

until 31 January 2021

Change

Tomáš Čoček

Tomáš Čoček announced in writing that, for personal reasons, he terminates his activities in the Supervisory Board on 31 January 2021.

AUDIT COMMITTEE

As at 31 December 2020

The audit committee monitors the preparation process of the financial statements, assesses the efficiency of the organisation's internal control, internal audit and risk management systems, monitors the process of the statutory audit of the financial statements, assesses the independence of the statutory auditor and the auditing firm, and primarily the provision of additional services to the organisation, and recommends the auditor to audit the organisation's financial statements. At the same time, the audit committee is entitled to inspect the accounting books or other documents and check the data contained in these records.

Chairperson

Eva Janoušková

Members

Tomáš Čoček

Pavel Hruběš

Lenka Hlubučková

As at 26 March 2021

Chairperson

Eva Janoušková

Members

Pavel Hruběš

Lenka Hlubučková

Changes in 2020 and 2021

Office

Member

Period

until 28 February 2021

Change

Tomáš Čoček

STRATEGY AND DEVELOPMENT COMMITTEE

As at 31 December 2020

The strategy and development committee issues standpoints or prepares position documents, primarily in respect of Správa železnic's strategic materials, strategic proposals of the MT of the Czech Republic of both a legislative and non-legislative nature with impact on the railway sector, proposals for the railway sector arrangement, strategic proposals of the Transport Policy of the European Union (EU) and directives which directly influence Správa železnic's activities, management system, organisational structure and its changes.

Chairperson

Ladislav Němec

Members

Tomáš Čoček

Martin Kolovratník

Ivo Drahotský

Vít Janoš

As at 26 March 2021

Chairperson

Ladislav Němec

Members

Martin Kolovratník

Ivo Drahotský

Vít Janoš

Changes in 2020 and 2021

Office

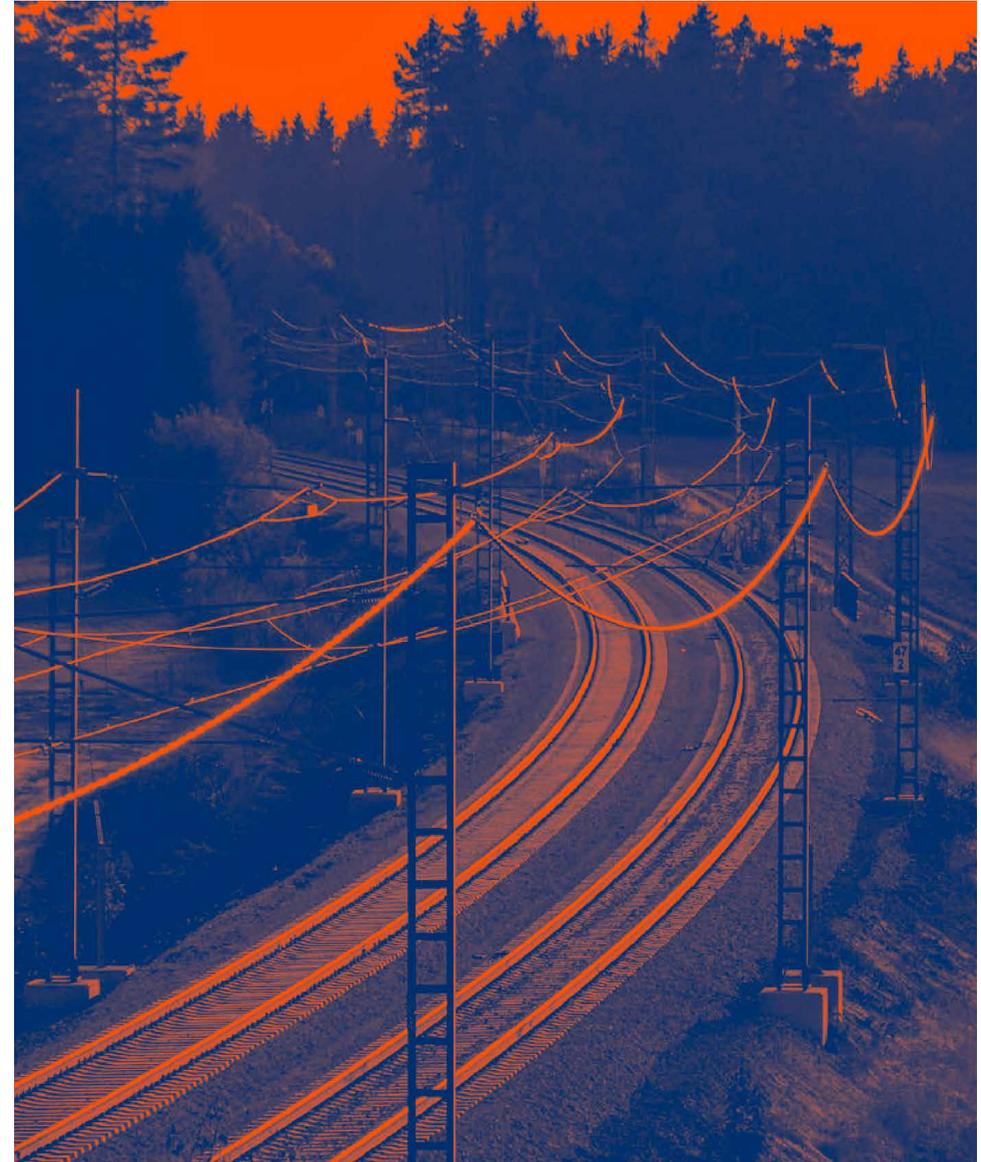
Member

Period

until 28 February 2021

Change

Tomáš Čoček



The vision and strategic objectives of Správa železnic are formulated in a document titled the Strategy of Správa železnic, státní organizace, reflecting the Czech Republic's and the EU's transport policies for the rail transportation sector. The strategic objectives relate to all activities of the organisation and have a significant international aspect.

SINGLE EUROPEAN RAILWAY AREA

The railway holds an irreplaceable position in the transport system. To enhance the efficiency of railway transport, the Single European Railway Area has been established, and basic conditions and principles for the functioning of all stakeholders, including railway infrastructure managers, have been set. Accordingly, the activities of Správa železnic are directed towards fulfilling the obligations prescribed by Directive 2012/34/EU of the European Parliament and of the Council in respect of the conditions and principles. The interoperability of the European rail system is a key issue. To ensure it, Správa železnic has adopted an active approach to the harmonisation of infrastructure parameters and implementation of new technology, in particular as regards the implementation of ERTMS/ETCS train control systems and telematics applications.

STRATEGIC PROJECTS

In Správa železnic, projects management is now a common tool used to support the efficient achievement of the organisation's strategic goals. Strategic projects are directly linked to these goals, and their implementation is usually a necessary condition for achieving them. The most important projects undoubtedly include the preparation of high-speed rail system: in 2020, Správa železnic managed to complete feasibility studies (FS) for the Drážďany – Praha – Brno – Ostrava/Břeclav main connection. Subsequently, work was also initiated on preparing the documentation for obtaining a decision on construction placement/zoning permit and the documentation for an environmental impact assessment (EIA). Apart from the preparation of a high-speed rail system, we have been working on other projects in all areas activities of Správa železnic.

The ETCS Implementation programme is of key importance for the future of the railways. The aim of the programme is to establish the conditions for the implementation and operation of the ERTMS/ETCS system at the railway network of Správa železnic, in accordance with the requirements of the Czech and EU legislation including related strategic documents (primarily the ERTMS National Implementation Plan).

THE PROGRAMME COMPRISES FOUR PROJECTS

1. Ensuring the preparedness of Správa železnic (the railway infrastructure operator) for the implementation of the ETCS trackside.
2. Policies and procedures of Správa železnic in respect of the construction and operation of ETCS.
3. Správa železnic's preparedness for the construction and operation of the ETCS trackside which will be more economical and technically suitable for lines outside TEN-T.
4. Správa železnic's preparedness to equip special vehicles with the ETCS onboard part and their operation under the supervision of ETCS.

In 2020, significant milestones were achieved in the project Implementation of Building Information Modelling/ Management (BIM) at Správa železnic. The necessary personnel base for the further implementation of the project was established across the organisation. Správa železnic substantially increased the number of prepared and implemented pilot projects in which the methodology of the State Fund for Transport Infrastructure (SFTI) is being tested. Model documentation for awarding construction contracts using BIM was prepared, and the implementation of a data standard in the organisation's environment was initiated, so that digital models of constructions could be used throughout their life cycle. Another milestone whose achievement will be one of the main topics of the BIM project in the upcoming years is the development of a common data environment (CDE).

We initiated a project for the creation and development of digital technical maps (DTM) and the mapping of technical infrastructure. The project's main output will be a functional information system, i.e. a digital technical map for railways (IS DTMR) integrated into DTM information systems at the level of the Czech Land Surveying and Cadastral Office and the regions, including gathered, digitalised, assessed and interpreted data on the

spatial situation and technical and transport infrastructure, to meet the legislative requirements for DTM.

We implemented the first phase of the bottleneck identification project whose aim is to identify capacity bottlenecks, i.e. segments of infrastructure that slow and delay railway traffic. The project covers rail lines as well as operating points with track branching. Track branching points and sets of tracks are analysed separately at the operating points. The project focuses on a fully available infrastructure, i.e. an infrastructure whose capacity is not hindered by closures.

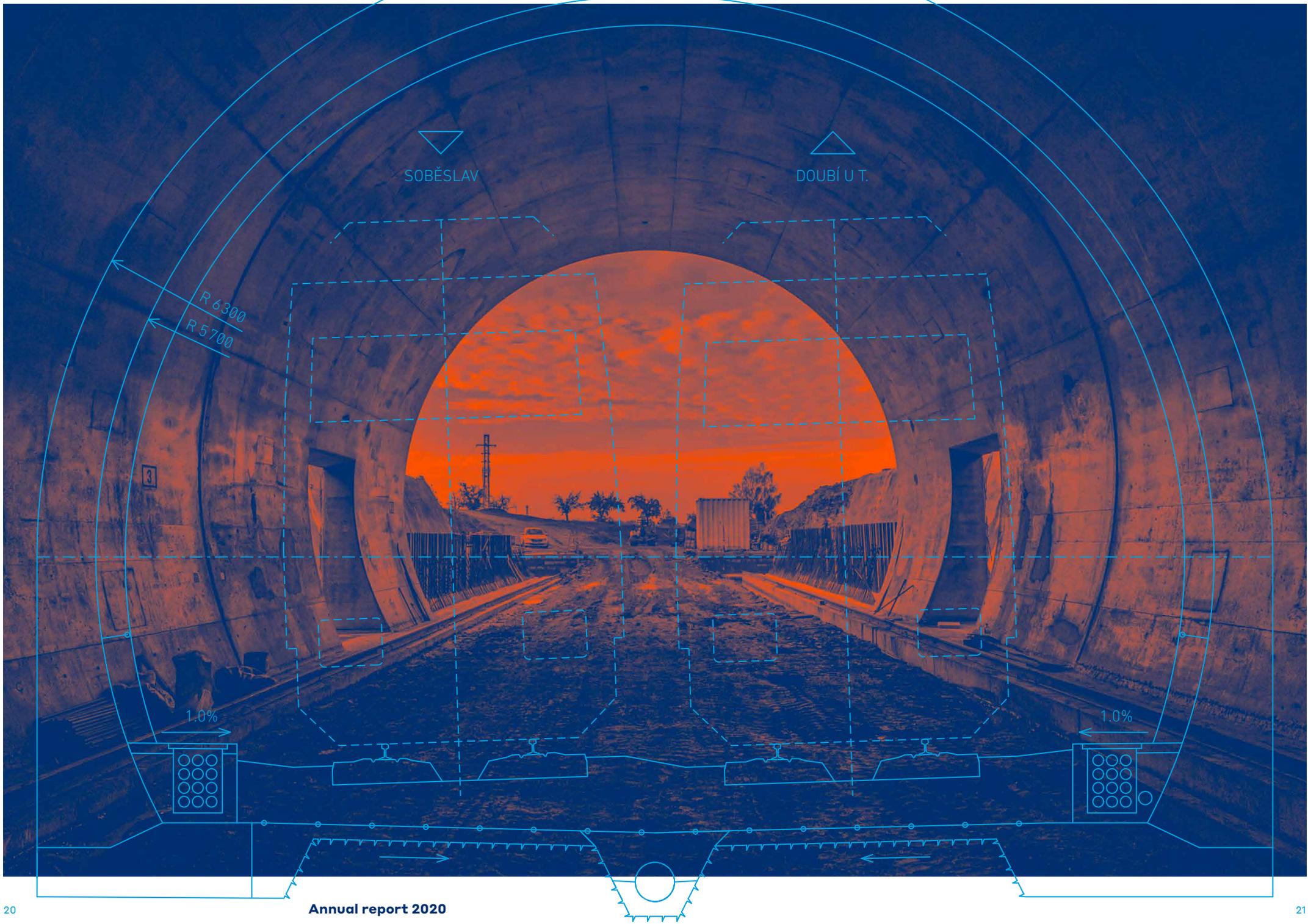
Another strategic topic is safety improvement. The project Strategy to reduce accidents on railway crossings is based on an analysis of causes of accidents, and will propose ways to reduce the accident rate. A wide spectrum of tools will be used for this purpose – ranging from technological possibilities to increase the security, through road modification, and ending with developing tools to replace level crossings.

The project portfolio of Správa železnic currently comprises a total of 25 strategic projects with direct measures to achieve strategic goals, and 31 significant projects. Two strategic projects and ten significant ones were completed in 2020.

REVISED STRATEGY OF SPRÁVA ŽELEZNIC

In the second half of the year, the Strategy was revised, and following its approval, the Action Plan for 2021–2022 was prepared, structured by new strategic goals:

1. Implement the TEN-T policy.
2. Increase the speed and capacity at selected lines outside the TEN-T network.
3. Implement the Rapid Services Development in the Czech Republic governmental programme.
4. Start the construction of the first section of high-speed rail by 2025.
5. Eliminate speed restraints on the railway network.
6. Reduce bottlenecks on the railway network.
7. Unify traction power supply systems and increase the share of electrified lines.
8. Streamline the railway network.
9. Reduce the number of railway accidents and incidents.
10. Improve parameters of selected lines for freight transport.
11. Align passenger railway stations with the requirements of contemporary railway transport.
12. Enhance the network character of passenger railway transport.
13. Ensure full operability of the railway network owned by the state.



THE EUROPEAN GREEN DEAL AND SUSTAINABLE AND SMART MOBILITY STRATEGY

At the end of 2019, the European Commission issued the European Green Deal, formulating its commitment to address the challenges brought by climate change and environment. One of its priorities is to shift a significant part of intrastate freight transport (75 %) from roads to railways and waterways. This will necessitate measures to better manage and increase the capacity of railways and inland waterways, which the European Commission shall propose by 2021. Within the same deadline, the European Commission shall revise the rules of state aid to reflect the political goals of the European Green Deal, support a cost-effective transition to climate neutrality by 2050, and facilitate the phase-out of fossil fuels.

At the end of 2020, the European Commission issued the Sustainable and Smart Mobility Strategy, setting the future direction of European transportation. Its flagship initiatives include: Boosting the uptake of zero-emission vehicles, Renewable & low-carbon fuels and related infrastructure; Making interurban and urban mobility more sustainable and healthy; Greening freight transport; Pricing carbon and Providing better incentives for users; Making connected and automated multimodal mobility a reality; Innovation, Data and artificial intelligence for smarter mobility; reinforcing

the single market; Making mobility fair and just for all; and Enhancing transport safety and security.

Správa železnic, aware of the key importance of electric traction on railways for meeting climate pledges and reducing CO₂ emissions in transport, awarded a public contract for the Verification of the potential of reducing CO₂ emission as a result of a change in the traction system and line electrification at the railway network of Správa železnic. The line electrification by an alternating current (AC 25 kV, 50 Hz) at 123 lines may cut CO₂ emissions by 80 286 t/year by 2030. The unification of the traction power supply systems at the network totalling 1 803 km of railway lines to a uniform AC 25 kV 50 Hz traction system will contribute to reducing CO₂ emissions by 189 932 t/year. The deployment of zero-emission vehicles instead of diesel ones at the remaining non-electrified lines will reduce CO₂ emissions by 15 500 t/year by 2030. The need to overcome the crisis caused by the COVID-19 pandemic should be used as an opportunity to speed-up the decarbonisation and modernisation of the entire transportation and mobility system, to limit its negative environmental impact, and to improve the safety and health of Czech citizens. A green and at the same time digital transformation should reform transportation, establish a new concept of connectivity, and energise the economy.

Research, development and innovation

Thanks to the central coordination of its research and development, Správa železnic carries out research and development activities using optimal project management across the organisation, with a focus on the utilisation of synergies and available resources. Emphasis is put mainly on areas and topics with a significant application potential, and on reducing the environmental impacts of railway operation. Research and development activities naturally reflect current and expected future trends of digitalisation and smartification.

Správa železnic has been publishing Vědeckotechnický sborník Správy železnic, a science and technology anthology of papers, which serves as a platform to disseminate findings about the most advanced technologies. The anthology provides an opportunity to share information, knowledge and experience; the offered information may be used by staff in day-to-day operations, but also by professionals from collaborating businesses and organisations, and by prospective future employees from among high school and university students.

INTERNATIONAL PROJECTS PARTICIPATED IN BY SPRÁVA ŽELEZNIC

In 2020, Správa železnic as a member of a syndicate of project participants continued its involvement in project

S2R-OC-IP2-02-2019: Support to development of demonstrator platform for traffic management, financed from a joint technology imitative Shift2Rail within EU framework programme Horizon 2020.

In 2020, Správa železnic participated in a consortium led by SNCF to prepare a Smarty Conversion project plan, aiming to implement circular economy principles between the railway and construction sector.

NATIONAL PROJECTS

Správa železnic is an active member of the Interoperability of Railway Infrastructure national technology platform, aiming to contribute actively and concretely to ensuring that railway infrastructure construction, production and maintenance complies with the requirements of EU legislation. The flagship project titled High-Speed Lines – the Future of Sustainable Mobility in the Czech Republic is financed from the Operational Programme Enterprise and Innovation for Competitiveness (OP EIC).

Within the governmental strategy of the development of intelligent transport systems (ITS), Správa železnic participated in C-ROADS project aiming to improve the safety at railway crossings by deploying a cooperative system that sends information to adjacent road vehicles

whenever the security equipment at railway crossings signals warnings. Správa železnic has provided two level crossings in the Pardubice region where the communication between the control unit and road vehicles is being tested. In the ITS area, Správa železnic has also been developing Traffic Control Centres in Prague and Přešov, extending areas (lines) managed by remote-control security equipment, including related information systems. The testing of a system for automated train route setting is also being verified.

Správa železnic in the long term cooperates with the University of Pardubice's Faculty of Transport Engineering and Faculty of Electrical Engineering and Informatics. Správa železnic is a partner in the cooperation project between the University of Pardubice and companies in applied research in the field of positioning, detection and simulation technology for transport systems (PosiTrans), reg. No. CZ.02.1.01/0.0/0.0/17_049/0008394. The cooperation focuses on the utilisation of simulation models to determine railway infrastructure capacity, but also on transportation technology. This includes, for instance, determining energy consumption, or aspects of utilisation of speed of 200 km/h on conventional railways. Modelling is done on microscopic and mesoscopic levels. Several simulation tools are used, at the application level and in finding new methods, approaches

and indicators. In geographical terms, the transportation-modelling activities mainly concentrate on railway lines in the Hradec and Pardubice agglomeration. Models have been created also for other parts of the infrastructure, for instance, the Prague main station or the Ejpvovice – Plzeň hl. n. line, including the longest railway tunnel in the Czech Republic at present. Other issues are attended to as well, for instance the modelling of lines operated under Regulation D3, or operation technologies in the implementation of 'floating sections', in terms of the possibilities to determine the exact position of trains. Attention is also paid to verifying the possibility of using big data analytics in the context of railway transportation.

Správa železnic has ordered a Smart Train Station expert study, covering current smart technologies including descriptions of their functionality, potential and utilisation; the assessment of possible cooperation with municipalities within the Smart City concept; the mediation and presentation of experience from abroad; a basic financial framework; and the identification of security and cyber threats. The study was prepared by the Czech Technical University in Prague, the Faculty of Transportation Sciences.

In October 2020, the security commission of the MT approved a research, development, and innovation programme titled

Železnice 4.0 (Railway 4.0), whereby Správa železnic in collaboration with the Czech Technical University's Faculty of Transportation Sciences will verify one of the possible strategies for securing local railway lines.

At the end of 2020, the results of the second public competition under the programme to support applied research, experimental development and innovation in the area of transport, DOPRAVA 2020+ (TRANSPORT 2020+), of the Technology Agency of the Czech Republic were announced. Správa železnic as an application guarantor will participate in the project Prediction of tree falls to ensure safety of railway traffic.

Správa železnic sees great potential for future cooperation in the sharing of expertise in research, development and innovation, in the interest of accelerating the transposition of the newest knowledge into operational practice. This involves the utilisation of know-how in network flow modelling and in the apparatus of optimisation tasks that may help maintain necessary network capacity during demanding construction projects necessitating closures at sections of backbone corridor lines. Within its strategic development, Správa železnic relies on the application of advanced solutions, predictive diagnostics, automation with self-repair function, or stabilisation upon degradation. Regarding

these first-class high-tech technologies, we will be happy to share our know-how and expertise with research and development institutions.

Organisation's activities

Anniversary of lines

Launch of railway transportation

25 October 1830	Kladno – Lány (horse-drawn railway)	190
1 June 1850	Praha Masarykovo nádraží – Děčín	170
15 September 1870	Znojmo – Hrušovany nad Jevišovkou – Střelice	150
19 September 1870	Karlovy Vary – Cheb	150
8 October 1870	Duchcov – Most – Chomutov	150
29 October 1870	Nymburk – Mladá Boleslav	150
29 October 1870	Nymburk – Velký Osek – Kolín	150
29 October 1870	Trutnov-Poříčí – Trutnov hl. n.	150
24 November 1870	Hrušovany nad Jevišovkou – Hevlín state border	150
21 December 1870	Havlíčkův Brod – Golčův Jeníkov	150
21 December 1870	Kunčice nad Labem – Trutnov	150
21 December 1870	Velký Osek – Chlumeč nad Cidlinou – Ostroměř	150
5 December 1880	Milotice nad Opavou – Vrbno pod Pradědem	140
20 December 1880	Suchdol nad Odrou – Nový Jičín město	140
18 August 1890	Velké Březno – Zubrnice – Lovečkovice	130
11 September 1890	Lovečkovice – Úštěk horní nádraží	130
1 October 1890	Studénka – Bílovec	130
1 May 1900	Branching-off Skochovice – Jilové u Prahy	120
3 May 1900	Raspenava – Bílý Potok pod Smrkem	120
2 June 1900	Mutěnice – Kyjov	120
30 June 1900	Trávníčky – Luby u Chebu	120
9 July 1900	Vimperk – Lenora	120
6 August 1900	Staňkov – Pobežovice	120
25 August 1900	Frýdlant v Čechách – Heřmanice v Čechách state border	120
17 September 1900	Mimoň – Liberec dolní nádraží	120
23 October 1900	Roudnice nad Labem-Bezděkov – Straškov – Kmetiněves	120
25 December 1900	Kolín – Bečváry – Rataje nad Sázavou předměstí	120
12 June 1910	Nové Údolí state border – Volary	110
12 June 1910	Černý Kříž – Nová Pec	110
1 August 1910	Domažlice – Bor – Tachov	110
22 May 1930	Praha-Michle – Praha-Spořilov (relaying)	90
6 October 1940	Velký Osek – Sány	80
9 April 1950	Pečky – Radim (relaying)	70
25 June 1980	Chodov – Nové Sedlo u Lokte – Sokolov (relaying)	40
23 December 1980	Praha-Libeň – Praha-Holešovice	40

2020 highlights

JANUARY

The Czech Railway Infrastructure Manager started using its new name Správa železnic, státní organizace (Správa železnic).

Reconstruction of railway line No. 250 between Křižanov – Sklené nad Oslavou commenced, including both railway stations. Railway works in Žďár nad Sázavou began.

FEBRUARY

The renovation of the station building in Třebíč was launched.

As part of the modernisation of the railway section Sudoměřice u Tábora – Votice, boring works for the Deboreč Tunnel were carried out.

MARCH

The project to increase the line speed in the Prosenice station including the installation of the first switch allowing junction speeds of up to 160 km per hour on Czech railways commenced.

APRIL

The third construction on the Pilsen junction was completed – the crossover turnout for the Domažlice line.

The final stage of the reconstruction of the station building in Bohumín was launched.

MAY

Works to extend the underpass at the Prague main station commenced, with costs exceeding CZK one billion.

A new railway stop was put into operation at the Neratovice housing estate.

The general remediation of the unstable railway embankment between the Dalovice and Hájek stations was relaunched.

JUNE

After a three-year hiatus, trains returned to the reconstructed Negrelli Viaduct in Prague.

The first two large EU- and EIB-funded investment events started, from Velim to Poříčany, and from Dětmárovice to the border with Poland.

The extensive reconstruction of the historical station building in České Budějovice was launched, costing CZK 800 million.

JULY

A new passenger terminal was opened in Havířov in the former administrative section of the station building.

The first stage of electrification of the railway from Brno to Zastávka u Brna commenced, and the reconstructions of the Letohrad and Mikulášovice dolní nádraží stations were completed.

AUGUST

Another tunnel – Mezno – was bored on the reconstructed section from Sudoměřice u Tábora to Votice.

The reconstruction of the Beroun station building costing almost CZK 300 million was launched.

SEPTEMBER

On 12 September, Správa železnic organised a family day at the Praha-Dejvice station, with historical train rides on the Negrelli Viaduct.

The general modernisation of the Pardubice railway junction costing almost CZK 6.3 billion was launched.

Správa železnic was awarded the Mosty (Bridges) award for making railways more accessible for people with disabilities.

OCTOBER

The Příbram sídliště stop opened for passengers.

Speed test runs for speeds of 200 km/h were carried out in the Ejpvovice Tunnel.

NOVEMBER

A new stage of the reconstruction of the Pilsen junction was launched, including the construction of new Slovany station between the main station and Koterov station.

The general reconstruction of Jaroměř station was completed.

DECEMBER

Electric train operations were launched on the Šakvice to Hustopeče u Brna line.

New railway stops Praha-Eden and Karlovy Vary-Aréna began to serve passengers.

The modernisation of Cheb railway station was completed.

Ensuring the operability of the state-owned national and regional rail network is an essential operation requirement for safe and smooth railway traffic, thus representing one of the main activities of Správa železnic.

Within the internal organisational structure of Správa železnic, these activities are coordinated by the Rail Operability Section which lays down the principles for ensuring the railway infrastructure facilities' due technical condition, and well as their development and any adjustments. This section is further in charge of approving the use of new products and equipment related to track management, signalling and telecommunication equipment, electrical engineering and energetics. The Rail Operability Section also includes the administration of ground constructions, including both station buildings and operating and administrative buildings. Furthermore, the Rail Operability Section carries out central procurement and public tender procedures for supplies and services (e.g. material for railway line super- and substructures, rolling mechanisation, comprehensive IT projects, etc.), as well as the methodology for tender procedures, where it cooperates with other departments and organisational units across Správa železnic. The aim is to unify tender procedures as much as possible. A regularly updated template of tendering and contractual documentation for several areas has been prepared for this purpose.

The assurance of the railway's operability on a regional scale rests primarily on the managing activities of the individual

Regional Directorates' technical administration centres, which diagnose the technical conditions of the operated railway lines through their operating centres. Based on an analysis of outputs of the diagnostics carried out by the CTD (Telematics and Diagnostics Centre) and Regional Directorates, the repair and maintenance plans are prepared with the aim to fulfil all railway operator duties in this field. One of the indicators of the operability is not exceeding the limit values of limited line speed sections, aka 'slow rides'. The assessed slow rides primarily include those which have been introduced as a result of an unsuitable technical condition of the infrastructure. The limit for assessed slow rides as at 31 December 2020, set at 7 km was met, with a margin. The actual length of the assessed slow rides, as at that date was only 0.786 km. A significant elimination of slow rides has been achieved primarily thanks to the continued positive trend of an increase in the funds for line repairs.

In 2020, 524 specific repairs were carried out (214 of which totalled over CZK 10 million), to remove unsuitable sections of the infrastructure, or to maintain existing parameters of the railway infrastructure and improve them. Such projects subsequently enable the railway carriers to carry out passenger and freight transport without unnecessary restraints.

The highest amount of the total repair costs in 2020 was spent on the repair of the first line section and second line section of the Děčín – Prostřední Žleb – Dolní Žleb line, which was a pilot of the cyclic maintenance project. At the same time, there was another cyclic maintenance pilot in a neighbouring line, consisting of the repair of the first line section and second line section of the Dolní Žleb – state border line. Other significant construction projects implemented on the TEN-T network in 2020 included the repair of the line section Přerov – Chropyně, or the repairs of the railway traction line on significant lines for freight transport (selected railways in the Prague junction, the Polepy – Hoštka line, or Ústí nad Labem západ – Bílina line). Out of 336 repairs outside the TEN-T network, we can mention the completion of the repair of the Železný Brod – Tanvald line section. Significant repairs have continued in most regions, including extensive repairs of nation-wide and regional lines, e.g. in Mostek – Horka u Staré Paky, Kladno – Řevničov, Nedvědice – Tišnov, Suchdol nad Odrou – Nový Jičín město, Mladějov na Moravě – Třebovice v Čechách, and Kralupy nad Vltavou – Podlešín.

The line repairs are also aimed at eliminating so-called speed limit restrictions. In 2020, the planned limit set by the Supervisory Board in the manager's assessment

was 20 km, which was met. Speed limit restrictions were eliminated in total on 26 667 km, and the most significant section was the above-mentioned continuous section repair between Železný Brod and Tanvald of over 12 km in length. Thanks to increased funds allocation from the Státní fond dopravní infrastruktury (SFTI – State Fund for Transport Infrastructure) for the railway operability in 2020, the total of eliminated speed limit restrictions was increased to 77 205 km.

Apart from the above cyclic maintenance pilot projects – implemented between the Děčín-Prostřední Žleb station and the German state border – the process of implementing cyclic maintenance principles continued under the conditions of Správa železnic in 2020, by verifying the system set-up relating to the life cycle of selected infrastructure elements and number of defects and malfunctions. The first transit railway corridor is monitored in this way. A web application has been designed to monitor the implementation of pilot projects and for their assessment. The cyclic maintenance project for 2020 has been documented and submitted to the Supervisory Board at the end of the year. The Supervisory Board decided to continue with the implementation.

In 2020, Správa železnic also paid intensive attention to activities preventing accidents on level crossings. In addition to the ongoing

process of increasing the security on level crossings, further related innovative security and telecommunication equipment projects continued (detectors of obstacles, completion of preparation and implementation of extended camera systems utilisation by automatic detection of offences, etc.). In 2020, Správa železnic achieved cancellation of 36 railway crossings through administrative proceedings. Due to a change in legislation effective from 1 January 2021, which introduces new and level terms for the cancellation of unnecessary crossings, we can expect the cancellation process in 2021 and subsequent years to become more dynamic. At the end of 2020, a concept to reduce accidents on railway crossings was approved, preparing system tools to increase operation safety.

The list of unstable railway substructures from 2018–2019 was updated in 2020, and currently comprises 112 sections. The process of assessment of unstable sections has been improved and systematised. In the third quarter of 2020, a repair of the critical condition of the embankment of the 178.850–179.000 section on the Hájek – Dalovice line commenced, costing about CZK 135 million. Its completion is expected in March 2021. This section has very complicated geotechnical conditions relating to high embankment stability. Defects of the railway substructure manifest not only through rail geometry parameters' defects but through instability of the whole

embankment, the main cause being long-term degradation of the embankment body due to drainage.

The gradually improving condition of bridges has continued with a decrease in the number of bridges rated at grade 3 to 4.38%. Grade 3 represents the worst evaluation which is not necessarily a reason for an immediate change in the operability conditions but it is a serious indicator for the infrastructure manager to solve a further perspective of the structure by its timely inclusion into the construction planning process. A Railway Bridge Stable Operability Programme was prepared, establishing objectives and trends in the area of bridge condition improvement for 2021–2025. Based on previous visual control of bridges, the first stage of the Diagnostics and static assessment of railway bridges with supporting structure from prestressed concrete was implemented in 2020, concerning 34 objects.

In the second half of 2020, the preparations for the creation and development of digital technical maps and technical infrastructure mapping were completed, funded both from state funds and from the OP EIC under the High-Speed Internet Support Programme – Call III: Creation and development of digital technical maps of public entities, published on 17 August 2020, in the top limit of the grant, i.e. CZK 500 million. This activity also meets the

requirements of Act No. 200/1994 Coll., on Surveying and Mapping, which restricts the form of digital technical map and the data for its administration.

Upon the completion of the supply of the first 50-piece series of special MUV 75 engine vehicles in 2019, the preparation of tender procedure for the second series in 2021 commenced throughout 2020. The supply of 51 trailer platform and hinged wagons from the tender on a hundred piece series continued in 2020. The completion of the supply is expected in June 2021. A tender procedure for 98 special engine vehicles with on board part of ETCS for Správa železnic was commenced.

Last year, the preparation of new vehicle delivery for railway line diagnostics continued. To ensure continuity of activities on national lines, new rail spotter for railway superstructure MVŽSv2 for spotting speed of up to 200 km/h is being discussed. For regional lines, rail spotter MD2 hand car is considered. Operability testing for this equipment is expected in 2021. Other projects for diagnostic cars or equipment, such as for traction lines, ERTMS system, and bridges are being prepared. Expected delivery is after 2021.

Based on the discussion and approval of the working committee for improving railway safety of the MT, in 2020, a concept for railway safety improvement on railways

with direct traffic control operating under the D3 regulation has been approved. Its main aim is to mitigate the probability of incidents, namely train crashes between operating points as a consequence of human error. Implementation of the four defined solution options will be based on both investment and non-investment activities throughout the next five years.

Similarly to 2019, Správa železnic was the supplier of traction energy for all carriers using the traction in 2020. A hybrid model both for electric engine vehicles enabling the use of data from the train switchboard was used to calculate individual consumption. A mutual exchange of data on traction energy consumption with foreign infrastructure owners DB Energie and ÖBB-Infrastruktur AG for trains using the infrastructure of Správa železnic, and vice-versa for trains of Czech carriers using external infrastructures represents an important step. This exchange was launched in the autumn of 2020 under the Exchange module – energy data exchange programme. As part of centralised tendering, Správa železnic also ensured the supplies of natural gas and electricity for the transportation branch through purchases at the Power Exchange Central Europe, a.s.

In 2020, Správa železnic successfully underwent the recertification of the energy management system under the revised ISO 50001 for the next three-year period. We continued fulfilling the concept of

transfer to a unified power supply system in relation to the priorities of the 2014–2020 programme period including the requirements of TSI ENE (technical specification for interoperability of the energy subsystem of the railway system).

In 2020, over CZK 1.3 billion was spent on repairs, maintenance and operation of buildings. We assessed the construction and technical condition and priorities within the whole network of train stations and halts under unified standards and created a new mid-term plan of renovations and revitalisations of passenger stations for the period of 2021–2025, which has been approved by the central committee of the MT. In 2020, major projects of refurbishment of passenger railway stations were realised in Doudleby nad Orlicí, Jedlová, Rumburk, Přerov, and Frenštát pod Radhoštěm. Additionally, several tens of buildings underwent repairs of various extent in 2020.

Apart from renovations and repairs of station buildings, Správa železnic also focuses on improving the standards of cleaning in all publicly accessible areas. The system is being completely changed with regard to both the unification of cleaning methods, and significant improvement of cleaning standards through modern tools for performance and quality monitoring.

In 2020, Správa železnic focused on over 60 selected railway stations including the

majority of main stations, where sanitary facilities will be renovated according to new standards, including the installation of turnstiles or electronic locks allowing contactless payment. The general aim is the improvement of sanitary facilities for passengers with regard to their technical and aesthetic conditions according to modern standards.

Unification of furnishings is the next step. Správa železnic has prepared and announced a public tender for delivery of required elements. A study on the use of smart technologies with regard to management of vacant stations, improvement of passenger and public experience, and integration of the railway station into the 'smart city' is being prepared.

In 2020, Správa železnic decided to participate in the project for a booking system for persons with reduced mobility and orientation abilities by preparing a single unified tariff, and offering assistance in railway stations through its employees. In relation to the establishment of a joint platform for meetings among representatives of the disabled, carriers and Správa železnic, a system of mutual cooperation to ensure that a barrier-free nature of rail transportation was created, and in 2020, Správa železnic was awarded the MOSTY 2019 award (Bridges award), for the efforts of the infrastructure manager to systematically open railway transport to persons with disabilities, and for active cooperation.

FIRE RESCUE CORPS

In 2020–2021, a second wave of renewal of the Fire Rescue Corps equipment has been under way, following recent modernisation of the fleet under which 48 various motor vehicles was purchased totalling CZK 300 million. A similar amount is dedicated to technology update in the second wave. In 2020, the car fleet was expanded with two truck tractors for heavy caterpillar wrecking vehicles transportation. In the second half of 2020, the premises of the new fire station of Správa železnic in České Budějovice were completed, as well as the renovation of the secondary fire station facility in Kralupy and Vltavou. At the same time, the renovation of the Brno and Ostrava fire station facilities was carried out.

NEW UNIFORM COMPONENTS FOR SPECIFIC PROFESSIONS OF SPRÁVA ŽELEZNIC EMPLOYEES

In 2020, the tender procedure for the supply of new uniform components for specific professions of Správa železnic employees was carried out, to address the requirements of the new corporate identity. The performance of the tender consisting of the delivery of new uniform components has also commenced. Its completion is expected at the beginning of 2021.

EXPENSES INCURRED ON ENSURING OPERABILITY

Správa železnic ensures the repairs and maintenance of the national and regional railway infrastructure, comprising the following sectors: railway lines (superstructure and substructure), rail substructures, bridges and tunnels, buildings and structures, electrical and energetics equipment, telecommunication, and signalling equipment under its management. In addition, Správa železnic also ensures repairs and maintenance of railway stations, including cleaning and security of the premises. To complete the task, it uses not only own HR, engineering and technical capacity (primarily the capacity of its own organisational units – the Regional Directorates and specialised units) but also contractual relations with suppliers operating in the respective market, selected through a tender procedure. In 2020,

these activities were financed from the SFTI budget, which provides Správa železnic with non-investment funds, and from revenues from lease of land, structures and non-residential premises and revenues from services and contractual performances relating to this segment.

In 2020, total expenses incurred in ensuring the operability of the railway infrastructure including the relevant allocation of centrally recorded expenses amounted to CZK 22 154 million.

Table 1 – Selected activities

Indicator	Unit of measurement	Amount 2019	Amount 2020
Track geometry modification	km	1 869	1 830
Switch geometry modification	s.u.	1 489	1 404
Balast cleaning – tracks	km	288	285
Balast cleaning – switches	s.u.	362	348
Continuous welded rail, welding – tracks	km	577	801
Continuous welded rail, welding – switches	s.u.	345	438
Replacement of rails	km	660	673
Replacement of sleepers	pcs	348 161	341 005

Table 2 – Basic description of railway network

Indicator	Unit of measurement	Amount 2019	Amount 2020
Total length of lines	km	9 396	9 377
Length of electrified lines	km	3 213	3 217
– 3 kV DC traction system	km	1 803	1 796
– 25 kV AC 50 Hz traction system	km	1 372	1 383
– 1.5 kV DC traction system	km	24	24
– 15 kV AC traction system	km	14	14
Length of standard-gauge lines	km	9 373	9 354
Length of narrow-gauge lines	km	23	23
Length of single-track lines	km	7 372	7 337
Length of double- and more-track lines	km	2 024	2 039
Total construction length of tracks	km	15 246	15 189
Number of switch units	s.u.	22 559	22 240
Bridges	pcs	6 800	6 719
Tunnels	pcs	166	166
Total bridge length	m	154 499	154 422
Total tunnel length	m	54 072	54 072
Level crossings	pcs	7 825	7 784

Table 3 – Overview of buildings managed by Správa železnic

Indicator	Unit of measurement	Amount 2019	Amount 2020
Buildings	pcs	8 166	8 108
Built-up area	m ²	1 730 586	1 723 045
Built-up space	m ³	12 918 554	12 848 527

← TRAINS

RAILWAY STATION ČESKÁ LÍPA HL. N., STATION BUILDING
WEST VIEW

BUS STOP →

+ 5.602

K05

- 0.020

65

K05

F1



Modernisation and development of the railway infrastructure

In terms of modernising and developing the railway infrastructure, Správa železnic's long-term objective is to prepare and implement investment projects focusing on the following priorities:

1. Modernisation of railway transit corridors.
2. Modernisation of railway junctions.
3. Modernisation of other lines integrated in the European railway system.
4. Ensuring the interoperability of selected lines.
5. Investment in the railway infrastructure to support the development of suburban transport and integrated transport systems
6. Passenger station assets.
7. Preparation of rapid service connections.

MODERNISATION OF RAILWAY TRANSIT CORRIDORS

The modernisation of railway transit corridors means higher quality railway transport in the Czech Republic and a significant reduction of travel times on key lines, especially Prague – Ostrava and Prague – Brno. The completed modernisation of the Corridor I on the Břeclav – Brno – Česká Třebová – Prague – Děčín line and of the Corridor II on the Břeclav – Přerov – Ostrava – Petrovice u Karviné line was followed by the modernisation of the Corridors III and IV.

The Corridor III passes via Mosty u Jablunkova, the Slovak/Czech state border – Dětmárovice – Ostrava – Přerov – Česká Třebová – Prague – Pilsen – Cheb, the Czech/German state border. The Česká Třebová – Prague line section was completed as part of the Corridor I, and the Přerov – Dětmárovice line section as part of the Corridor II. Table 4 contains the incomplete line sections of the Corridor III, which are in ongoing or design preparation stages.

The Corridor IV consists of the Horní Dvořiště – České Budějovice – Prague – Děčín – Czech/German state border line. The Prague – Děčín – Czech/German state border line section was implemented under the Corridor I. Table 5 contains structures

Table 4 – Overview of works on the Corridor III

Project description	Length (km)	Stage of completion	Project launch	Project completion
Optimisation of the Beroun – Králův Dvůr line	4.9	ongoing	November 2016	March 2021
Optimisation of the Praha Smíchov – Černošice line	8.8	ongoing	August 2019	July 2022
Optimisation of the Karštejn – Beroun line	5.7	in preparation	2022	2024
Optimisation of the Berounka branch line – Karlštejn line	15.5	in preparation	2023	2026
Optimisation of the Černošice – Berounka branch line	5.9	in preparation	2024	2026

Table 5 – Overview of works on the Corridor IV

Project description	Length (km)	Stage of completion	Project launch	Project completion
Modernisation of the Sudoměřice – Votice line	17.0	ongoing	March 2018	August 2022
Modernisation of the Veselí n. L. – Tábor line, Part 2, Veselí n. L. – Doubí u Tábora line section, Stage 2 Soběslav – Doubí	8.6	ongoing	September 2019	April 2023
Modernisation of the Nemanice I – Ševětín line	17.1	in preparation	2022	2028

in the line section Horní Dvořiště – České Budějovice – Prague, which are in ongoing or design preparation stages.

Apart from the above, from 2020 onwards, Správa železnic plans to reconstruct eight busiest corridor sections, aiming at preventing the line speed reduction, ensuring operability parameters and enhancing the reliability and safety of operation. These projects will be co-funded from EIB and Connecting Europe Facility (CEF) funds. The first line sections to be reconstructed are Velim – Poříčany and Dětmárovice – Petrovice u Karviné.

MODERNISATION OF RAILWAY JUNCTIONS

In connection with the modernisation of corridor lines, significant railway junctions are being modernised in their route. Finished are the passages through the railway junctions of Děčín, Ústí nad Labem, Kolín, Choceň, Ústí nad Orlicí, Břeclav, Přerov (first construction project), Olomouc, Bohumín and certain sections of the passage through the Pilsen junction. The Úvaly – Praha-Běchovice – Praha-Libeň and Praha-Holešovice – Praha-Bubeneč line sections have been completed, thus

completing the Corridor I is thoroughfare at the Prague junction. The construction of the Praha-Hostivař station has also been completed, and the construction in the Praha-Hostivař – Praha-Vršovice line section continues, ensuring the admission of the Corridor IV to the Prague junction. The reconstruction of the Negrelli viaduct, has been completed. The modernisation of the main station in Brno and the overhaul of the Pilsen and Cheb junctions have been completed, and the reconstruction of the second part of the Přerov junction is under way. Modernisation of the Pardubice junction has been launched. Preparatory works continue on the construction project Praha hl. n. – Praha-Smíchov, which will connect the Corridor III to the Prague junction. Preparatory project works also continue on the passages through the Brno, Ostrava, and Česká Třebová junctions.

MODERNISATION OF OTHER LINES INTEGRATED IN THE EUROPEAN RAILWAY SYSTEM

The reconstruction and modernisation of the Kolín – Havlíčkův Brod – Křižanov – Brno line is being carried out gradually, with certain sections already completed and put in use, and the modernisation of the Lysá nad Labem – Čelákovice – Praha-Vysočany line section continues, and investment with the aim to increase the speed in the Valašské Meziříčí – Hustopeče

nad Bečvou section has been launched. Modernisation of the Kolín – Nymburk – Všetaty – Ústí nad Labem – Děčín, and Plzeň – Domažlice line are in preparatory stages. Further, construction projects in the Ústí nad Labem – Most – Cheb and České Budějovice – Plzeň line sections are also being prepared. The projects are being drafted for the construction of new railway lines in the Ústí nad Orlicí – Choceň and Brno – Přerov sections.

ENSURING THE INTEROPERABILITY OF SELECTED LINES

Other significant investments include construction projects ensuring the interoperability of the railway network in the area of telecommunication and signalling technology. With the exception of the Votice – České Budějovice line section in the Corridor IV where the modernisation has not yet been completed, all transit corridors were covered with GSM-R. The Kolín – Všetaty – Děčín, Praha – Lysá nad Labem, Kolín – Havlíčkův Brod – Křižanov – Brno, Ústí nad Orlicí – Lichkov, České Velenice – České Budějovice – Horní Dvořiště and Plzeň – České Budějovice line sections have been also completed. Construction projects started between the Ústí nad Labem and Cheb, and Pardubice – Hradec Králové – Jaroměř line sections, and other line sections are being prepared.

After the completion of the ETCS (European Train Control System) pilot project in the Poříčany – Kolín line section, installation of the ETCS has also been completed and put in use in the Kolín – Břeclav – Austrian/Slovak state border line section. Further, the installation in the Petrovice u Karviné – Ostrava – Přerov – Břeclav line section has been completed, and continues in the Přerov – Česká Třebová, Kralupy nad Vltavou – Praha – Kolín, Praha-Uhřetěves – Votice and Pilsen – Cheb sections. Other line sections will follow.

INVESTMENT IN THE RAILWAY INFRASTRUCTURE TO SUPPORT THE DEVELOPMENT OF SUBURBAN TRANSPORT AND INTEGRATED TRANSPORT SYSTEMS

In order to enhance the quality of suburban transport in the Prague junction, the modernisation, electrification and installation of second track on the Prague – Kladno line with a connection to the Václav Havel Airport in Ruzyně is being prepared. The modernisation is subdivided into several separate construction projects. The first project – the reconstruction of the Negrelli viaduct – has already been completed. The reconstruction of the Praha-Smíchov – Hostivice section, which should enhance this line's throughput, was also completed.

The planned optimisation projects of the Praha-Vysočany – Lysá nad Labem and Praha hl. n. – Praha-Smíchov – Beroun lines and the ongoing extension of the underground corridors at the Prague main station should enhance the quality of the suburban transport. The first stage of the Brno – Zastávka u Brna section electrification has started; and the installation of second track on the Hradec Králové – Pardubice line is being prepared (the second track in the Stěblová – Opatovice nad Labem line section had already been installed).

INVESTMENT INTO PASSENGER STATION ASSETS

Investment into passenger station assets are a priority for Správa železnic. The efficient and economic use of individual structures as well as enhanced passenger comfort and a greater choice of offered services is accentuated. To achieve these goals, unify binding procedures in project preparation, and ensure the efficient use of public funds, the updated policy on the treatment of passenger station assets approved by the MT is applied. In 2020, investments into station buildings exceeded CZK 900 million. Among the costliest completed investments were the reconstructions of the station buildings in Šternberk and in Frenštát pod Radhoštěm, and the new transfer terminal in Strakonice.

The costliest ongoing projects include the reconstruction of the facade on the Praha hl. n. and the reconstruction of the station building in Havířov. These projects will continue in 2021. Large reconstruction projects of the station buildings in Bohumín and České Budějovice started in 2020.

INVESTMENTS IN PREPARATION OF RAPID SERVICE CONNECTIONS

In 2020, feasibility studies were prepared for individual rapid service connections branches or HSL in the Prague – Dresden, Prague – Brno – Břeclav and Brno – Přerov – Ostrava sections. In cooperation with Polish colleagues, a public tender for the feasibility study of the last rapid service (HSL) branch was commenced for the line from Prague through Hradec Králové to Wrocław (Poland).

To accelerate the preparation phase, natural resources surveys and research of archive geological surveys were carried out in advance, including detailed terrain mapping of future HSL routes by geodetic engineers. Správa železnic also requested relevant regions to include the HSL into their planning and zoning documentations (Principles of Spatial Development), and intensely discussed its intentions and introduced its plans to local authorities and the public.

In technical issues, Správa železnic cooperates with the French railway holding SNCF, utilising over 50 years of experience with the design, construction, operation and maintenance of HSL connections. The high-speed connection lines in the Czech Republic are designed for the speed of 320 km/h.

Based on the partial feasibility study results, a tender procedure for a documentation for planning decision and the Environmental Impact Assessment (EIA) of the first four HSL sections commenced. This means VRT Polabí (HSL Elbe Flatlands) section from Praha-Běchovice to Poříčany and Nymburk, the first section of VRT Moravská brána (HSL Moravian Gate) from Prosenice to Hranice na Moravě, the second section of VRT Moravská brána (HSL Moravian Gate) from Hranice na Moravě to Ostrava-Svinov, and VRT Jižní Morava (HSL South Moravia) from Modřice to Šakvice. Správa železnic and DB Netz jointly prepare the construction of a cross-border Ore Mountains Tunnel in Krušné hory (Ore Mountains/Erzgebirge), presently a tender procedure is under way including a current tender procedure for the planning decision documentation. In the following years, preparation of other HSL sections in the planning documentation stage will continue.

Urban-architectonic competitions are gradually opened for all proposed railway stations on the planned HSL. Competition

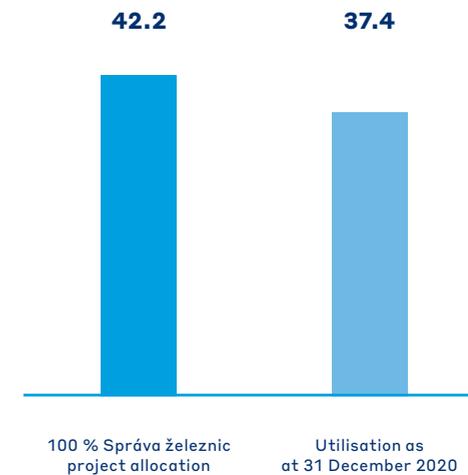
entries do not focus solely on the railway stations but also on their connectivity to other means of transport, thus presenting Správa železnic and especially relevant local administrative bodies with comprehensive concept of the area and its usability. The first such competition was organised for the new terminal Praha-Východ (Prague East) on the VRT Polabí (HSL Elbe Flatlands) line.

The beginning of the construction of the first HSL section is planned in 2025.

UTILISATION OF OPERATIONAL PROGRAMME TRANSPORT 2 (BUDGET PERIOD FROM 2014 TO 2020)

In 2020, Správa železnic continued to successfully draw EU subsidies in the current programming period 2014–2020 (“OPT2”). The drawing from OPT2 in 2020 exceeded CZK 9 billion, of which the highest amount was used in the modernisation and electrification project of the Šakvice – Hustopeče u Brna line (in 2020, CZK 1 014 million was utilised from OPT2). In 2020, 36 projects of Správa železnic received funds from OPT2. The total volume of OPT2 funds allocated for the modernisation of railway infrastructure in the 2014–2020 programming period under Objective 1.1 was increased by the MT during 2020 to CZK 42.2 billion. Importantly, Správa železnic’s projects in

Chart 1 – Total utilisation of subsidies from OPT2 2014–2020 to be drawn until 2023 (in CZK billions)

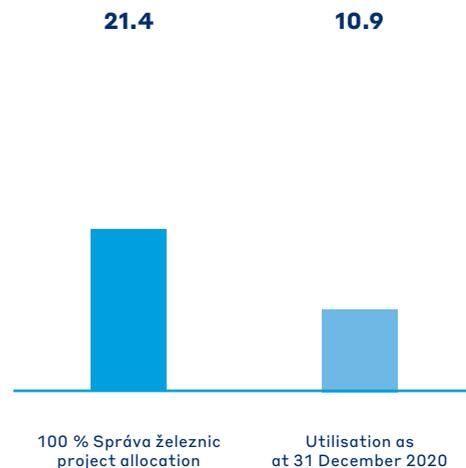


the total financial volume exceeding this amount had already been approved, which means our organisation is fully prepared for an increase of disposable funds under OPT2. Therefore, in case the allocation is not increased, some activities will be funded from national funds after utilising the whole OPT2 payment. The actual utilisation of OPT2 funds is expected in 2021.

CONNECTING EUROPE FACILITY

Within the CEF programme, it is only possible to finance projects of the main European railway network (the Core Network). Apart from line modernisation, funds will also be directed at modernising selected junctions and ETCS implementation projects, including their preparation.

Chart 2 – Total utilisation of subsidies from CEF 2014–2020 (in CZK billions)



Implementation was commenced for the Dětmárovice – Petrovice u Karviné – state border, and Velim – Poříčany constructions.

INVESTMENT GRANTS

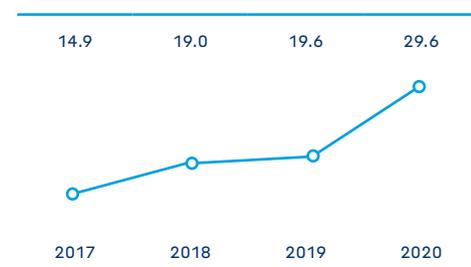
Funding for investment construction projects came mostly from public sources (Table 6). In 2020, the most significant investment subsidies for construction projects were national funds provided through the SFTI budget (CZK 15.5 billion). In addition, the subsidies from OPT2 (CZK 9.1 billion) and from the CEF infrastructure fund (CZK 4.5 billion) were used to fund the construction and modernisation of railway infrastructure. In 2020, EIB loan was drawn to be used to partially fund

Table 6 – Investment grants received for 2019 (in CZK millions)

Investment grants	2020
SFTI for construction and modernisation, state share, OPT, CEF, EIB	29 637
Contributions from cities, municipalities, regions and other entities	2
Total investment grants	29 639

Subsidies from SFTI for the construction and modernisation include funds from OPT, the CEF fund and EIB loan.

Chart 3 – Utilisation of funds for construction preparations in the 2017–2020 period (in CZK billions)



activities under combined Blending Call (see CEF Blending Call). With respect to the railway infrastructure, Správa železnic is acting as the final beneficiary and investor, and the main entity responsible for EU fund utilisation in the Czech Republic.

The volume of investment subsidies received in 2020 for the preparation and implementation of investment projects relating to the railway infrastructure totalled CZK 29 639 million. Despite all measures adopted in relation to the state of

In 2020, the utilisation of these funds amounted to CZK 4.5 billion, of which the highest amount was drawn for the Optimisation of the Praha-Hostivař – Praha hl. n., second part – Praha-Hostivař – Praha hl. n. (in 2020, CZK 1 010 million utilised from CEF). As at 31 December 2020, the total of CZK 10.9 billion was utilised from this fund during the current programming period. In 2020, 22 projects were funded from this programme.

CEF BLENDING CALL

In 2020, Správa železnic utilised an important grants tool CEF Blending Call for the first time, combining EIB loans and national funds. The funds will be used for investment opportunities at the following TEN-T network sections in the Czech Republic.

- Dětmárovice – Petrovice u Karviné – state border
- Velim – Poříčany
- Ústí nad Orlicí – Brandýs nad Orlicí – original line route
- Adamov – Blansko
- Polom – Suchdol nad Odrou
- Brno-Maloměřice St. 6 – Adamov
- Choceň – Uhersko
- Lipník nad Bečvou – Drahotuše

In 2020, preparation works were carried out according to the prepared schedule.

emergency due to the COVID-19 outbreak, Správa železnic managed to implement investments in the second largest annual volume since its foundation. The utilised amount exceeded the amount of 2019 by CZK 10 billion.

FURTHER DEVELOPMENT

The utilisation of subsidies from OPT2 and CEF within the current 2014–2020 programming period continued in 2020. The outlook for 2021 and onwards is to continue utilising these subsidies. At the same time, preparations are under way for the coming 2021–2027 programming period in collaboration with MT, and suitable projects are being preliminarily selected for funding from OPT3 and CEF2. Apart from these standard subsidies, Správa železnic will attempt to make use of funds from the Recovery and Resilience Facility (RRF), a key European tool for recovery from the economic consequences of the COVID-19 outbreak. Use of RRF for specific railway projects will be discussed in 2021, and in the second half of 2021, the first funds from RRF could be drawn, partially replacing lack of national funds. In 2021 and following years, Správa železnic will attempt to make use of other (not only infrastructure) European grants, such as from OP Environment or OP EIC. We expect the first utilisation of these funds already

Operating the railway infrastructure

Chart 4 – Utilisation of funds for construction preparations in the 2017–2021 period (in CZK millions)



Note: The expected utilisation for 2021 is taken from the overview of global preparation items approved by MT.

Compliance with the above standards is paramount to developing so-called railway freight corridors, established under Regulation (EU) No. 913/2010 of the European Parliament and of the Council as a priority for freight transport. In accordance with this regulation, Správa železnic focuses on building related structures and putting the corridors into operation. As part of its future international activities, Správa železnic expects to actively support the new structure of the TEN-T and to participate in the general revision of all TSIs as part of the EU's new approach.

in 2021. In 2021, we expect to complete the utilisation of the remaining portion of the funds from OPT2 (see Chart 1).

Through utilised grants, we expect growth of investments into measures for crossings safety improvement, as well as into modernisation of station buildings. In both cases, co-funding from RRF is being considered. Inclusion of RRF into other railway projects in the period of 2021–2023 and other potential investment options for railway infrastructure will be part of the discussion when preparing the mid-term outlook for this period. The process is coordinated by MT and SFTI.

Further, individual measures will be implemented related to the monitored unification of the railway power supply system in the Czech Republic, to achieve the transition to a unified AC power supply system.

In the years to come, the modernisation of the railway infrastructure forming the main TEN-T will continue in accordance with the Technical Specifications for Interoperability (TSI) performance parameters. Attention will also be paid to applying Energy TSI standards and meeting the European Deployment Plan with respect to the control-command and signalling subsystem.

In accordance with the Act on Rail Systems, Správa železnic must ensure the operation of the rail network for the public benefit. Operating railway infrastructure means ensuring and servicing the rail and organising rail transport. The rules and procedures concerning these activities are specified by the internal policies of Správa železnic.

RAIL OPERATION SAFETY SYSTEM

Správa železnic is the holder of a valid Railway operator's safety certificate and a Carrier's certificate. Under MT Decree No. 376/2006 Coll., the system of ensuring the safety of rail operation and rail transport includes the preparation of annual reports on the safety of rail operation and rail transport, including the yearly definition and assessment of safety targets and the preparation of an accident rate overview. In 2020, the state administration's supervisory body identified no faults in Správa železnic's safety system of rail operation and rail transport. The system is up-to-date and fully operational. The safety of rail operation and rail transport has consistently been at a high level, and the determined safety targets have been met. The rail operation safety system is managed in accordance with the requirements of ISO 9001:2015.

CLOSURES

In 2020, the planning for closures four, three and two months in advance was fully operational, with the possibility of including additional requirements in the annual closure plan within a time frame of six months and above. Following changes emanating from discussions on the planned closures, carriers and transport customers

representatives actively participated in the preparation of the new annual closure plan for 2021. The new model with a more open approach towards carriers and transport customers has proven successful, and most issues were resolved to the carriers' satisfaction.

SERVICE FACILITIES

In 2020, the list of service facilities operated by Správa Železnic was updated. Throughout 2020, information on these facilities was published on the European Rail Facilities Portal – <https://railfacilitiesportal.eu/>.

TRAINING

Significant changes occurred in training due to a comprehensive change of the training system. As of 1 January 2020, training is managed by our own resources. There has also been a significant change in the structure of individual professional exams in accordance with SŽ Zam1 regulation. Based on these significant changes, our own training premises including necessary equipment were provided, following up on the previous TCC training room development to train new employees, and our own employees were appointed to secure this new agenda. In relation to the emergency situation arising due to the COVID-19

outbreak continuing in 2021, there have been significant changes in the training methods, namely switching to distance training for both new employees and to maintain appropriate levels of expertise of current employees. In 2021, the training system's functionality will be examined and the system will be further developed.

In 2020, a construction project to develop new training rooms in both TCCs was launched. In this project, the new training room in TCC Prague will in floor area correspond to a large control room and will be on the fifth above ground floor of the TCC Prague building. Besides the building itself, the construction project will include furnishings and IT equipment with software applications to provide faithful simulations of real traffic situations including feedback on specific traffic situations from professions with whom the staff in the control room usually communicate. These new training premises will be primarily used for the periodic training of TCC operating personnel, as well as for the training of new employees, emergency train dispatchers, operational control employees, and the heads of the operation divisions.

In April 2020, the first-ever training for operating control dispatchers from among TCC Prague employees was successfully completed. The training took place at

TCC Prague's premises, and following the successful completion of the required tests, the graduates were appointed to operate independent rail controls. Another training course for operating control dispatchers started in October 2020 according to plan, and its completion is planned for spring 2021. At the same time, individual trainings for applicants to the position of operating control dispatcher continue.

TRAFFIC CONTROL

In 2020, the third and final stage of the Bottleneck Identification Project was completed. The first and second phases focused on the identification of bottlenecks first in the TEN-T lines and subsequently in other lines. The third phase of the project focused on railway junctions and selected stations with strong traffic and possible capacity issues. The project was prepared based on a methodology for the determination of railway capacity included in SŽDC Directive No. SM124. The completion of this project represents the largest comprehensive presentation of railway capacity results useful for its optimisation and consolidation.

A project focusing on a new line condition table structure was also completed. At the end of 2020, all lines were published in the new structure in both the PDF and the machine-readable XML format. Both

versions are available for carriers. The new line condition table structure allows easier operational utilisation due to its user-friendly, consolidated and more transparent form, thus simplifying the use of the tables.

In 2020, the consolidation of information provided to passengers at railway stations and stops started, focusing on providing basic information on the trains, primarily with regard to providing visual and acoustic operating information.

TCC PRAGUE

In 2020, the Pilsen junction (namely Pilsen main station), and the Ústí nad Orlicí (excl.) – Lichkov (incl.) line section were connected to the remote control system from the TCC Prague rooms. The switching of both constructions to the remote control system was completed at the end of the first half of 2020.

At the same time, preparation works commenced at building sites to be connected to the TCC Prague remote control system in 2021. This primarily concerns the newly equipped TCC Praha-Uhřetěves – Lysá nad Labem (excl.) section, to be activated in 2021 in the Praha-Uhřetěves – Praha-Hostivař line section for the time being, in relation to the ETCS construction

in the Praha-Uhřetěves – Český Brod section. At the same time, the preparation for an ETCS dispatcher's workplace continued. This workplace will also be put into operation in 2021.

At present, the operation of 515 km of railway network is controlled from TCC Prague.

TCC PŘEROV

In 2020, the Dětmárovice (excl.) – Mosty u Jablunkova state border line section was transferred under the remote control of TCC Přeřov.

At the same time, work continued on the modernisation and electrification of the Otrokovice – Vizovice line construction project to be included in the remote control of TCC Přeřov. The objective of expanding the TCC Přeřov building was achieved.

At present, the operation of 550 km of railway network is controlled from TCC Přeřov.

EXPENSES INCURRED IN OPERATING THE RAILWAY INFRASTRUCTURE

Správa železnic employees perform the operational control of railway traffic,

dispatcher's traffic control, operation of control-command and signalling units and information systems for passengers, preparation of timetables, and path capacity allocation to carriers. In 2020, expenses related to these activities were mainly covered by a non-investment subsidy from SFTI for the railway operation, complemented by Správa železnic's own resources.

The overall cost less amortisation incurred to operate the railway infrastructure comprised in particular the traffic control ensured by the Regional Directorates and Traffic Control Centres (TCC), and amounted to CZK 6 843 million in 2020, including a relevant portion of centrally recorded expenses of the DG – Traffic Management Section.

Utilisation of Správa železnic's railway infrastructure by carriers

In 2020, the total number of carriers that have concluded a contract with Správa železnic for the operation of rail transport using state-owned national and regional railway increased to 122.

The total volume of outputs in **passenger transport** decreased in 2020. Compared to 2019, train kilometres (trkm) decreased by 3 %, and gross tonnekilometres (gtkm) by 10 %, with České dráhy, a.s. accounting for the majority of total outputs.

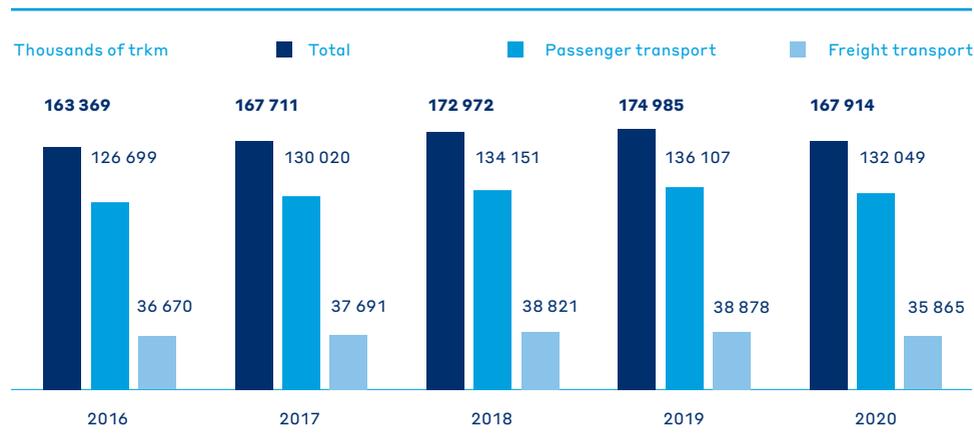
ARRIVA vlaky s.r.o., RegioJet ÚK a.s., and Die Länderbahn CZ s.r.o. reported a significant increase in the volume of passenger transport outputs.

Since 13 December 2020, supporting data are used for the calculation of the fee for the use of access roads to passenger transport.

In **freight transport**, total outputs reported a year-on-year decline, with trkm decreasing by 8 % compared to 2019 in the Správy železnic's network. ČD Cargo, a.s. (ČD Cargo) has retained the majority share in the outputs.

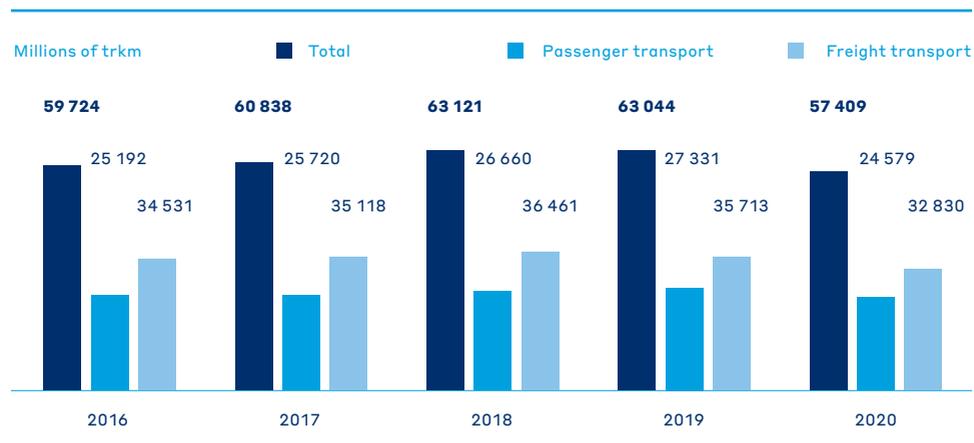
Rail Cargo Carrier – Czech Republic, s. r. o. and LTE Logistik a Transport Czechia s. r. o. also reported a significant increase in the volume of freight transport outputs.

Chart 5 – Output of carriers on network operated by Správa železnic (in thousands of trkm) between 2016–2020



Train kilometres (trkm) represent the distance travelled by train in kilometres

Chart 6 – Output of carriers on network operated by Správa železnic (in millions of trkm) between 2016–2020



The number of gross tonne kilometres (gtkm) is the product of the gross weight of the rolling stock (tractive units, railway cars and other wheeled vehicles) integrated into the train and the distance travelled in kilometres.

Table 7 – Number of carriers (as at 31 December of each respective year)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of carriers	75	79	84	89	94	96	99	103	107	122

Table 8 – Percentage share of carriers on passenger transport output in 2020

Carrier/Indicator	% of trkm	% of gtkm
České dráhy, a.s.	85.93	86.41
RegioJet, a.s.	4.30	9.23
ARRIVA vlaky, s.r.o.	3.89	1.71
GW Train Regio a. s.	1.98	0.67
Leo Express, s.r.o.	1.11	1.01
Die Länderbahn CZ, s.r.o.	0.86	0.19
RegioJet ÚK, a.s.	0.75	0.31
Leo Express Tenders, s.r.o.	0.47	0.24
Die Länderbahn GmbH DLB	0.31	0.11
Other	0.40	0.12

Table 9 – Percentage share of carriers on freight transport output in 2020

Carrier/Indicator	% of trkm	% of gtkm
ČD Cargo, a.s.	58.53	58.59
PKP CARGO INTERNATIONAL, a.s.	6.31	7.33
METRANS Rail s.r.o.	5.95	8.90
UNIPETROL DOPRAVA, s.r.o.	3.33	4.13
IDS CARGO, a.s.	3.23	3.61
Rail Cargo Carrier – Czech Republic, s.r.o.	3.08	4.28
CER Slovakia, a.s.	1.46	1.75
Cargo Motion, s.r.o.	1.27	1.22
LTE Logistik a Transport Czechia, s.r.o.	1.17	1.38
Other	15.67	8.81

Table 10 – Number of line sections in timetables according to category (irrespective of carrier)

Indicator	2019	2020
Ordinary passenger train (Os)	8 723	8 842
Regional fast passenger train (Sp)	541	591
Express trains (R)	538	507
Higher-quality trains (EC, EN, Ex, IC, LE, SC, railjet)	298	264
Express freight trains (Nex)	449	471
Continual freight train (Pn)	826	766
Handling train and work-siding trains (Mn, Vleč)	1 292	1 278
Train sets (Sv)	1 306	1 269
Locomotive trains (Lv)	646	626
Správa železnic catalogue (offer) paths	873	865



As a whole, railway transport has a global character, and international cooperation is necessary to maintain its efficiency and sustainability. With regard to EU legislation, railway transport represents a highly regulated segment which at the same time requires high technical harmonisation. In relation to the transformation process implemented at the EU level to establish a Single European Railway Area, Správa železnic has been actively participating not only in this process but also in related EU programmes and projects, and has cooperated with EU institutions and agencies, partner infrastructure managers, and international bodies.

In 2020, Správa železnic formulated and began to fulfil its new vision in international relations – to become a modern and active organisation able to promote its interests at the EU level, to be a secure partner of railway operators and carriers on the liberalised EU railway market, and to defend its position in international organisations in respect of the requirements of relevant Czech and EU legal regulations.

In 2020, Správa železnic operated at the international level principally through its new International Affairs Department. It continued to focus on promoting the interests of the Czech railway infrastructure, by influencing crucial technical and technological parameters and relevant legislation. In 2020, key issues comprised formulating the position of Správa železnic towards the announced updates of Regulation (EU) No. 1315/2013 on Union guidelines for the development of the trans-European transport network, Regulation (EU) No. 913/2010, concerning a European rail network for competitive freight, the implementation of the fourth railway package, and technical specifications for interoperability (TSI).

Although international cooperation represents one of the areas most affected by the COVID-19 outbreak and thus most events were relocated to a distance regime and teleconferencing, in 2020, Správa železnic

managed to continue discussions with its international partners, both bilaterally within international railway organisations and through direct involvement in European Commission committees, as well as develop completely new international projects.

Last year, Správa železnic managed to enhance its cooperation with both its counterparts in neighbouring countries and with other strong European partners in technical and technological development as well as in design, development, projecting and operating of high-speed lines. Správa železnic and SNCF International, a subsidiary of the French railway holding, have concluded a framework agreement enabling Správa železnic to make use of the technical consultation and advisory services of SNCF in relation to the development of HSL railway infrastructure. Správa železnic also further developed its successful cooperation with German Deutsche Bahn (DB), namely in the area of know-how sharing on railway digitisation. For DB, digitisation is provided through its subsidiary Digitale Schiene Deutschland. Through these strategic steps, Správa železnic acquired support from experienced partners, which will accelerate the further development of railways in the Czech Republic, inspired by European leaders.

Based on an Agreement on cooperation in the preparation of the design for the

new Dresden – Prague railway connection concluded with the German infrastructure manager DB Netz at the end of 2019, joint pre-design preparation of a cross-border tunnel in Ore Mountains (Krušné hory/Erzgebirge) was launched to prepare documentation for the planning decision. Together with the German partners, Správa železnic also participated in the preparation of an international agreement defining the requirements for the granting, implementation and operation of this new railway line. In cooperation with the Polish partner CPK, the planning stage for the Katowice – Ostrava line section was launched.

In 2020, Správa železnic expressed interest in becoming a member of the system pillar within the partnership with the successor to the current Shift2Rail Joint Undertaking under the EU Horizon Europe framework programme for research and innovation.

Under intra-governmental agreements alongside the MT, Správa železnic participated in the performance of these agreements in 2020, which comprised bilateral agreements on railway infrastructure development with neighbouring countries, the Slavkov (Austerlitz) Collaboration, and collaboration of the Visegrad Group (V4). Správa železnic continued to cooperate with railway infrastructure managers from neighbouring countries on contractual arrangements directly regulating traffic

management and railway transport organisation on cross-border lines. Negotiations continued between the Czech Republic, Germany and Poland on the privileged line section between the border stations Hrádek nad Nisou – Zittau through Polish territory. In the framework of the activities of CEN/CENELEC, Správa železnic experts participated in the preparation of new amendments to existing European standards.

RISC – RAILWAY INTEROPERABILITY AND SAFETY COMMITTEE

In 2020, Správa železnic was represented at RISC meetings by the director of international affairs and a MT representative. The committee is the top body directly established by the European Commission to approve the wording of legislative and implementing documents related to railway interoperability and safety. Through its membership, Správa železnic achieved access to a communication platform through which the European Union Agency for Railways (ERA) publishes all legislative drafts, principally those related to the future TSIs, as well as to the application of existing TSIs. Based on the MT mandate, Správa železnic is the coordinator of the Czech railway sector position. In 2020, Správa železnic focused on the expected implementation of the fourth railway package, including the support of the public administration authorities.

PRIME – PLATFORM OF RAIL INFRASTRUCTURE MANAGERS IN EUROPE

The main objectives of the platform include the implementation of the Single European Railway Area, support of the European Railway Traffic Management System (ERTMS), efficiency comparison, and best practice sharing among railway infrastructure operators. Under the auspices of the European Commission, the platform activities are divided into several working groups, addressing topics such as digitisation, financing, key performance indicators and benchmarking, implementation of EU law into national legislation, safety and security, infrastructure charges, as well as human resources issues, such as increasing the attractiveness of the railway for young professionals. As a full member of the platform, Správa železnic has actively collaborated with most of the working groups.

SERAC WG ON RFCS – SINGLE EUROPEAN RAILWAY AREA COMMITTEE WORKING GROUP ON RAIL FREIGHT CORRIDORS

To increase the performance of the rail system, a Single European Railway Area was delineated, with specified basic conditions and policies of functioning for all entities concerned. Within the RFC agenda, Správa železnic participates solely in the meetings of the Rail Freight Corridors Working Group, usually bi-annually. The

meetings focus on the practical effects of the implementation of new legislation on the transfer of freight transport to railways. In 2020, the programme focused on a review of Regulation (EU) No. 913/2010, and understandably was also impacted by measures adopted to mitigate the effects of the COVID-19 outbreak on railways.

RFC – RAIL FREIGHT CORRIDORS

In accordance with Regulation (EU) No. 913/2010 of the European Parliament and of the Council, concerning a European rail network for competitive freight and related legislation, Správa železnic continued to actively participate in the bodies of the four rail freight corridors whose objective is to simplify the planning, management, and operation of freight trains on important European lines, as well as establishing technical harmonisation principles. The corridors concerned are: Baltic–Adriatic, Orient/East-Med, North Sea–Baltic, and the Czech–Slovak corridor which was integrated into the Rhine–Danube corridor in November 2020. Throughout 2020, Správa železnic actively participated in the preparations for the transformation of the Czech–Slovak corridor into the Rhine–Danube corridor.

CER – COMMUNITY OF EUROPEAN RAILWAY AND INFRASTRUCTURE COMPANIES

Within this community, Správa železnic cooperates on the preparation of position

papers on EU draft legislation affecting rail transport in all areas. This comprises principally technical standardisation, digitisation and meeting the objectives of the Green Deal. Správa železnic experts cooperated with CER in the working groups focused on infrastructure, European corridors, safety, human resources, ERTMS and other areas. In 2020, the comprehensive TSI review process was launched.

RNE – RAILNETEUROPE

Správa železnic actively participated in the activities of the international organisation RailNetEurope (RNE), which is a major association of European infrastructure managers and allocation bodies, as well as rail freight corridors (RFC) through affiliate membership. Besides addressing current issues related to the COVID-19 outbreak, RNE's work focused on supporting its members in international activities to improve process' efficiency, namely through harmonisation of the requirements on international railway transport, coordination of railway timetables preparation across Europe, and providing joint access to marketing and sales of international paths. Cooperation in the area of development and implementation of software applications for carriers and infrastructure managers continued. An important factor was the cooperation of infrastructure managers in the area of railway operation and RFC corridors development.

UIC – INTERNATIONAL UNION OF RAILWAYS

Although the EU gradually takes over a leading role in technical standards harmonisation, UIC remains an important coordinator in HSL development, research and development and fundamental principles of harmonisation between the Eastern and Western railway systems. Správa železnic's experts participated in transposing UIC Leaflets into International Railway Solutions (IRS), and continued taking an active part in various working groups and in specific projects, primarily within the Rail System Forum. Správa železnic actively participated in the activities of the FRMCS (Future Railway Mobile Communication System), as well as UIC Environment and Safety Platforms. Správa železnic's representative heads the Statistic Group. In 2020, Správa železnic again took over the management of the New Technologies Working Group.

UNECE – UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

Together with the MT, Správa železnic participated in the UNECE Trans-European Railway project. The aim of this long-term project is to maintain contact between partners in the East-West direction, including cooperation and experience

sharing in the preparation of infrastructure development projects. The output should include basic parameters, maps and technical descriptions of new infrastructure, communication between eastern countries and countries in our region, and support in promoting our regional interests in the European Commission.

OSJD – ORGANISATION FOR COOPERATION BETWEEN RAILWAYS

In 2020, representatives of Správa železnic continued to participate in projects of OSJD's Commission V – Infrastructure and Rolling Stock, in particular in working groups dealing with railway superstructure, substructure and track diagnostics.

ETSI – EUROPEAN TELECOMMUNICATIONS STANDARDS INSTITUTE

Správa železnic is a member of ETSI focusing on European telecommunications standards with worldwide impact. As a member, Správa železnic has unrestricted access to all published standards and specifications in this area. In 2020, Správa železnic experts participated in the meetings of the Railway Telecommunications working group.



Financial performance

FINANCIAL PERFORMANCE OF SPRÁVA ŽELEZNIC

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to CZK 1 799 million. EBITDA indicates the difference between the Správa železnic's revenues and expenses, excluding interest, taxation and depreciation. At the same time, EBITDA is net of revenues related to the debt remission of Správa železnic, representing a transaction without effect on Správa železnic's revenue.

Revenue from use of railway infrastructure represents payments for railway infrastructure by carriers. This is a significant source of income for Správa železnic and is used to cover expenses incurred on traffic control.

Revenue from allocated railway infrastructure capacity represents Správa železnic's income pursuant to the Railway Act, which stipulates that Správa železnic is the institution in charge of capacity allocation. For more information about capacity allocation, see the National and Regional Network Statement.

Subsidies from SFTI for repairs and maintenance of national and regional lines constitute revenue and are used to cover expenses related to the operability of railway infrastructure. Under an agreement, SFTI provides non-investment funds to finance the repairs and maintenance of national and regional lines owned by the state and administered by Správa železnic.

Subsidies from SFTI for the operability of the railway infrastructure are provided by SFTI based on a contract concluded to finance non-investment expenses incurred to ensure the operability of railway infrastructure.

Table 11 – Financial performance of Správa železnic in 2020

Indicator	2020 (CZK million)
Revenues from use of railway infrastructure	3 282
Revenues from allocated railway infrastructure capacity	126
Subsidies from SFTI for repairs and maintenance of national and regional lines	20 752
Subsidies from SFTI for the operation of railway infrastructure	2 631
Subsidies for railway infrastructure not paid from SFTI	320
Other subsidies	52
Revenues related to remission of debt of Správa železnic	584
Purchase and sale of energy and distribution services	186
Materials, energy consumption and services	-18 207
Personnel expenses	-12 225
Accounting depreciation	-4 024
Other operating revenues and expenses	4 897
Profit (loss) from operations	-1 626
Interest income and expense	-10
Exchange rate differences	-14
Other financial revenues and expenses	-1
Profit/loss from financial operations	-25
Profit or loss before tax	-1 651
Deferred tax	405
Profit or loss for the accounting period, net of tax	-1 246
EBITDA	1 799

Subsidies for railway infrastructure not paid from SFTI are provided by the MT to cover the expenses related to railway infrastructure operation not paid from other revenues of Správa železnic.

Other subsidies comprise primarily a purpose-built operation-related subsidy from SFTI for studies, and a subsidy from SFTI for Civil Engineering Administration for small non-investment expenses.

Revenue related to the remission of debt represents a significant item in Správa železnic's revenues. At the moment of its establishment, Správa železnic took over the liabilities of ČD, s. o., among others, related to the loan agreements for corridor financing. Under state guarantees provided to ČD, s. o., the Ministry of Finance of the Czech Republic (MF) paid these liabilities to banks. In 2005, as a result of negotiations between Správa železnic, the MT and the MF, Resolution of the Government of the Czech Republic No. 1553 dated 30 November 2005 was adopted, resolving the situation through the clearing of debts. The clearing of debts is subject to an agreement with the MF and for Správa železnic represents a book revenue item without any monetary revenue, i.e. without any claim to additional funds from the state budget.

The purchase and sale of energy and distribution services includes expenses related to the purchase of distribution services and electricity (low- and high-voltage transfer points outside electric traction to cover Správa železnic's internal

consumption and to supply electricity to external customers connected to the local distribution network of the railways), and expenses related to the purchase of distribution services and electricity for the supply and transfer points of electric traction. The item further includes revenue from the sale of distribution services and electricity as well as revenue from the sale of distribution services and electricity for electric traction.

The most significant expense item comprises **operating expenses related to consumption**, i.e. consumption of materials and consumables and services. The services mainly include expenses related to ensuring the operability of the railway infrastructure incurred in connection with repairs and maintenance provided by external suppliers.

Správa železnic's **personnel expenses** include wages and salaries, social security expenses and other personnel expenses.

Significant operating expenses also include **accounting depreciation**, i.e. the recognition of the depreciation of fixed assets in expenses.

Správa železnic's **other operating revenues and expenses** include other revenue and expense items, e.g. returns of payments to the specialised tax office, payment of rail replacement bus service to carriers due to planned limitations of rail operation in accordance with the Network Statement, revenue from the sale of fixed assets and materials less their net book

value. They also include changes in other provisions and adjustments, revenue from external production and leases, own work capitalised, revenue from salvaged materials, expenses incurred on property and liability insurance, a contribution for personal protective equipment to be used at work, membership fees paid to organisations, taxes and other fees.

Interest expense primarily results from bank loans related to capital expenditures that were taken over from former state organisation ČD, s. o. The loans were fully repaid in 2020. As stated in the notes to the financial statements, interest owed to banks was paid by the MT on behalf of Správa železnic.

Exchange rate differences arise in particular from the translation of foreign currency liabilities, loans and interest at the exchange rate valid as at 31 December 2020. Loans taken over from former state organisation ČD, s. o. were denominated solely in euros and were fully repaid by the end of 2020.

2020 results also comprise deferred tax of CZK -405 million (reduction of deferred tax liability). Individual items of the deferred tax are described in the notes to the financial statements.

FINANCIAL OUTLOOK

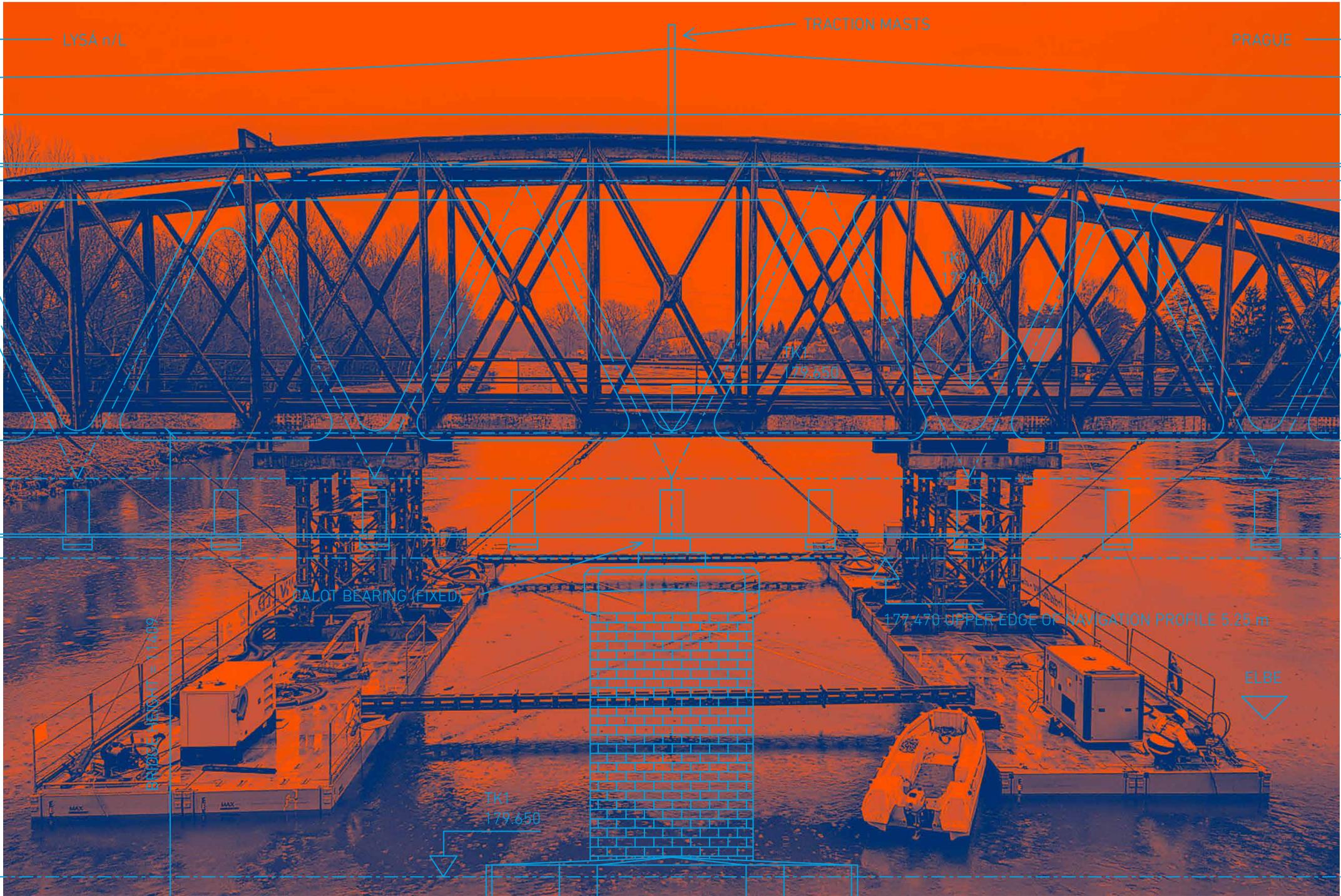
Správa železnic's goal is to work closely with the relevant state administration bodies to keep cash inflows and outflows

in its individual segments of activity in balance while not increasing Správa železnic's requirements for state budget funds.

Správa železnic's sources of income in individual segments must fully cover corresponding operating cash outflows in any given year. The main limiting factor is the amount of non-investment subsidies allocated from SFTI for ensuring the operability of railway infrastructure and the pricing policy applied to the use of railway infrastructure. The aim of Správa železnic is to stabilise cash inflows and outflows and to achieve a balanced cash flow.

Správa železnic's financial performance is regularly assessed and analysed to maintain its business and financial stability. The mandatory Key Performance Indicators (KPI) of all organisational units of Správa železnic will be thoroughly examined so as not to exceed the total budgeted expenses.

In the following year, we expect continued restrictions related to the COVID-19 outbreak. Správa železnic reflects this in lower sales estimates from the use of the railway infrastructure, sales of electric energy, and rents from commercial premises.



LYSA n/L

TRACTION MASTS

PRAGUE

TK1
179.650

179.650

CALOT BEARING (FIXED)

177.470 UPPER EDGE OF NAVIGATION PROFILE 5.25 m

ELBE

TK1
179.650

Internal audit and risk management

INTERNAL AUDIT

Effective as of 1 January 2020, Act No. 320/2001 Coll., on Financial Control in Public Administration and on the Amendment of some Acts, as amended, and implementing Decree No. 416/2004 Coll. to the Act on Financial Control in Public Administration, together with the existing International Professional Practices Framework became the fundamental legal and regulatory standards on internal audit.

The Internal Audit Department is functionally independent and separate from the organisation's managing and executive structures. Average FTE in internal audit during 2020 was 14 342. Internal audit deals with objective, assuring, and advisory activity aimed at adding value, enhancing processes within the organisation and the efficiency of the risk management system, the control processes, corporate management and administration. The independence and objectivity of its activities in the organisation was confirmed by the audit committee in the report for the Public Audit Oversight Board (PAOB) for the period from 3 May 2019 to 20 March 2020.

The annual plan of activities of the Internal Audit Department for 2020 as approved by the Supervisory Board of Správa železnic reflected:

- set goals of the Internal Audit Department and the mid-term internal audit plan for 2020–2023;
- risk assessment across the organisation;
- top management requirements;
- information on the internal audit system based on the executed internal and external checks and audits.

In accordance with the annual audit plan for 2020, the Internal Audit Department carried out a total of ten regular and

eight follow-up internal audits across the organisation, identifying areas based on the residual risk level. Internal audit testing on a selected sample of operations focused principally on:

- assessment of compliance of performance with applicable legislative and internal requirements;
- set up and correctness of management and review procedures;
- assessment of the identified risks potential impact on compliance with 3E criteria in the organisation's audited activities.

Regular internal audits specifically checked the invoicing of train rides, the implementation and start of operation of the ERTMS line section, publishing of agreements in the register of contracts, the setup of timetables, the quality of implemented constructions, the crisis management system, workplace safety, the technical condition of infrastructure related to signalling units, the quality of accounting processes, and Fire Rescue Corps processes.

Remedial measures adopted based on the 2019 internal audit findings were reviewed by means of follow-up audits and related to laid-off wagons on the tracks of Správa železnic, operability applications, public tenders, property sales, purchases and

leases, inspections of the technical condition of the railway infrastructure, closures, and the fire protection system.

In 2020, the Internal Audit Department carried out 18 consultancies related to requests by the Director General and the senior managers of expert departments of the Directorate General. The Internal Audit Department was also invited to consult on the implementation of the DG directive on the digitisation of the organisation's agendas and took part in a general review of the organisation's internal regulations.

The results of the performed internal audits and consultations were discussed with appropriate Deputy Director Generals and with the heads of the audited departments/units. The Director General was then informed of the results of each engagement in a management summary. Based on the 76 regular audit findings, 73 recommendations were drafted by the Internal Audit Department. Specific measures including deadlines, were subsequently adopted by the top management of the audited departments/units. Their efficiency will be reviewed by follow-up internal audits in 2021. The 55 remedial measures adopted in respect of the 2019 internal audit findings were reviewed by means of follow-up audits in 2020. The remedial measures were gradually implemented and brought appropriate

results. The added value of the activity of the Internal Audit Department manifested itself in the regulation of internal managing and methodological policies, the identification of audit operation risk areas, error detection, and the confirmation of the correct set-up and sufficient functionality of the internal control and management systems of selected audit procedures.

No serious findings were identified during the internal audit activity under the provisions of Section 22 (6) of Act No. 320/2001 Coll., on financial control in public administration and on the amendment of certain acts, as amended. No high or very high risks of corruption or fraudulent practices were detected. During the audits and consultancies, the Internal Audit Department did not detect any significant risks related to the treatment and management of public funds.

In compliance with the programme to secure and enhance the quality of internal audits, internal audits were internally and continuously assessed as part of performed audit engagements, using self-assessments, assessments by the heads of the audited departments/units, and regular (annual) assessments, which involved the DG and the heads of the Internal Audit Department. An external assessment of the quality of internal audits was launched.

The director of the Internal Audit Department held a training session for internal auditors and coordinated their

participation in professional conferences. Thus, the internal auditors now participate in the Czech Institute of Internal Auditors' system of professional certification and acknowledgement of the professionalism of internal auditors in public administration, and have achieved the first certification level.

In 2020, the Internal Audit Department collaborated with an external audit company during the audit of the accounting system and the 2020 financial statements in the extent and scope necessary to verify the efficiency of the internal audit system.

The Internal Audit Department also focused on regular activities like the recording and assessment of review and audit findings identified by external review and audit entities. On 1 April 2020, the Internal Audit Department was appointed to process the serious findings of the financial audits and to prepare a summary report on the financial audit results for 2020 for the MF. In the fourth quarter of 2020, the Internal Audit Department completed the up-date and regular assessment of tasks identified by the organisation's internal anti-corruption programme and the anti-corruption action plan and handed it over to the new compliance officer of the entity.

RISK MANAGEMENT

As regards the risk management, the strategic objective of Správa železnic is to

Annual report 2020

reduce identifiable risks to an acceptable level. This entails addressing any issues in time and mitigating the impact of risks on the fulfilment of Správa železnic's goals, results of operations, as well as on health and human lives.

For Správa železnic, risk management is a continuous, systematic and methodical activity within the established internal control system organised for specific areas at the respective levels of company management. To reduce the risks to the lowest possible degree and to manage them efficiently, a centralised risk management system was introduced. Its coordination is ensured by the Risk Unit within the Internal Audit Department. The main tasks of this system are to promptly identify risks at the level of the risk owners, to analyse and assess them, propose efficient remedial measures and provide important and timely information to Správa železnic's management.

After a detailed analysis, a risk catalogue was prepared in 2020, comprising 120 monitored risks, of which 30 significant risks were selected to be reported on quarterly to top management. An annual report is prepared on each catalogued risk condition and development. The risk catalogue was updated during the annual assessment. For the next period, the risk management committee and the Director General of Správa železnic have approved a risk catalogue comprising 118 risks, of which 32 are significant.

Internal audit and risk management

Throughout 2020, an information system for centralised risk management was developed by a supplier and subsequently tested by Risk Unit employees to ensure its efficiency and comprehensiveness. In 2021, the completion of the information system and its rollout are expected for all stakeholders of risk management.

In 2020, Správa železnic managed the following risk areas:

OPERATIONAL RISKS

The primary objective of operational risk management is to ensure the safe and failure-free operation of railway infrastructure. With regard to traffic management and operability, risks are minimised by recruiting new employees with the appropriate physical and mental fitness who undergo training and take exams set for their future position. For selected professions, periodic training sessions and exams including tests of physical and mental fitness are performed. Risk management also involves developing and constantly maintaining a system of internal policies that define the requirements for the individual railway infrastructure components as well as the correct procedures for performing activities related to the railway infrastructure. When preparing internal regulations and amendments, directly applicable EU documents are used. In addition, regular inspections and measurements are carried out to assess the technical condition of the railway infrastructure. In the

event of accidents, the causes and circumstances of their occurrence are identified and responsibility for their occurrence is assigned. Remedial measures to prevent such accidents, including implementation deadlines, are proposed and adopted. The implementation of remedial measures is subsequently monitored and documented. Where an accident is proven to have been caused by an employee, relevant penalties and compensation of damage are applied. Damage caused to third parties is covered by liability insurance.

FINANCIAL RISKS

In terms of finance, Správa železnic is exposed to liquidity risk, interest rate risk, currency risk and credit risk. As the organisation's activities related to modernisation, ensuring the operability and operation of railway infrastructure are primarily funded from subsidies, liquidity in these areas is managed with the respective grants for the relevant fiscal period, with an emphasis on complying with the conditions for their utilisation and minimising possible penalties. In other areas, that are primarily financed from revenues, the key liquidity management tool in 2020 comprised the continuous monitoring and management of cash flows. Správa železnic's debt portfolio comprised one loan from EIB in 2020. The loan was repaid by 15 December 2020, thus eliminating the relevant risks. The credit risk which follows from the debtors' inability to pay their liabilities to Správa železnic is regulated through the monitoring and

assessment of the condition of receivables and the immediate resolution of overdue receivables using all legal possibilities. The procedures applied to the monitoring, assessment and collection of debts are stipulated in an internal policy, the adherence to which is regularly reviewed.

INFORMATION TECHNOLOGY AND CYBER SECURITY RISKS

Significant risks in terms of information technologies include the misuse of, damage to or the loss of data and possible breaches in the functionality of significant information systems. These risks are eliminated by applying a number of various measures, primarily the controlled administration of applications, servers and networks. A regular backup of all vital centrally stored data is performed, updated antivirus protection is ensured, and individual stations are continuously tested. Regular operating system upgrades and the gradual limitation of redundant individual users' access rights are also performed.

In compliance with Act No. 181/2014 Coll., on Cyber Security and to fulfil the requirements for the protection of information and communication systems of critical information infrastructure, a periodic review of identified assets and risks was performed in 2020. The results of the review were considered in the Report on Assets and Risks Assessment and in the risk management plan and subsequently approved by the Cyber Security Management Commit-

tee at its seventh session. Changes in the risk management plan were then transposed into the cyber security project design which was approved as submitted. The list of significant suppliers was also updated. Apart from the above significant steps, all activities were carried out according to the risk management plan.

HR RISKS

Správa železnic's interests regarding future employee requirements are being secured through cooperation with secondary schools and universities, which includes the 'Nádražák' student programme, as well as through the organisation's participation in the transportation sector council's activities regarding the preparation of a national qualification system. In accordance with the continuously updated concept of human resources management, the age structure of the key professions is analysed, and selected employees undergo special training processes to ensure the succession of key positions.

Observing national legislation, internal regulations and a collective agreement ensures the conditions for social consensus and low employee turnover level, which is supported by a funding guarantee for rail operation and operability.

CORRUPTION RISKS

To minimise corruption risks and ensure the prevention of and response to detected

corruption allegations, Správa železnic introduced an anti-corruption programme including the regular annual assessment of its efficiency. The programme includes the Správa železnic's Code of Conduct (the Code of Conduct), a Corruption Risk Catalogue, and an e-learning course addressing internal anti-corruption measures. The above anti-corruption principles are included in the issued Správa železnic's Compliance Programme Code (Compliance Code) which became effective as of 1 September 2020. In relation to the above, Správa železnic has published its principles of dealing with undesirable behaviour, in simple form describing to all employees the principles of fighting undesirable conduct. The above-mentioned Code of Conduct, Compliance Code and the principles of dealing with undesirable conduct thus represent up-to-date and inseparable documents to help eliminate undesirable conduct including corruption.

EMPLOYEES

As at 1 January 2020, Správa železnic had 17 096 employees working in 165 professions across its 18 organisational units which operate in individual regions of the Czech Republic.

Since its inception 17 years ago, when Správa železnic launched its operation on 1 January 2003 with only 61 employees, it has become a major employer in the Czech Republic and the largest employer in the rail transport sector.

In the course of 2020, a major change to the organisation structure of Správa železnic was gradually implemented, as approved by the Supervisory Board in the second half of 2019, with the aim to optimise individual processes within the organisation and make them more efficient. First, as of 1 January 2020, a change was made to the organisation structure of the Directorate General, transforming the Strategy Department and the Constructions Planning Department, and creating a new International Affairs Department and Constructions Designing Department.

Then, effective 1 April 2020, organisational changes were made to all units of Správa železnic, consisting mainly of the centralisation of the finance function; the preparation of the organisational structure for taking over the management of telecommunication infrastructure; the merger of two Railway Geodesy Administrations (surveying functions) in Olomouc and Prague into one unit located in Prague; the cancellation of the Railway Energy Administration organisational unit (its activities

to be taken over by Regional Directorates, the Shared Service Centre and the Directorate General); and the transformation of the Shared Service Centre and the Technical Centre of Infrastructure, which at the same time changed its name to Centre of Telematics and Diagnostics. The Fire Rescue Service also changed its name, to Fire Rescue Corps. As at 1 April 2020, the number of organisational units was reduced to 16, leaving the Directorate General and 15 organisational units.

The process of rationalisation and optimisation continued, with more investment projects being put into operation. As a result, traffic control staff decreased by 34 employees (i.e. by 0.5 %). As at 31 December 2020, the number of employees increased by 140 year on year, to 17 276 (Chart 7). Chart 8 shows the number of employees as at 31 December 2020 by organisational units of Správa železnic. During 2020, severance pay was provided to 240 employees.

The average FTE number of employees was 17 128.48 in 2020 (a year-on-year increase by 22.04 employees, i.e. by 0.13 %).

The age structure of employees did not change significantly year-on-year (Chart 9), with the average age of Správa železnic's employees being 48.23 years as

at 31 December 2020. Nevertheless, the average age is no longer increasing but instead showed a year-on-year decrease by 0.04 %.

Rail transport is a male-dominated industry. This is confirmed by the prevailing share of male employees, which remained at 72 % as at 31 December 2020 (Chart 10) – no change year-on-year.

The structure of Správa železnic's employees in terms of educational attainment did not change significantly in 2020 compared to 2019 (Chart 11). The share of employees with incomplete, primary or secondary education without school-leaving exams amounted to 29 % (a year-on-year decline of 1 %), the share of employees with secondary education with school-leaving exam was 56 %, and the share of employees with higher professional education and a university degree accounted for 15 % (a year-on-year increase of 1 %).

REMUNERATION AND EMPLOYEE BENEFITS

Remuneration principles and employee benefits provided were negotiated in the Corporate Collective Bargaining Agreement for 2020 and its appendices.

Chart 7 – Number of Správa železnic's employees in 2003–2020



Chart 8 – Number of employees by organisational units as at 31 December 2020

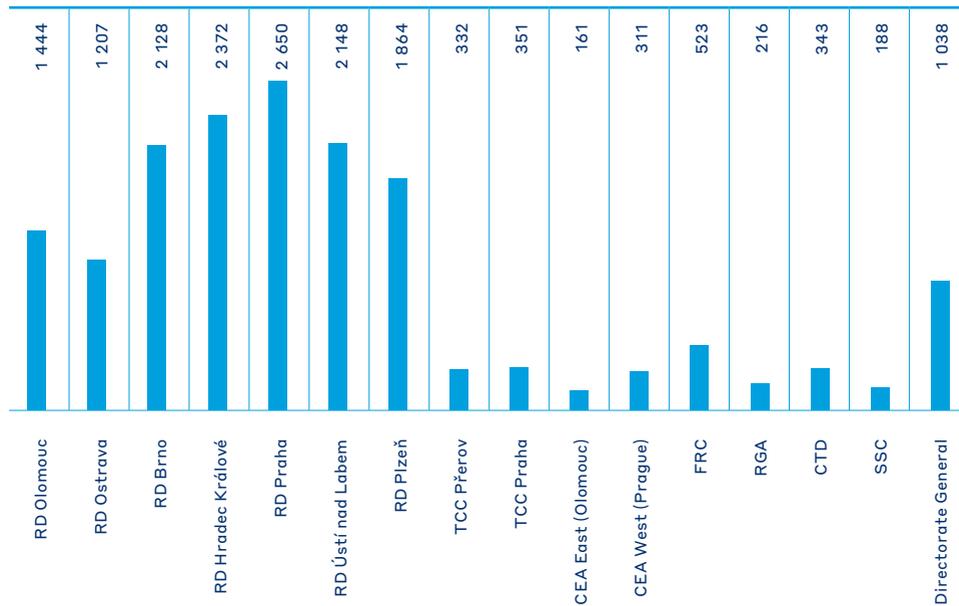
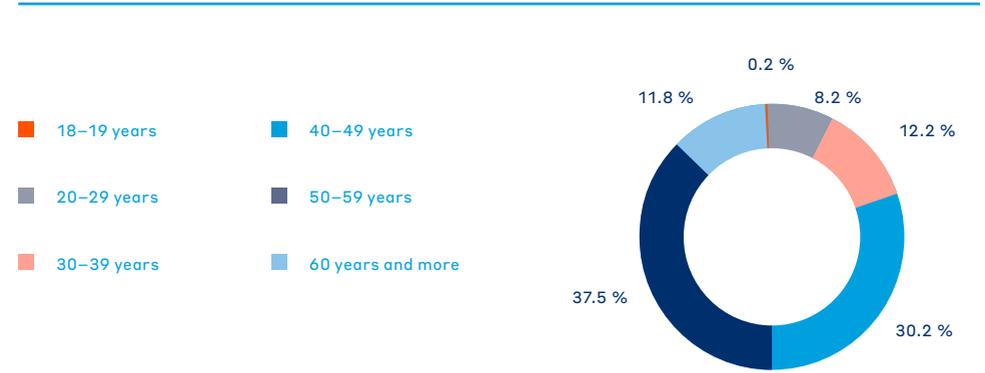
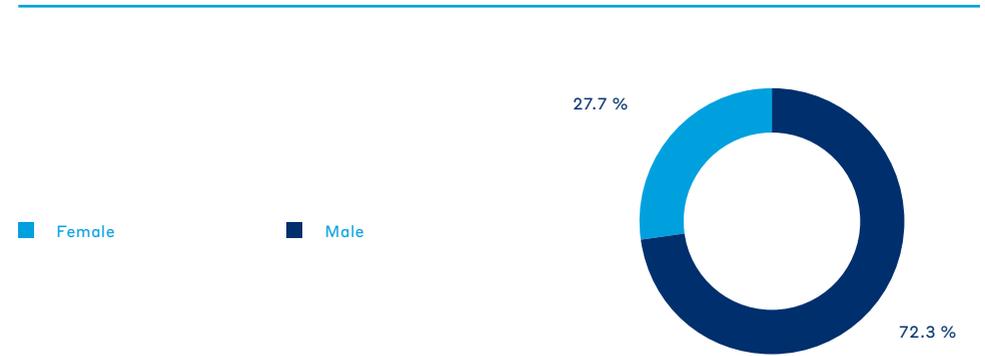


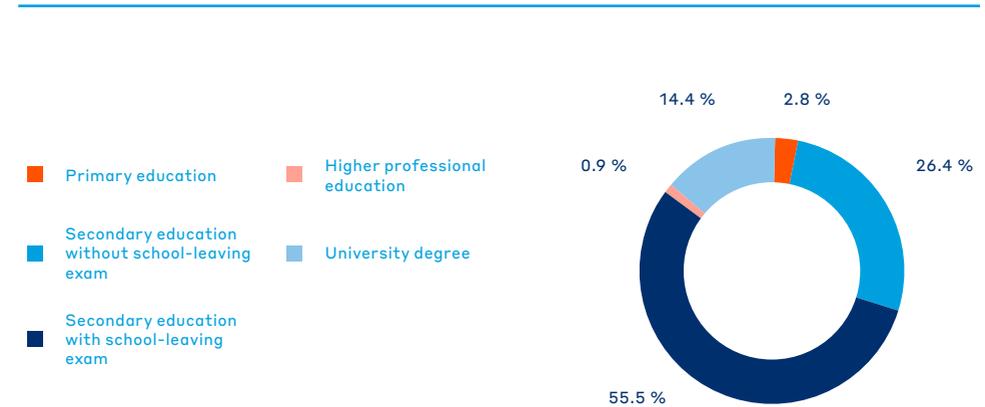
Chart 9 – Age structure of employees as at 31 December 2020



Graf 10 – Gender structure of employees as at 31 December 2020



Graf 11 – Employee structure by educational attainments as at 31 December 2020



A uniform payroll system continued to be applied. Both fixed and motivational wage components were increased, and certain extra pays and bonuses were newly regulated. In 2020, Správa železnic met all its obligations towards its employees in terms of remuneration and employee benefits. The range of employee benefits provided to stabilise and motivate employees remained the same in 2020, including transport contributions. In addition to benefits concerning working hours and holidays, Správa železnic continued to provide, among other things, contributions towards its employees' supplementary pension insurance and life insurance schemes. Employees who have worked a stipulated period of time on positions deemed particularly physically or psychically demanding are entitled to a reconditioning stay programme at one of four designated spa facilities (Jeseník Priessnitz Spa, Darkov Spa, Číž Spa and Rajecké Teplice Spa). In 2020, this area was also affected by the coronavirus situation; therefore the third amendment to the Corporate Collective Bargaining Agreement introduced the possibility to draw this benefit also as stays at home. A total of 739 employees attended a reconditioning treatment in the listed spa facilities, 1 632 used the option to stay at home.

In accordance with the principles of financial management and the approved budget negotiated with the trade union organisations, the Cultural and Social

Needs Fund (CSNF) was used to contribute to meal vouchers and cultural and sports activities, including participation in international events organised by railway workers' organisations, and regional and national qualifiers. Employees were given monetary gifts on the occasion of life or work anniversaries, and upon the first-time termination of employment after becoming entitled to old-age or disability pension. In serious cases, the employer provided employees with social aid or interest-free social loan. Employees and their family members could also use employer-contributed holiday packages.

In accordance with Správa železnic's Corporate Collective Bargaining Agreement, and to fill certain long-term vacancies (positions of electrical engineer of fixed traction and heavy-current facilities, signalling technician, train dispatcher and licensed engine driver) a recruitment allowance continued to be paid to new recruits for these positions. A total of 161 new employees were paid a recruitment allowance in 2020).

COOPERATION WITH TRADE UNION ORGANISATIONS

As keeping the social peace is the priority of its social policy, Správa železnic places great emphasis on cooperation with trade union organisations. As at 31 December 2020, nine trade union organisations – both multi-profession organisations and organ-

isations representing single professions – were operating at Správa železnic.

In 2020, joint meetings of the employer's and trade unions' representatives were held on regular bases, during the state of emergency mostly via the MS Teams application, where information was presented and discussed with social partners, in accordance with the Labour Code and the corporate collective bargaining agreement. Three changes to the Corporate Collective Bargaining Agreement were negotiated in 2020 – the first change on 30 January 2020, in connection with the change in the organisation's name as at 1 January 2020. Further collective bargaining took place in connection with the epidemic situation, with the second change negotiated on 5 May 2020 and the third change on 18 August 2020.

On 30 June 2020, collective bargaining of a new Corporate Collective Bargaining Agreement after 31 December 2020 was initiated; subsequently a new Corporate Collective Bargaining Agreement for 2021 was concluded on 23 October 2020, with the following appendices:

- No. 1 – *Working hours, on-call duty, vacations, work obstacles,*
- No. 2 – *Principles of remuneration of Správa železnic's employees,*
- No. 3 – *Meal allowance and expense refunds,*

No. 4 – *Reconditioning stays for Správa železnic's employees,*
and No. 5 – *Principles for the granting of a recruitment allowance.*

Concurrently with the collective bargaining, the employer also negotiated a new internal policy with trade union organisations, consisting of the Catalogue of Jobs at Správa železnic, approved by the Director General in agreement with all trade union organisations on 30 November 2020, with effect from 1 January 2021.

COOPERATION WITH SCHOOLS

Správa železnic is a corporation with responsibility towards its existing employees, and towards potential future ones from among secondary school and university graduates. We are well aware that our organisation's key activities depend on highly qualified professionals, whom we attract through close cooperation with schools, among other things. We currently cooperate with 30 secondary schools and 10 faculties (electrical engineering, civil engineering, and transportation science) of technical universities. This number is updated every year, depending on the development of individual fields of study and projects at the partner schools. We offer secondary school and university students numerous projects and programmes to support their studies: practical training, professional excursions, mentoring programmes, internships,

topics for bachelor's and master's theses, lectures, conferences and, finally, help with the preparation for professional examinations. In addition, we organise open days, actively participate in company days and job fairs, and we are partners of professional seminars or conferences and other educational events organised by schools aiming to popularise technical studies in the Czech Republic. We are available to schools and their students 24/7 on the student website of Správa železnic, and they may also communicate with us through a special email address: studenti@spravazeleznic.cz.

TRAINING

Education and training follow the approved objectives of Správa železnic's Human Resources Management Strategy and Správa železnic's Learning Plan. In 2020, Správa železnic for the first time ensured the transport part of the training in-house by its own professional staff. Education and training at Správa železnic was also strongly affected by the COVID-19 pandemic, with a major part of education and training efforts taking place on-line, using e-learning applications or the MS Teams environment.

MEDICAL CARE AT WORK

Occupational medical care for Správa železnic's employees was provided by a contractual healthcare provider. In addition to the stipulated medical examina-

tions (entry, regular, extraordinary and exit check-ups), it also focused on workplace monitoring as part of occupational health and safety inspections. Job applicants and employees also used occupational medical care services throughout the Czech Republic, with over 100 physicians providing these services to Správa železnic through a contractual provider. Because of the epidemic situation in the Czech Republic, in 2020 (during the state of emergency) it was temporarily also possible to substitute entry medical examinations with affidavits.

OCCUPATIONAL HEALTH AND SAFETY

Správa železnic devotes great attention to occupational health and safety (OHS). In 2020, activities primarily focused on eliminating the deficiencies detected during occupational health and safety inspections and checks carried out by appointed employees in charge of OHS, the regional Labour Inspection Office, and public health protection authorities. As a result of the pandemic situation in the spring, and following an agreement with trade union organisation on a change to the Corporate Collective Bargaining Agreement, the deadlines for OHS inspections at all workplaces of Správa železnic were postponed to the autumn of 2020. Although a number of anti-epidemic measures were still in force at that time, OHS inspections were carried out.

Table 12 – Vaccination table

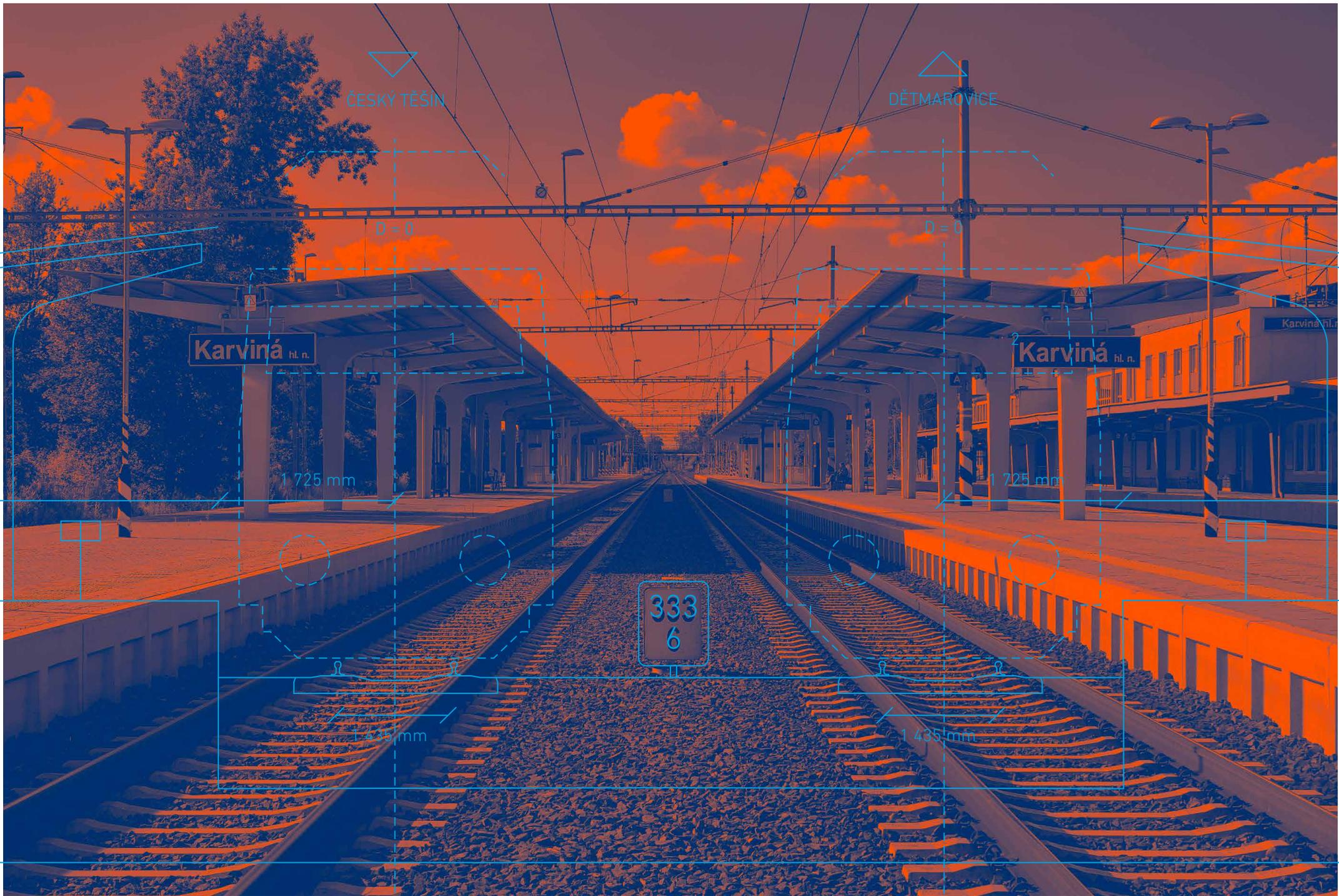
Vaccine	Description	Number of employees vaccinated	Number of vaccines used
FSME	Tick-borne encephalitis – complete vaccination scheme, 3 doses planned	627	1 396
FSME	Tick-borne encephalitis – booster vaccination, 1 dose	212	212
TWINRIX	Hepatitis A + B – 3 doses planned	213	454
HAVRIX	Hepatitis A – 2 doses	16	32
ENGERIX	Hepatitis B – 3 doses	4	12

In 2020, the identified OHS deficiencies were eliminated and workplaces were modernised and refurbished; for older workplaces, the refurbishment mainly involved renovating the sanitary facilities and installing air-conditioning units.

In 2020, Správa železnic recorded a total of 460 work injuries, one of which was fatal. Seven injuries required hospitalisation for more than 5 days, 160 injuries required sick leaves of more than three calendar days, two injuries required sick leaves of up to three calendar days, and the remaining 290 injuries were without subsequent sick leaves.

A total of 59 876 tests were carried out to determine whether employees were under the influence of alcohol or other addictive substances.

As a part of preventative measures, and upon an assessment of occupational risks, the employer ordered and paid for the following vaccinations for the employees.



The priority objectives of Správa železnic in its social responsibility are the transparency of financial transactions, working with human resources, social responsibility, helping the handicapped, and sustainability.

TRANSPARENCY OF FINANCIAL TRANSACTIONS

Správa železnic manages public funds such as public finances, assets, property rights and other property values owned by the Czech Republic. With the help of information and communication technologies, the management of the organisation makes every effort to ensure that its employees always and under all circumstances act transparently. Among other things, transparency is achieved by setting up simple and comprehensible processes that direct employees and impose obligations on them in their decision-making and handling of entrusted funds, including the necessity to ensure that each transaction is properly documented. These documents then serve as a basis for Správa železnic' internal control system which pursuant to the Financial Control Act, includes management reviews and internal audits. Within the scope of their defined duties, powers and responsibilities, all senior staff are responsible for the functioning of the control system at Správa železnic, with the condition that the activities are carried out while ensuring economy, efficiency and effectiveness.

Apart from the organisation's internal control system, there is also public control. Správa železnic publishes all concluded

contracts and all orders placed with its suppliers in excess of TCZK 50 in the Register of Contracts with the Czech Ministry of Internal Affairs. Due to provisions to this effect contained in model supplier contracts, payments for supplies cannot be made unless the pertaining contracts or orders have been published. On a monthly basis, Správa železnic also sends a list of payments made to suppliers to its superior authority, the MT. Any employee who finds out that public funds have been managed in a way that is uneconomical, inefficient, ineffective or contrary to legal regulations, may report this to the Director General.

WORKING WITH HUMAN RESOURCES

Working with employees in terms of social programmes, adaptation processes, and occupational health and safety is described in the chapter "Human resources".

Every company is formed by its people, their values and abilities. A well-functioning company is manifested by the overall satisfaction, motivation and loyalty of its employees.

In our organisation, we have created a joint project, the Správa železnic's Team, to promote interaction and cooperation within the organisation and build rules of responsible communication and an internal

information system. It enhances cooperation and connection between management and employees, as well as expertise and know-how.

At the end of each year, the Team Finals are announced, where all winners and awardees meet to personally accept the awards from the organisation's management. Attending this meeting is an honour for everyone.

APPRECIATING EXTRAORDINARY ACTS

One of the efficient ways to motivate employees is the company-wide election of the employee of the year. The categories are: Employee of the Year, Newbie of the Year, and Správa železnic's Hall of Fame for long-serving colleagues. By announcing the best employees, the organisation's management endeavours to appreciate the achievements of those who excelled in the professional area in a given year.

We also reward the heroes among us. For saving life, health and property, the Director General of Správa železnic awards the Railwayman of the Year. Every year, employees who are not indifferent undertake extraordinary acts of courage, help save people's lives, and prevent disasters.

CODE OF ETHICS – COMPLIANCE

On 1 September 2020, the Code of Compliance entered into force, replacing the Internal Anti-Corruption Programme of SŽDC and other non-binding documents. The Code of Compliance, the Principles of Fighting Undesirable Behaviour, and the Code of Ethics are published on the organisation's website.

The Code of Ethics of Správa železnic contains the basic values, principles and objectives pursued by the organisation in carrying out its activities. The respect for, and compliance with the principles of the Code of Ethics, binding upon the employees, effectively prevents undesirable behaviour.

The Code of Compliance reflects the recommendations formulated in the MT's Departmental Internal Anticorruption Programme of 12 July 2018, and the Office of the Government's Framework Departmental Internal Anticorruption Programme of October 2018. The Code does not concern only corruption crime and anti-corruption measures, but all behaviours and offences for which Správa železnic may be criminally liable (such as corruption) or which may have an adverse effect on corporate culture (i.e. also unethical and immoral behaviour).

A compliance officer is in charge of setting the rules and monitoring the observance of individual provisions of the Code of Compliance, and with the thorough investigation of any reported unethical or undesirable behaviour, actual or suspected.

HELPING THE DISABLED

Making railway stations accessible to persons with impaired mobility or orientation has been one of the highest priorities for Správa železnic. Despite the complicated conditions in 2020 we continued to work on increasing the barrier-free accessibility of stations and stops.

Furthermore, Správa železnic started providing assistance service to passengers with impaired mobility or orientation at railway stations, in the form of an escort or advice; the service may be ordered within the single fare system. At the beginning of 2020, the assistance service was provided in 327 locations, and by September, the number of locations where assistance can be ordered was increased to 869.

In developing the processes and finding the solutions in this area, we continue to closely cooperate with organisations representing persons with disabilities. Together with Czech Blind United, we prepared an update of the orientation system for persons with impaired mobility or orientation, addressing the specific needs of the blind and partially sighted.

We have been working with the Czech National Disability Council on building barrier-free toilets fitted with Eurolocks. To ensure supervision and constant service at public toilets, instructions for the attendants on how to treat the partially sighted were prepared.

SAFETY AND PREVENTION

The Safe Railway project aims to promote prevention and awareness in the field of railway safety, to acquaint the public with the basic rules of conduct in this environment, and to draw attention to the fatal consequences of non-compliance with the rules. To continue to build awareness, we created safety-prevention videos, which were a great success on social networks.

ENVIRONMENT

Environmental protection is regulated by both European and national legislation. Respecting the applicable legislation contributes to minimising any adverse impacts on the environment. From an environmental viewpoint, railway transportation, or the railways as such, is considered a highly competitive means of transport. Nonetheless, it is necessary to continue to further mitigate its adverse impacts on the environment, such as noise, vibrations, dustiness and air pollution, and to scale down the amount of generated waste.

Environmental protection also includes nature and landscape protection and water management. The maintenance of the railway superstructure also involves horticultural care, the careful application of biocides, and the use of modern methods of selective spraying.

In 2020, activities in the area of vegetation management continued. These include the regular removal of often non-indigenous tree species of low environmental and

aesthetic value, which, should they fall, could threaten the safety of railway transport and impede traffic. Správa železnic's aims to prevent any accidents occurring due to vegetation overgrowth, which is why attention also focuses on vegetation growing on the land of other entities within the railway protection zone. Since there are high-risk section where tree falls occur repeatedly, measures must be taken to eliminate any danger to the railways. Prerequisite conditions and tools to do so were established by the amendment to the Railway Act effective January 2020. Changes were subsequently incorporated in the revised methodology instruction on tree maintenance, and were also reflected in the newly developed Action Plan for Tree Maintenance Near Railways.

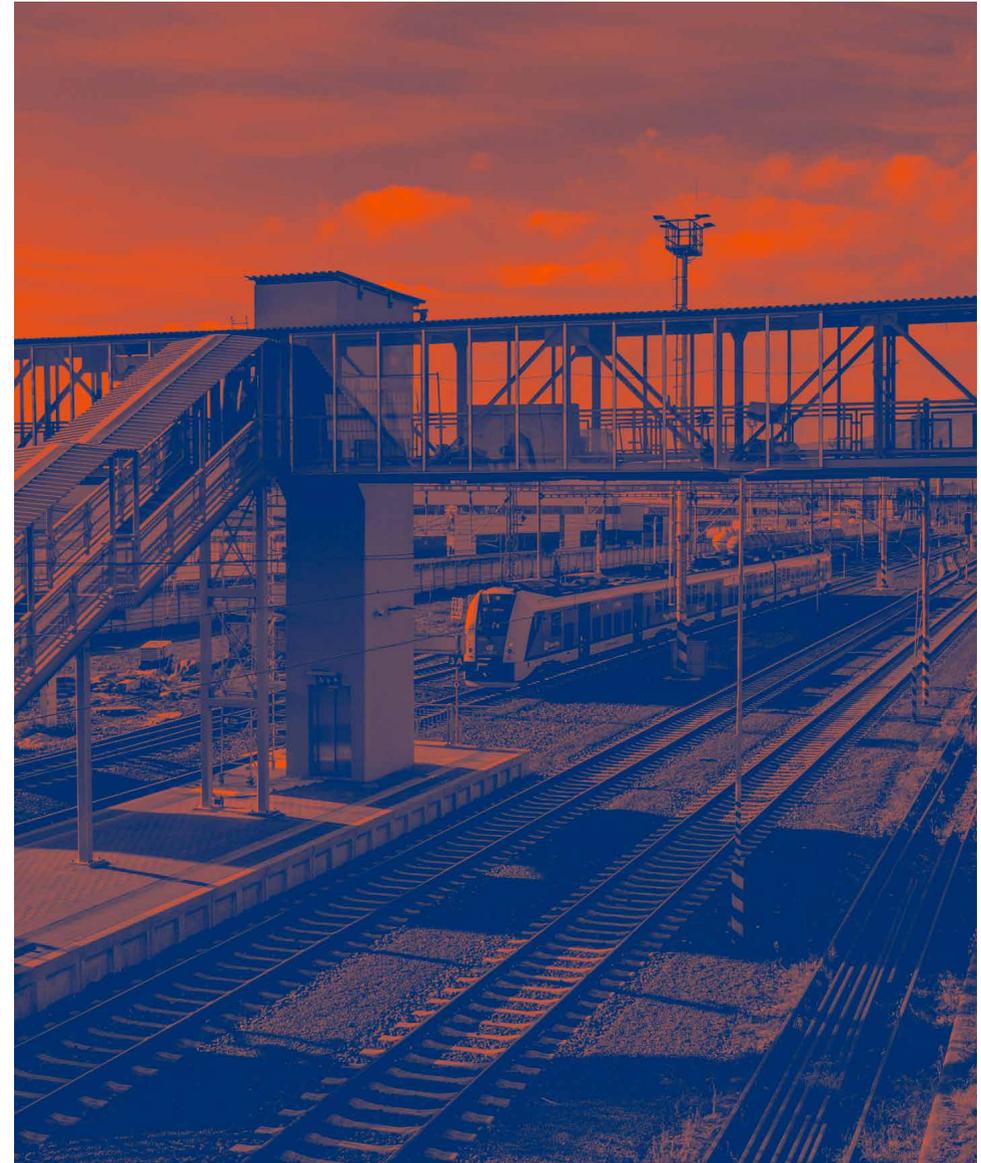
At the end of 2020, a pilot study monitoring climate and weather phenomena affecting railway infrastructure was completed and loosely followed up on a previous project addressing the methodology for and effective approaches to vegetation lining the railway. The aim of the study was to describe measures to systemically ensure the safe and smooth railway operation by forecasting extreme meteorological phenomena. Within the pilot project, a system including our own monitoring of meteorological stations and data transmissions obtained from them was designed at the selected Strakonice – Volary line section. Through the operation of this system, it should be possible to further specify weather data currently obtained from the Czech Hydrometeorological Institute.

Subsequent events

CHANGES IN THE BODIES OF SPRÁVA ŽELEZNIC

In its resolution No. 5/2021 dated 12 February 2021, the Supervisory Board of Správa železnic accepted the resignation of Tomáš Čoček from his membership in the Supervisory Board as at 31 January 2021.

In its resolution No. 10/2021 dated 26 February 2021, the Supervisory Board of Správa železnic accepted the resignation of Tomáš Čoček from his membership in the Audit Committee and Strategy Committee as at 28 February 2021.



Financial part



Independent auditor's report

This document is an English translation of the Czech auditor's report. Only the Czech version of the report is legally binding.



KPMG Česká republika Audit, s.r.o.
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OPINION

We have audited the accompanying financial statements of Správa železnic, státní organizace ("the Organisation"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2020, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Organisation is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organisation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

BASIS FOR OPINION

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities

under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organisation in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – DEBT REMISSION

As stated in notes 3.14 and 4.12.2 to the financial statements, the long-term payables to banks are paid by the Ministry of Finance according to instalment plans. Once settled, they are transferred to other payables to the state and are subject to debt remission. Net cash income from the activities of the Organisation is insufficient to cover these payables and therefore the solution for their settlement is subject to Resolution of the Government of the Czech Republic, in which the government determined the manner of waiver of the payables of the Organisation until the moment of their redemption. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The Director General is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Organisation obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

RESPONSIBILITIES OF THE DIRECTOR GENERAL, SUPERVISORY BOARD AND AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

The Director General is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director General is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process. The Audit Committee is responsible for monitoring the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global Organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra

- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

STATUTORY AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

Karel Charvát is the statutory auditor responsible for the audit of the financial statements Správa železnic, státní organizace as at 31 December 2020, based on which this independent auditor's report has been prepared.

Prague, 26 March 2021

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Registration number 71

Karel Charvát

Karel Charvát
Partner

Registration number 2032

Balance sheet

Name and registered office of the company
Správa železnic, státní organizace
Dlážděná 1003/7, 110 00 Praha 1 – Nové Město
Czech Republic

Identification number
709 94 234

in full format as at 30 December 2020 (in thousands of Czech crowns)
Translated from the Czech original

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
	TOTAL ASSETS	1	184 593 350	-121 984 691	62 608 659	63 610 779
B.	Fixed assets	2	176 168 225	-121 603 470	54 564 755	57 103 510
B.I.	Intangible fixed assets	3	1 251 013	-1 048 432	202 581	218 940
B.I.2.	Intellectual property rights	4	1 188 889	-1 043 746	145 143	162 621
B.I.2.1.	Software	5	1 186 999	-1 043 300	143 699	160 862
B.I.2.2.	Other intellectual property rights	6	1 890	-446	1 444	1 759
B.I.4.	Other intangible fixed assets	7	4 686	-4 686		
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	8	57 438		57 438	56 319
B.I.5.1.	Advance payments for intangible fixed assets	9	130		130	152
B.I.5.2.	Intangible fixed assets under construction	10	57 308		57 308	56 167
B.II.	Tangible fixed assets	11	174 917 212	-120 555 038	54 362 174	56 884 570
B.II.1.	Land and buildings	12	142 321 907	-96 348 208	45 973 699	48 460 238
B.II.1.1.	Land	13	6 785 402	- 23 146	6 762 256	6 777 831
B.II.1.2.	Buildings	14	135 536 505	-96 325 062	39 211 443	41 682 407
B.II.2.	Plant and equipment	15	20 074 292	-17 235 713	2 838 579	3 299 668
B.II.3.	Adjustments to acquired fixed assets	16	8 443 268	-6 907 526	1 535 742	2 098 626
B.II.4.	Other tangible fixed assets	17	4 468	-1 607	2 861	2 961
B.II.4.3.	Other tangible fixed assets	18	4 468	-1 607	2 861	2 961
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	19	4 073 277	-61 984	4 011 293	3 023 077
B.II.5.1.	Advance payments for tangible fixed assets	20	387 100		387 100	297 644
B.II.5.2.	Tangible fixed assets under construction	21	3 686 177	-61 984	3 624 193	2 725 433

continue »

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
C.	Current assets	22	8 391 639	-381 221	8 010 418	6 443 193
C.I.	Inventories	23	641 551	-11 548	630 003	547 700
C.I.1.	Raw materials	24	641 550	-11 548	630 002	546 698
C.I.2.	Work-in-progress and semi-finished products	25				1 000
C.I.3.	Finished goods and goods for resale	26	1		1	2
C.I.3.2.	Goods for resale	27	1		1	2
C.I.5.	Advance payments for inventories	28				
C.II.	Receivables	29	2 620 599	-369 673	2 250 926	2 105 563
C.II.1.	Long-term receivables	30	1 434		1 434	1 210
C.II.1.1.	Trade receivables	31	204		204	
C.II.1.5.	Receivables – other	32	1 230		1 230	1 210
C.II.1.5.2.	Long-term advances paid	33	1 205		1 205	1 089
C.II.1.5.4.	Other receivables	34	25		25	121
C.II.2.	Short-term receivables	35	2 619 165	-369 673	2 249 492	2 104 353
C.II.2.1.	Trade receivables	36	1 685 841	-355 407	1 330 434	1 240 695
C.II.2.4.	Receivables – other	37	933 324	-14 266	919 058	863 658
C.II.2.4.3.	Tax receivables	38	440 326		440 326	243 502
C.II.2.4.4.	Short-term advances paid	39	116 709		116 709	209 103
C.II.2.4.5.	Estimated receivables	40	329 325		329 325	378 479
C.II.2.4.6.	Other receivables	41	46 964	-14 266	32 698	32 574
C.IV.	Cash	42	5 129 489		5 129 489	3 789 930
C.IV.1.	Cash in hand	43	2 816		2 816	3 241
C.IV.2.	Bank accounts	44	5 126 673		5 126 673	3 786 689
D.	Deferrals	45	33 486		33 486	64 076
D.1.	Prepaid expenses	46	27 763		27 763	60 422
D.3.	Accrued revenues	47	5 723		5 723	3 654

Balance sheet

Name and registered office of the company
Správa železnic, státní organizace
Dlážděná 1003/7, 110 00 Praha 1 – Nové Město
Czech Republic

Identification number
709 94 234

as at 31 December 2020

Ident.	LIABILITIES	line	Current period	Prior period
	TOTAL LIABILITIES AND EQUITY	48	62 608 659	63 610 779
A.	Equity	49	51 051 588	52 365 096
A.I.	Registered capital	50	57 384 330	57 367 174
A.I.1.	Registered capital	51	57 384 330	57 367 174
A.II.	Premium and capital contributions	52	860 821	1 013 355
A.II.2.	Capital contributions	53	860 821	1 013 355
A.II.2.1.	Other capital contributions	54	860 821	1 013 355
A.III.	Funds from profit	55	70 909	2 724
A.III.2.	Statutory and other funds	56	70 909	2 724
A.IV.	Retained earnings (+/-)	57	-6 018 158	-4 939 668
A.IV.1.	Retained profits or accumulated losses (+/-)	58	-5 855 789	-4 777 299
A.IV.2.	Other retained earnings (+/-)	59	-162 369	-162 369
A.V.	Profit (loss) for the current period (+/-)	60	-1 246 314	-1 078 489
B.+C.	Liabilities	61	11 446 153	10 983 774
B.	Provisions	62	1 045 080	1 018 971
B.4.	Other provisions	63	1 045 080	1 018 971

[continue »](#)

Ident.	LIABILITIES	line	Current period	Prior period
C.	Liabilities	64	10 401 073	9 964 803
C.I.	Long-term liabilities	65	3 115 338	5 390 880
C.I.2.	Liabilities to credit institutions	66		290 400
C.I.4.	Trade payables	67	68 708	66 252
C.I.8.	Deferred tax liability	68	3 046 626	3 451 327
C.I.9.	Liabilities – other	69	4	1 582 901
C.I.9.3.	Other payables	70	4	1 582 901
C.II.	Short-term liabilities	71	7 285 735	4 573 923
C.II.3.	Short-term advances received	72	316 484	334 797
C.II.4.	Trade payables	73	3 383 273	2 318 503
C.II.8.	Liabilities – other	74	3 585 978	1 920 623
C.II.8.3.	Payables to employees	75	678 356	561 919
C.II.8.4.	Social security and health insurance liabilities	76	379 345	308 232
C.II.8.5.	Tax liabilities and subsidies	77	845 122	551 519
C.II.8.6.	Estimated payables	78	371 059	498 842
C.II.8.7.	Other payables	79	1 312 096	111
D.	Accruals	80	110 918	261 909
D.1.	Accrued expenses	81	94 393	244 914
D.2.	Deferred revenues	82	16 525	16 995

Income statement

Name and registered office of the company
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Dlážděná 1003/7, 110 00 Praha 1 – Nové Město
Czech Republic

Identification number
709 94 234

for the year ended 31 December 2020 (in thousands of Czech crowns)
Translated from the Czech original

Ident.	INCOME STATEMENT	line	Current period	Prior period
I.	Revenue from products and services	1	7 546 587	8 316 808
II.	Revenue from goods	2	2	1
A.	Cost of sales	3	21 165 951	18 979 710
A.1.	Cost of goods sold	4		1
A.2.	Materials and consumables	5	6 625 601	5 946 551
A.3.	Services	6	14 540 350	13 033 158
B.	Change in inventory of own production (+/-)	7	1 000	-1 000
C.	Own work capitalised (-)	8	-1 302 552	-658 454
D.	Personnel expenses	9	12 225 115	11 387 186
D.1.	Wages and salaries	10	8 739 689	8 110 677
D.2.	Social security, health insurance and other expenses	11	3 485 426	3 276 509
D.2.1.	Social security and health insurance expenses	12	2 934 599	2 740 280
D.2.2.	Other expenses	13	550 827	536 229
E.	Adjustments relating to operating activities	14	4 016 892	4 141 355
E.1.	Adjustments to intangible and tangible fixed assets	15	4 007 240	4 134 088
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	16	4 023 685	4 098 983
E.1.2.	Impairment of intangible and tangible fixed assets	17	-16 445	35 105
E.2.	Adjustments to inventories	18	-886	-1 124
E.3.	Adjustments to receivables	19	10 538	8 391

[continue »](#)

Ident.	INCOME STATEMENT	line	Current period	Prior period
III.	Other operating revenues	20	27 682 506	25 869 196
III.1.	Proceeds from disposals of fixed assets	21	38 665	40 125
III.2.	Proceeds from disposals of raw materials	22	223 372	278 858
III.3.	Miscellaneous operating revenues	23	27 420 469	25 550 213
F.	Other operating expenses	24	748 814	1 058 532
F.1.	Net book value of fixed assets sold	25	7 042	6 841
F.2.	Net book value of raw materials sold	26	223 081	278 845
F.3.	Taxes and charges	27	31 404	565 275
F.4.	Provisions relating to operating activity and complex prepaid expenses	28	26 109	-1 223 452
F.5.	Miscellaneous operating expenses	29	461 178	1 431 023
*	Operating profit (loss) (+/-)	30	-1 626 125	-721 324
VI.	Interest revenue and similar revenue	31		
VI.2.	Other interest revenue and similar revenue	32		
J.	Interest expense and similar expense	33	10 132	23 343
J.2.	Other interest expense and similar expense	34	10 132	23 343
VII.	Other financial revenues	35	15 917	20 534
K.	Other financial expenses	36	30 675	9 617
*	Profit (loss) from financial operations	37	-24 890	-12 426
**	Profit (loss) before tax (+/-)	38	-1 651 015	-733 750
L	Income tax	39	-404 701	344 739
L.2.	Deferred tax (+/-)	40	-404 701	344 739
**	Profit (loss) after tax (+/-)	41	-1 246 314	-1 078 489
***	Profit (loss) for the accounting period (+/-)	42	-1 246 314	-1 078 489
*	Net turnover for the accounting period × I. + II. + III. + IV. + V. + VI. + VII.	43	35 245 012	34 206 539

Statement of changes in equity

Name and registered office of the company
Správa železnic, státní organizace
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Czech Republic

Identification number
709 94 234

for the year ended 31 December 2020 (in thousands of Czech crowns)
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	Registered capital	Other capital contributions	Statutory and other funds	Retained profits or accumulated losses (+/-)	Other retained earnings	Profit (loss) for the current period	Total
Balance as at 1 January 2020	57 367 174	1 013 355	2 724	-4 777 299	-162 369	-1 078 489	52 365 096
Transfer of the profit (loss) of prior year period	--	--	--	-1 078 489	--	1 078 489	--
Assets identified during stock counts and other transfers	--	63	--	--	--	--	63
Free-of-charge transfers of assets and other transfers	31 277	18 856	--	--	--	--	50 133
Privatised assets	-14 121	--	--	--	--	--	-14 121
Creation of the culture and social needs funds	--	--	-103 267	--	--	--	-103 267
Use of the culture and social needs fund	--	-171 453	171 453	--	--	--	--
Rounding	--	--	-1	-1	--	--	-2
Profit (loss) for the current period	--	--	--	--	--	-1 246 314	-1 246 314
Balance as at 31 December 2020	57 384 330	860 821	70 909	-5 855 789	-162 369	-1 246 314	51 051 588
Balance as at 1 January 2019	57 362 715	1 151 107	--	-4 248 142	-155 027	-529 155	53 581 498
Transfer of the profit (loss) of prior year period	--	--	--	-529 155	--	529 155	--
Assets identified during stock counts and other transfers	--	55	--	--	--	--	55
Free-of-charge transfers of assets and other transfers	5 223	9 950	--	--	--	--	15 173
Privatised assets	-764	--	--	--	--	--	-764
Creation of the culture and social needs funds	--	--	-145 033	--	--	--	-145 033
Use of the culture and social needs fund	--	-147 757	147 757	--	--	--	--
Other profit or loss	--	--	--	--	-7 342	--	-7 342
Rounding	--	--	--	-2	--	--	-2
Profit (loss) for the current period	--	--	--	--	--	-1 078 489	-1 078 489
Balance as at 31 December 2019	57 367 174	1 013 355	2 724	-4 777 299	-162 369	-1 078 489	52 365 096

Cash flow statement

Name and registered office of the company
Správa železnic, státní organizace
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Czech Republic

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for the year ended 31 December 2020 (in thousands of Czech crowns)
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	Current period	Prior period
P. Cash and cash equivalents, beginning of period	3 789 930	2 599 578
Net operating cash flow		
Z: Accounting profit (loss) from ordinary activities	-1 651 015	-733 750
A.1. Non-cash transactions	-20 184 743	-20 684 410
A.1.1. Depreciation and amortisation of fixed assets excluding the net book value of fixed assets sold and amortisation of adjustments to acquired assets and goodwill	4 023 685	4 098 983
A.1.2. Change in:	-24 208 428	-24 783 393
A.1.2.1. Change in other adjustments and provisions	19 316	-1 181 080
A.1.3. Profit (-) Loss (+) on sale of fixed assets	-31 624	-33 284
A.1.4. Expense and revenue interests accounted for	10 132	23 343
A.1.5. Use of operating grants	-23 754 819	-23 707 919
A.1.6. Debt remission	-583 822	0
A.1.7. Other non-cash transactions	132 389	115 547
A.* Net operating cash flow before financial items, changes in working capital and extraordinary items	-21 835 758	-21 418 160
A.2. Changes in working capital	783 475	368 437
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	-125 280	-179 325
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	990 173	632 723
A.2.3. Change in inventories	-81 418	-84 961
A.** Net operating cash flow before financial balances, tax and extraordinary items	-21 052 283	-21 049 723

continue »

		Current period	Prior period
A.3.	Interest paid excluding amounts capitalised	0	0
A.4.	Interest received	0	0
A.5.	Operating grants received	23 749 566	23 551 368
A.***	Net operating cash flow	2 697 283	2 501 645
	<i>Investment activity</i>		
B.1.	Acquisition of fixed assets	-29 271 756	-20 353 693
B.1.1.	Acquisition of tangible fixed assets	-1 454 207	-654 060
B.1.2.	Acquisition of intangible fixed assets	-101 284	-125 002
B.1.3.	Acquisition of tangible fixed assets from investment grants	-27 716 265	-19 574 631
B.2.	Proceeds from sales of fixed assets	38 665	40 125
B.2.1.	Proceeds from sales of tangible and intangible fixed assets	38 665	40 125
B.3.	Investment grants received	27 978 634	19 138 419
B.***	Net cash flow from investment activity	-1 254 457	-1 175 149
	<i>Financial activity</i>		
C.1.	Change in long-term resp.short-term liabilities from financing	0	0
C.2.	Increase and decrease in equity from cash transactions	-103 267	-136 144
C.2.1.	Payments from funds created from net profit	-103 267	-136 144
C.***	Net cash flow from financing activities	-103 267	-136 144
F.	Net increase or decrease in cash balance	1 339 559	1 190 352
R.	Cash and cash equivalents, end of period	5 129 489	3 789 930

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as of 31 December 2020



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1. General information

1.1 GENERAL INFORMATION

Správa železnic, státní organizace (“Správa železnic”) was established as at 1 January 2003 under the name Správa železniční dopravní cesty, státní organizace (“SŽDC”) as one of two legal successors of České dráhy, státní organizace (“ČD, s. o.”), in accordance with Act No. 77/2002 Coll. (“the Transformation Act”).

As at 1 January 2003, Správa železnic was recorded in the Commercial Register maintained by the Municipal Court in Prague, section A, file number 48384. Pursuant to Act No. 367/2019 effective from 1 January 2020, the Organisation bears a new name: Správa železnic, státní organizace.

The address of Správa železnic’s registered office is Dlážděná 1003/7, Prague 1 – Nové Město, postcode 110 00.

The founder of Správa železnic is the Czech Republic (with the Ministry of Transport of the Czech Republic (“MT”) being charged with exercising the founder’s duties). The governing body in matters of settling legal remedies against Správa železnic’s decisions is the MT. The MT also acts as the institutor of České dráhy, a.s (“ČD”) and ČD Cargo, a.s. (“ČD Cargo”). Správa železnic has many contractual relations with ČD and its subsidiaries, the most important of which are described in note 7.3.

The reporting period is the calendar year. All amounts in the financial statements are presented in thousands of Czech crowns (TCZK), unless stated otherwise.

The financial statements of Správa železnic for 2020 have been prepared as at 31 December 2020.

These notes have been prepared for the period starting 1 January 2020 and ending 31 December 2020 and include significant events which occurred after this date as well as significant changes as of the date of Správa železnic’s registration.

1.2 PRINCIPAL BUSINESS ACTIVITY

In accordance with the Transformation Act, the principal activities of Správa železnic consist of operating the railway infrastructure including rail servicing and ensuring its operability, maintenance, modernisation and development, as well as maintenance and modernisation of railway stations.

Throughout 2020, the operation of the railway infrastructure was ensured by Správa železnic’s internal capacities.

Správa železnic provides the railway infrastructure for use by carriers. Income arising from the use of the railway infrastructure is predominantly realised with the key users, i.e. ČD and ČD Cargo, as discussed in note 7.3.

Správa železnic generates additional major revenues from grants, which are used to cover expenditure related to modernisation, development and maintenance, as discussed in note 3.10.

Správa železnic also administers the assets and liabilities set out in Sections 20 and 38a of the Transformation Act. These principally involve assumed receivables and liabilities, including the loans of ČD, s. o., and the assets specified in the Appendix to the Act that had been administered by the MT until 30 June 2004. The assumed liabilities are the subject of debt remission, refer to note 3.14.

On 30 May 2007, having complied with all the requirements arising from Act No. 458/2000 Coll., the Energy Act, as amended, Správa železnic was granted a licence for electricity distribution by the Energy Regulatory Office in Jihlava. Správa železnic began conducting this activity on 1 July 2007. On 3 December 2007, Správa železnic also received a licence for electricity trading. This activity started on 1 January 2008.

Pursuant to the amendment to the Transformation Act, on 1 July 2008, Správa železnic assumed, through the purchase of a part of a business, the role of the operator of the national railway infrastructure and regional railway infrastructure owned by the state, including certain activities related to the operation of the railway infrastructure.

Based on a resolution of the Government of the Czech Republic, as at 1 September 2011, activities concerning traffic control at stations and on railway lines were purchased by Správa železnic from ČD. In connection with this purchase, Správa železnic also took over 9 336 employees. These activities, whose cost was invoiced to Správa železnic prior to the above date, are now performed by Správa železnic’s employees.

Based on a resolution of the Government of the Czech Republic and a contract on the purchase of a part of a facility, a part of a facility, designated as “Railway Stations”, was transferred from ČD to Správa železnic on 1 July 2016. Since this date, Správa železnic has been ensuring the railway stations’ maintenance and modernisation and has been leasing vacant premises for commercial use and any residential units to individuals for housing purposes.

1.3 SPRÁVA ŽELEZNIC’S ORGANISATIONAL STRUCTURE AND BODIES

Správa železnic is a standalone state organisation and does not hold equity investments in any other entity. Správa železnic’s bodies include the Supervisory Board and the Director General.

The Director General acts and signs in full on behalf of Správa železnic independently. In the absence of the Director General,

a Deputy Director General acts and signs in full on behalf of Správa železnic, in the order specified in the Commercial Register.

The Director General, Mr Jiří Svoboda is the Správa železnic's statutory representa-

tive, managing its activities and acting on its behalf. The statutory Deputy Director General, Mr Mojmír Nejezchleb, authorised to act in the absence of the Director General, is recorded in the Commercial Register.

The members of the Správa železnic's management as at 31 December 2020 were:

Name	Position	Date
Jiří Svoboda	Director General	Since 23 March 2018
Aleš Krejčí	Deputy Director General for Economics	Since 1 June 2012
Mojmír Nejezchleb	Deputy Director General for Infrastructure Modernisation	Since 1 July 2013
Marcela Pernicová	Deputy Director General for Rail Operability	Since 1 May 2018
Miroslav Jasenčák	Deputy Director General for Traffic Management	Since 1 November 2018

The members of the Supervisory Board as at 31 December 2020 were:

Name	Position	Date
Pavel Hrubeš	Chairperson	Since 1 November 2018
Martin Kolovratník	Vice-chairperson	Since 1 December 2018
Tomáš Čoček	Member	Since 17 March 2015
Ladislav Němec	Member	Since 1 January 2018
Jaroslav Foldyna	Member	Since 25 March 2014
Ivo Drahotský	Member	Since 1 November 2018
Vít Janoš	Member	Since 1 November 2018

The members of the Audit Committee as at 31 December 2020 were:

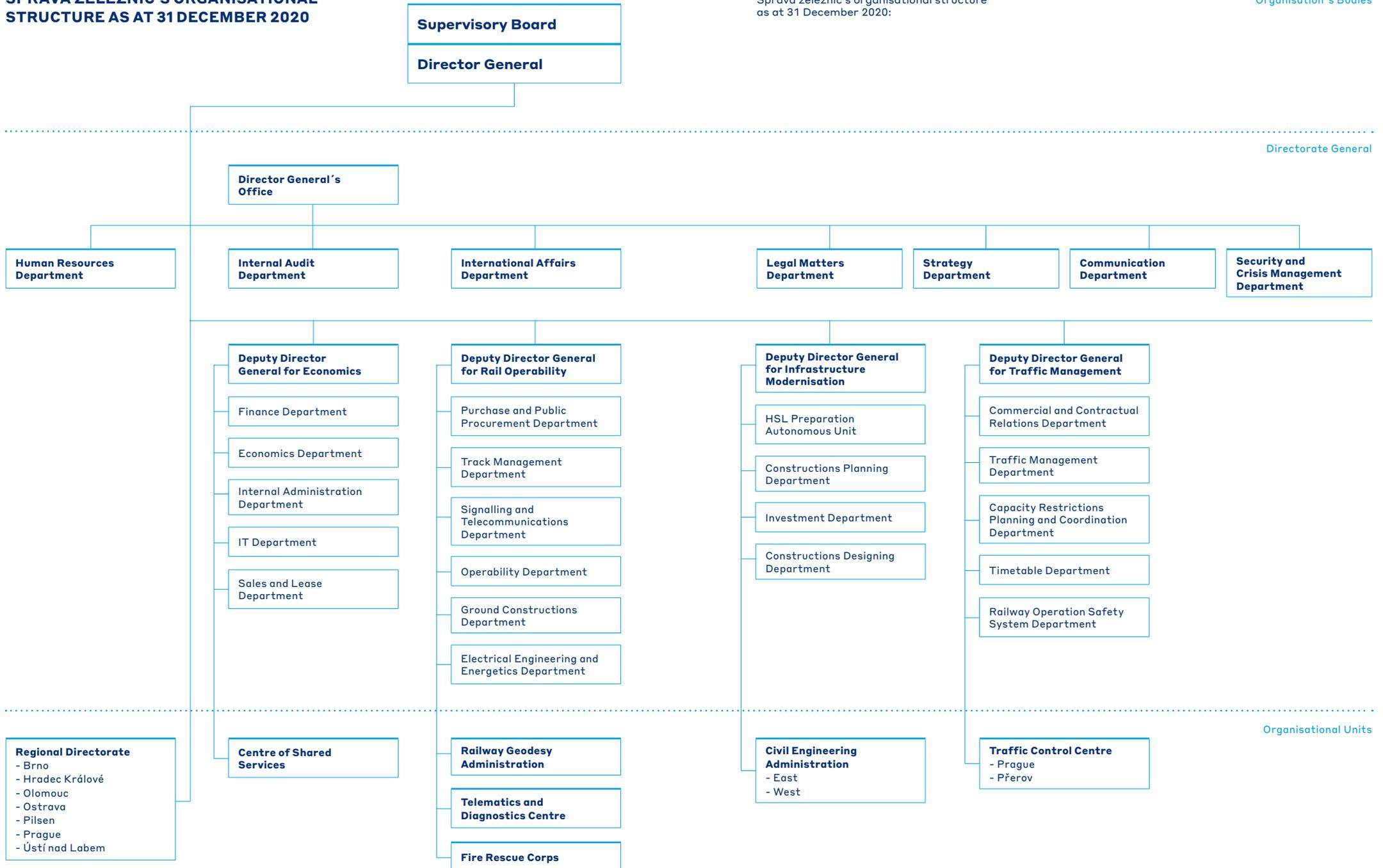
Name	Position	Date
Eva Janoušková	Chairperson	Since 11 January 2019
Tomáš Čoček	Member	Since 1 February 2018
Pavel Hrubeš	Member	Since 1 December 2018
Lenka Hlubučková	Member	Since 1 December 2018

The members of the Strategy and Development Committee as at 31 December 2020 were:

Name	Position	Date
Ladislav Němec	Chairperson	Since 1 February 2018
Tomáš Čoček	Member	Since 1 December 2018
Martin Kolovratník	Member	Since 1 December 2018
Ivo Drahotský	Member	Since 1 December 2018
Vít Janoš	Member	Since 1 December 2018

1.4 CHANGE IN THE ORGANISATION'S NAME

On 14 January 2020, the Organisation's new name "Správa železnic, státní organizace" was recorded in the Commercial Register, following 1 January 2020 as the effective date of Act No. 367/2019 Coll., amending Act No. 266/1994 Coll., on Railways, as amended, and other related laws.



2. Accounting policies and general accounting principles

Správa železnic's accounts are maintained and the financial statements have been prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended, and Decree No. 500/2002 Coll., implementing certain provisions of the Act on Accounting, as amended, for business entities using double-entry bookkeeping and Czech Accounting Standards for business entities, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost basis except for certain areas (refer to note 3.1), the accruals principle, the principle of prudence, and the going concern assumption.

Pursuant to Decree No. 312/2014 Coll., on requirements for preparing the financial statements on behalf of the Czech Republic (the state consolidation decree), Správa železnic has been obligated since 2016 to submit a complementary consolidated statements overview as at the balance sheet date. The overview as at 31 December 2020 will be submitted by 31 July 2021 at the latest. In terms of consolidation, it is necessary to identify and eliminate mutual relations with entities specified in the list of entities consolidated by the state and other entities.

3. Significant accounting policies and procedures

3.1 TANGIBLE AND INTANGIBLE FIXED ASSETS

Správa železnic administers state assets pursuant to the Transformation Act.

At Správa železnic, fixed assets include assets with an estimated useful life greater than one year and acquisition cost greater than TCZK 40 for plant and equipment and for intangible fixed assets.

Purchased fixed assets are stated at cost, which includes interest on loans provided to fund the acquisition of the assets until they are available for use where assets are financed through loans plus other expenses attributable to their acquisition.

Land acquired until 1992 is measured at the arm's length price prevailing at the date of acquisition, in accordance with a decree of the Ministry of Finance. Land acquired after 1992 is measured at cost.

Tangible and intangible assets produced internally are stated at internal cost, which includes direct costs and an allocation of manufacturing and/or administrative overheads.

Plant and equipment and intangible assets costing up to TCZK 40 are expensed at the date of acquisition and further maintained in off-balance sheet records, except for vehicles marked with a registration sign and, based on individual assessment,

significant assets for which Správa železnic is not the first user and which have a significant original acquisition cost (e.g. assets acquired through the purchase of a part of a business). Easements established over third-party property are recorded as other tangible fixed assets, irrespective of their cost.

The improvement to an individual asset exceeding TCZK 40 for the accounting period increases the acquisition cost of fixed assets.

Assets identified during a fixed asset count that have not been previously included in the accounting records as well as received gifts are measured at replacement cost. When the competence for state assets management is changed free of charge, the valuation of assets follows the valuation in the accounts of the accounting entity which is transferring the competence.

Low value tangible assets (including IT equipment) are maintained in off-balance sheet records, at the cost at which they were released for consumption.

Accounting depreciation expense is calculated based on the acquisition cost and the estimated useful lives of the relevant assets. During the fixed asset use, the depreciation plan is updated based on the estimated useful lives and the expected residual value of the asset. The expected useful life is determined as follows:

	Number of years (from-to)
Software	3
Constructions	10–50
Machinery and equipment	4–20
Motor vehicles	8–25

The useful lives of the fixed assets forming the railway infrastructure are dependent upon the availability of funding for their renovation, modernisation and performance improvement. The Organisation's management expects the amount of subsidies for the renovation, modernisation and performance improvement of fixed assets promised for the subsequent accounting period is in line with the assumptions used in determining the useful lives.

At the reporting date, adjustments to fixed assets are established based on an individual assessment of the actual condition and future usability of individual items or groups of assets as part of the stocktaking process. Adjustments are established at an amount equal to the difference between the carrying amount and estimated selling price of an unused asset, provided that the estimated selling price is lower than the current carrying amount.

Considering the Organisation's principal activities and the method of their funding by means of subsidies, the Organisation does not create adjustments for fixed assets based on an assessment of the economic benefits of fixed assets using the discounted cash flow method.

The cost of assets acquired after 1 January 2002 using grants is reduced by the amount of the respective grant. Assets funded by grants are recorded in sub-ledger accounts.

Assets acquired through the purchase of a part of a business as at 1 July 2008 and 1 September 2011 and a part of a facility as at 1 July 2016, were valued by a court-appointed expert and included as part of Správa železnic's assets at the carrying amounts recognised by the selling organisation at the date of acquisition of the part of the business (establishment).

The difference between the aggregate carrying amount and purchase price of the assets represents an adjustment to acquired fixed assets, which is depreciated to expenses on a straight-line basis over 15 years (180 months), in accordance with Decree 500/2002 Coll., as amended.

3.2 INVENTORY

The bulk of Správa železnic's inventories consists of inventory related to the railway superstructure, stored primarily in superstructure material centres, including both new superstructure and the superstructure salvaged from investment activities or maintenance. Other inventories include prefabricated components, uniforms, personal protective equipment, solid fuels, fuels, electrical materials, safety installations, and other operating materials.

Purchased inventories are measured at cost, which includes the purchase price

and other expenses associated with the acquisition.

Materials salvaged upon the liquidation of fixed assets or repairs are measured at replacement cost.

Adjustments to inventories are established based on suggestions of individual inventory count committees, which determine the amount of unused, damaged or impaired inventories during inventory-taking. Adjustments are established either at an amount equal to the carrying amount of inventories designated for liquidation or, for inventories for sale, at an amount equal to the difference between the carrying amount and net realisable value, provided that the net realisable value is lower than the current carrying amount. In the income statement, the establishment and release of adjustments is presented in Adjustments to inventories.

Acquisitions and dispatches of inventories are accounted for using method A.

3.3 RECEIVABLES

Upon origination, receivables are stated at their nominal value. Receivables acquired through assignment are carried at cost.

Receivables due within one year of the reporting date are presented as short-term. Other receivables are presented as long-term.

At the reporting date, the Organisation established tax-deductible adjustments to receivables in accordance with Act

No. 593/1992 Coll., on Reserves for Determining the Income Tax Base, as amended. Accounting adjustments were recognised in respect of receivables based on an analysis of the credit status of customers and the ageing structure of receivables. In the income statement, the establishment and release of adjustments is presented in Adjustments to receivables.

3.4 EQUITY

The registered capital balance as at 1 January 2003 was equal to the carrying amount of assets net of liabilities assumed as at the date on which SŽDC (nowadays Správa železnic) was registered, as discussed in note 7.1.

On 1 July 2004, the assets specified in the Appendix to the Transformation Act, which were transferred from the MT to Správa železnic, were recorded in the registered capital account. In addition, subsidies granted by the MT for the purchased part of a business and the part of a business establishment from ČD were also recorded in the registered capital account.

Changes in registered capital are recorded in respect of transfers of land to the Land Fund of the Czech Republic, free-of-charge transfers of assets, privatisation (refer to note 3.15), corrections of accounting errors in the register of land by matching them with the Real Estate Cadastre, or in respect of additional refinements made to the scope and value of assets and liabilities taken over by Správa železnic as at 1 January 2003.

Správa železnic contributes to the reserve fund when potential profit is generated.

Správa železnic contributes to the cultural and social needs fund in accordance with Decree No. 114/2002 Coll., on the Cultural and Social Needs Fund, as amended. Since the reserve fund had been fully utilised, from 2018, Správa železnic makes additions to the cultural and social needs fund from other capital contributions. The fund is utilised in compliance with Správa železnic's approved policies and the respective collective agreement.

3.5 PROVISIONS

Správa železnic establishes provisions for: litigations; compensation for work injuries and occupational diseases (also for former employees of ČD, s. o.); extra pension payments to former employees of ČD, s. o.; severance pay associated with a loss of employees' work capability; severance pay provided to employees on legal grounds; unpaid payroll expenses and other personnel expenses; damages; and potential penalties, contributions and sanctions for budget discipline violations.

A litigation provision is established based on a professional estimate of losses arising from legal disputes, and a detailed analysis of the status of individual disputes.

A provision for payments relating to compensation for work injuries and occupational diseases and for extra pension payments to former employees of ČD, s. o., is established at the present value of estimated future payments arising from

claims originating as at the reporting date, based on a statistical analysis of available historical information. The provision has been reviewed as at the reporting date.

A similar method is applied in establishing a provision for severance pay associated with a loss of employees' work capability, including statutory deductions.

A provision for payroll expenses and other personnel expenses comprises unpaid salaries estimated to be paid to the management primarily based on an assessment using key performance indicators, including statutory deductions. A provision for statutory severance pay comprises the volume of expected other personnel expenses paid in connection with the implementation of expected organisational changes that are associated with changes in the organisational structure.

A provision for damages is established based on a legal opinion on recognised damages.

A provision for potential penalties is established where a payment assessment or a similar decision has been issued but all procedures enabling the elimination of the obligation to pay the penalty have not concluded. The provision equals the amount of payment assessments issued, or the amount stipulated by applicable legislation, taking into account the outcome of the aforementioned procedures.

3.6 LIABILITIES

Upon origination, liabilities are stated at their nominal value. Liabilities due within

one year of the reporting date are presented as short-term. Other liabilities are presented as long-term.

3.7 LOANS AND LONG-TERM LIABILITIES

Loans and long-term liabilities are stated at their nominal value.

Any part of long-term loans and liabilities that is due within one year of the reporting date is included in short-term loans and liabilities, except as disclosed in note 4.12.2.

Borrowing costs that are attributable to the acquisition and construction of fixed assets and incurred until these assets are available for use are capitalised as part of the cost of the assets.

3.8 FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at the Czech National Bank ("CNB") official rate at the first working day of the month. Where a foreign currency is purchased or sold in exchange for Czech currency, the exchange rate of the bank executing the transaction is applied. When accounting for foreign travel expenses, the Czech National Bank official rate at the date on which the advance was provided to the respective employee is applied. Where employees on business trips use company payment cards, related travel expenses are accounted for using the CNB rate of exchange for the date the business trip commences.

At the reporting date, receivables and liabilities and the final balances of financial assets denominated in foreign currencies are translated to Czech crowns at the Czech National Bank official rate at that date.

Any foreign exchange gains or losses are credited to other financial revenues or debited to other financial expenses, as appropriate.

Správa železnic does not use any financial instruments to hedge against currency risk.

3.9 INCOME TAX

Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods. Taxable income differs from the profit recognised in the income statement as it does not include revenues or expenses that are taxable or deductible in other periods. In addition, it does not include items that are non-taxable or non-tax deductible.

Deferred tax is calculated using the liability method based on the balance sheet approach. The liability method involves applying the income tax rate expected to be valid in the future period in which the tax asset/liability is utilised. Under the balance sheet approach, the liability method is based on temporary differences between the tax base of assets/liabilities and the carrying amount of assets/liabilities recognised in the balance sheet. The tax base of assets/liabilities is the amount that can be utilised for tax purposes in the future.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods. Deferred tax is recognised in the income statement, except when it relates to items recorded directly in equity, in which case it is also included in equity. Deferred tax assets and liabilities are offset and presented in the balance sheet on an aggregate net basis.

3.10 GRANTS

Správa železnic receives grants in accordance with applicable Czech legislation.

Správa železnic does not account for an entitlement to a grant as a receivable from the grant provider. An undisputable entitlement to a grant only arises upon utilising the funds granted and billing them to the provider. Until utilised and billed, the funds belong to the provider.

Non-investment grants primarily comprise grants from the State Fund for Transport Infrastructure ("SFTI") and from the state budget of the Czech Republic. These grants are intended to cover expenses related to ensuring the operability and operation of the railway infrastructure and the maintenance of passenger railway stations. Non-investment grants are credited to other operating revenues, observing the matching and accrual principle of expenses, for the payment of which they have been provided.

Investment grants comprise grants intended to cover expenditure related to restoring and modernising the railway infrastructure and train stations. These

grants include funds relating to individual infrastructure modernisation projects approved by the Government, as well as funds relating to the development phase of specific projects. These funds are provided by SFTI and the EU. Investment grants are accounted for as a reduction in the cost of the respective fixed assets. Správa železnic records assets under construction until the moment the investment grant is received. After the grant has been received and payments to suppliers made, the cost of the fixed asset under construction is reduced by the grant and the asset is further recorded off balance sheet.

3.11 REVENUES

Revenues are recognised on an accrual basis i.e. in the period to which they relate in terms of substance and timing.

In addition to non-investment grants, the bulk of Správa železnic's revenues is composed of proceeds arising from the use of the railway infrastructure. Other significant revenue items relate to electricity distribution and trading activities, in which Správa železnic has been engaged since 1 January 2008, based on a licence granted to Správa železnic by the Energy Regulatory Office and to rental from leased non-residential premises in railway stations.

3.12 USE OF ESTIMATES

The presentation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported

amounts of revenue and expenses during the reporting period. The management of Správa železnic believes that the estimates and assumptions used will not significantly differ from actual results in the following accounting periods.

3.13 CHANGE IN ACCOUNTING POLICIES

No changes were made to accounting policies in 2020.

3.14 DEBT REMISSION

As at the date of its incorporation, Správa železnic assumed the liabilities arising from guaranteed loan agreements related to the financing of rail corridors and other programmes guaranteed by the state in accordance with the Transformation Act; these are presented in Liabilities to credit institutions. The debt service in respect of all loan agreements is provided by the Ministry of Finance of the Czech Republic ("MF").

All payments of principal and interest made by the MF are recognised as liabilities to the state budget in Správa železnic's accounts and are presented in Other payables.

Revenue from the use of the railway infrastructure is insufficient to cover expenses related to operating, maintaining and developing the railway infrastructure. Consequently, Správa železnic does not generate disposable funds that could be used to settle its liabilities to the state budget. As a result, on 30 November 2005

the Government adopted Resolution No. 1553, defining a strategy for forgiving Správa železnic's liabilities until they are fully settled. The resolution states that "subject to compliance with the outlined strategy for dealing with Správa železnic's liabilities, this entity is considered to be clear of debts".

The actual remission of debt occurs, and is accounted for, on the basis of the "Debt Remission Agreement", in accordance with the above-mentioned Resolution No. 1553 dated 30 November 2005.

The amount to be forgiven in the relevant period is submitted for approval to the Czech Government annually by each 30 September.

The amount of liabilities forgiven is recorded under other operating revenues of the current period.

3.15 PRIVATISATION

In accordance with the Transformation Act, as at 1 July 2004, Správa železnic took over from the MT assets intended for the settlement of liabilities assumed from ČD, s. o.

The assets that are the subject of privatisation projects are carried at historical cost net of accumulated depreciation ("net book value"). Following the approval of the privatisation projects, the assets are transferred to the MF at the net book value prevailing at the disposal date. In accordance with Czech Accounting Standard No. 22, the disposal of assets is recognised

as a reduction in fixed assets with a charge against Správa železnic's equity.

In 2020, the MF privatised Správa železnic's assets by selling them to third parties. Based on the respective contracts, proceeds from the privatisation are subsequently transferred from the MF to Správa železnic. When received, they are recognised as other operating revenues. For details, see note 7.4.

3.16 SALE OF ASSETS

In accordance with Section 20 (4) of the Transformation Act, deposition of assets constituting the railway infrastructure and deposition of assets listed in the Appendix to the Transformation Act are subject to approval by the Czech Government, with the exception of transfer for consideration of the right to administer state assets (i.e. not the ownership rights), for which the approval of the Supervisory Board of Správa železnic is sufficient.

3.17 LEASED ASSETS

Správa železnic leases assets constituting the railway infrastructure, assets intended for the settlement of liabilities assumed from ČD, s. o., as well as commercial and residential premises in the railway stations.

4. Additional information on the balance sheet and income statement

4.1 INTANGIBLE FIXED ASSETS

	Other intangible fixed assets	Intangible fixed assets under construction	Advances paid	Software	Other Intellectual property rights	Total
Acquisition cost						
Balance as at 1 January 2020	4 686	56 167	152	1 086 856	1 890	1 149 751
Additions	0	1 141	0	100 143	0	101 284
Disposals	0	0	-22	0	0	-22
Transfers to off balance sheet	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Balance at 31 December 2020	4 686	57 308	130	1 186 999	1 890	1 251 013
Accumulated amortisation						
Balance as at 1 January 2020	4 686	0	0	925 994	131	930 811
Amortisation expense	0	0	0	117 306	315	117 621
Disposals	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Balance at 31 December 2020	4 686	0	0	1 043 300	446	1 048 432
Net book value 1 January 2020	0	56 167	152	160 862	1 759	218 940
Net book value at 31 December 2020 (balance sheet, line B.I.)	0	57 308	130	143 699	1 444	202 581

Additions to software primarily include the acquisition of licenses, improvement to SAP system, and technological development of software applications.

4.2 TANGIBLE FIXED ASSETS

4.2.1 CONTINUITY SCHEDULE IN TANGIBLE FIXED ASSETS

	Land	Constructions	Machinery and equipment	Motor vehicles	Adjustments to acquired fixed assets	Tangible fixed assets under constr.	Other tangible fixed assets	Advances paid	Total
Acquisition cost									
Balance at 1 January 2020	6 800 996	136 355 324	18 534 601	1 593 112	8 443 268	2 787 456	4 219	297 644	174 816 620
Additions	4 175	72 608	33 416	154 169	0	28 905 855	249	89 456	29 259 928
Disposals	-19 769	-1 203 405	-222 853	-48 737	0	-1 858	0	0	-1 496 622
Transfers to off balance sheet	0	0	0	0	0	-27 662 714	0	0	-27 662 714
Transfers	0	311 978	27 778	2 806	0	-342 562	0	0	0
Balance at 31 December 2020	6 785 402	135 536 505	18 372 942	1 701 350	8 443 268	3 686 177	4 468	387 100	174 917 212
Accumulated depreciation									
									0
Balance as at 1 January 2020	0	94 531 379	16 056 414	771 598	6 344 642	0	1 258	0	117 705 291
Depreciation expense [1]	0	2 653 913	534 456	131 801	562 884	0	349	0	3 883 403
Other additions	0	716	995	103	0	0	0	0	1 814
Disposals	0	-988 267	-210 356	-47 161	0	0	0	0	-1 245 784
Transfers	0	2 137	-1 743	-394	0	0	0	0	0
Balance at 31 December 2020	0	96 199 878	16 379 766	855 947	6 907 526	0	1 607	0	120 344 724
Adjustments									
									0
Balance as at 1 January 2020	23 165	141 538	33	0	0	62 023	0	0	226 759
Change in adjustments	-19	-16 354	-33	0	0	-39	0	0	-16 445
Balance at 31 December 2020	23 146	125 184	0	0	0	61 984	0	0	210 314
Net book value 1 January 2020	6 777 831	41 682 407	2 478 154	821 514	2 098 626	2 725 433	2 961	297 644	56 884 570
Net book value 31 December 2020 (balance sheet, line B.II.)	6 762 256	39 211 443	1 993 176	845 403	1 535 742	3 624 193	2 861	387 100	54 362 174

[1] Depreciation expense includes depreciation in accounts 551/*, 553/1000 and 557/1000 in accordance with the income statement.

Major additions to tangible fixed assets put into use in 2020 include the renewal of a car fleet of TCZK 145 669.

Major disposals of tangible fixed assets in 2020 include the liquidation of assets as a result of new constructions with an acquisition cost of TCZK 1 308 528, and net book value of TCZK 203 021.

As at 31 December 2020, the Organisation records tangible fixed assets under construction with acquisition cost of TCZK 3 686 177. The balance of tangible assets under construction mainly represents the construction of railway corridors, as described in note 6.4, and the construction works to modernise and renovate the railway infrastructure incomplete as at 31 December 2020. For example, this concerns increasing the line speed in the Oldřichov u Duchcova – Bílina section, platform construction in the Pačejov Station, increasing the speed in the 299.650 and 304.009 km sections, optimisation of the Praha-Hostivař – Praha hl. n. (main station), part II – Praha-Hostivař – Praha hl. n., Velim – Poříčany sections, electrification of the Uničov – Olomouc line section, reconstruction of the Přerov railway station, second construction. Additions to tangible assets under construction predominantly include the acquisition cost of railway corridors and construction works to modernise and renovate the railway

infrastructure in 2020, where the grant used to finance the constructions has not been accounted for before 31 December 2020. Transfers to off-balance sheet are made once the investment grant that decreases the asset's acquisition cost is recorded. In 2020, subsidised tangible and intangible assets totalling TCZK 27 662 714 (2019 – TCZK 19 431 228) were included in the off-balance sheet records.

According to the Rules for funding from the SFTI, Správa železnic as the recipient of subsidies, was allowed to use invoices for advance payment, the amount of which corresponds with the estimated invoicing for the payment of expenses that will arise at the beginning of 2021. Advances created this way which were utilised in 2020 for the acquisition of investments connected primarily with construction parts related to the modernisation and reconstruction of railway infrastructure are reported in advances for the acquisition of tangible fixed assets and as at 31 December 2020 totalled TCZK 387 100 (2019 – TCZK 297 644). The advances will be accounted for in 2021.

Table of 4.2.2 Investment grants received in 2019 and 2020 were as follows:

	1 January – 31 December 2019	1 January – 31 December 2020
SFTI for construction and modernisation, state share, OPT, EIB, CEF	19 579 833	29 637 370
Total investment grants from SFTI	19 579 833	29 637 370
EU funds	9 488	0
Contributions from cities, municipalities, regions and other entities	13 882	1 604
Total investment grants	19 603 203	29 638 974

4.2.2 INVESTMENT GRANTS

Investment grants for construction and modernisation primarily include funds from the Operational Programme Transport (“OPT2”), the CEF infrastructure fund, funds from the European Investment Bank (“EIB”) loan provided through the MF, and grants from SFTI. SFTI ensures the payment of European subsidies and at the same time, it partly participates in co-financing. In 2020, funds of TCZK 15 469 065 were drawn from SFTI from national sources, including sources to cover national shares of European investment projects. In 2020, funds amounting to TCZK 9 113 382 were provided from OPT2, TCZK 4 472 881 from CEF, and a loan of TCZK 582 042 was provided by the EIB.

4.2.3 ASSETS NOT RECORDED IN THE BALANCE SHEET

The amount of fixed assets financed from grants and other sources recorded off-balance sheet as at 31 December 2020 was TCZK 290 364 862. As at 31 December 2019, the acquisition cost was TCZK 263 331 088.

The aggregate amount of low-value tangible assets not reported in the balance sheet was TCZK 1 143 879 and TCZK 1 104 208 as at 31 December 2020 and 31 December 2019, respectively. These balances comprise assets costing less than TCZK 40 that are kept at historical cost off balance sheet. In accordance with the effective legislation, these balances are charged to expenses when transferred to consumption.

Table of 4.2.4 Continuity schedule in assets financed from grants and reported in the off-balance sheet accounts

	Software	Other intangible assets	Intangible assets under construction	Land	Constructions	Machinery, equipment and other tangible assets	Motor vehicles	Tangible assets under construction	Total
Acquisition cost									
Balance at 1 January 2020	111 177	2 641	1 559	1 162 302	147 434 207	49 246 218	1 308 537	64 064 447	263 331 088
Additions (Transfers from the balance sheet)	0	0	0	9 490	32 934	152 345	68 920	27 399 025	27 662 714
Disposals	-130	0	0	-95	-64 489	-545 284	0	-18 942	-628 940
Transfers (including assets put into use)	1 656	0	-223	10 666	10 619 695	4 254 410	15 280	-14 901 484	0
Balance at 31 December 2020	112 703	2 641	1 336	1 182 363	158 022 347	53 107 689	1 392 737	76 543 046	290 364 862

4.2.4 CONTINUITY SCHEDULE IN ASSETS FINANCED FROM GRANTS AND REPORTED IN THE OFF-BALANCE SHEET ACCOUNTS

Tangible assets under construction primarily include constructions related to the modernisation and renovation of the railway infrastructure for which occupancy permits have not been issued as at the reporting date and therefore were not put into use for the accounting purposes.

Major additions to tangible fixed assets under construction in 2020 included the modernisation of the Rokycany – Pilsen line, optimisation of the Beroun (incl.) – Králův Dvůr line, optimisation of the Praha-Hostivař – Praha hl. n. line section, part II – Praha-Hostivař – Praha hl. n., modernisation of the Sudoměřice – Votice line section, electrification of the Uničov – Olomouc line, reconstruction of

the Přerov station, second construction.

In 2020, the major disposal of tangible assets under construction in the off-balance sheet represents the liquidation of constructions due to new construction works.

4.2.5 PLEDGED ASSETS

Správa železnic held no pledged assets as at 31 December 2020 and 31 December 2019.

4.2.6 ASSETS HELD UNDER FINANCE AND OPERATING LEASES

As at 31 December 2020, Správa železnic reported fixed assets acquired on a lease-back basis in the aggregate acquisition cost of TCZK 376 530 (2019 – TCZK 376 530). Leaseback arrangements are used for leasing low-value rolling stock (a motor

all-purpose trolley, a car for catenary maintenance) used to repair and maintain the railway infrastructure.

4.2.7 ASSETS ACQUIRED FREE OF CHARGE

In 2020, Správa železnic acquired free of charge tangible fixed assets at the replacement cost of TCZK 18 856 (2019 – TCZK 9 953), and in form of delimitations of TCZK 32 541 (2019 – TCZK 5 632). In total, in 2020, Správa železnic acquired free of charge assets of TCZK 51 379 (2019 – TCZK 15 585). Assets acquired free of charge and by donation include assets recorded within tangible fixed assets and low-value tangible assets based on a contract, usually a contract on free-of-charge transfer or a contract to make a donation. This concerns assets transferred to Správa železnic related to induced investments of entities such as the

Road and Motorway Directorate, the Office for Government Representation in Property Affairs, or towns and municipalities where the assets are part of the railway infrastructure and are managed – pursuant to the law – by Správa železnic.

4.3 INVENTORIES

The total balance of inventories was affected by the planned increase in the inventory of railway superstructure materials, primarily as a result of an increase in corridor materials and spare parts for switches and small tangible assets received in stock. Adjustments of TCZK 11 548 mainly relate to non-moving inventories at the Regional Directorates in Olomouc and Hradec Králové and in superstructure material centres in Hranice na Moravě and Hradec Králové. Other regional directorates established adjustments for superstructure components and also for selected types of personal protective equipment to be used at work.

4.4 SHORT-TERM RECEIVABLES

4.4.1 SHORT-TERM TRADE RECEIVABLES

An adjustment of TCZK 355 407 (2019 – TCZK 342 722) was set up as at 31 December 2020, for doubtful receivables.

A significant amount of receivables before and past their due date includes, similarly as in the past years, receivables from ČD, ČD Cargo, RegioJet, a.s., Leo Express, s.r.o., and PKP CARGO INTERNATIONAL a.s., for using the infrastructure and communication technologies.

The majority of new receivables comprise the debt of RegioJet, a.s., and Leo Express, s.r.o., who have been in default due to the COVID-19 outbreak in 2020. A payment schedule was established for these receivables at the beginning of 2021, with due date as at 31 December 2021.

The total amount of receivables more than five years overdue as at the balance sheet date is TCZK 266 396; these receivables are fully provided for and relate to the commencement of court proceedings and to bankruptcy or insolvency proceedings

4.4.2 SHORT-TERM ADVANCES PAID

Short-term advances paid total TCZK 116 709 (2019 – TCZK 209 103).

The year-on-year decrease relates mainly to the short-term advances paid for the purchase of traction energy Správa železnic has been providing to all carriers using the dependent electric traction since 1 January 2019. The balance was further influenced by advances paid to contractors for activities connected with repairs and maintenance of railway infrastructure and advances paid for energy and services related to premises used by Správa železnic and leased premises.

Table of 4.3

	Balance at 31 December 2019	Balance at 31 December 2020
Material in stock	558 934	641 131
Material in transit	198	419
Work in progress	1 000	--
Goods in stock	2	1
Advances paid for inventory	--	--
Adjustment to inventories	-12 434	-11 548
Total (balance sheet, line C.I.)	547 700	630 003

Table of 4.4.1

	Balance at 31 December 2019	Balance at 31 December 2020
Short-term receivables before due date	1 185 577	1 017 954
Short-term receivables past due date	397 840	667 887
Total (balance sheet, line C.II.2.1.)	1 583 417	1 685 841

4.5 ESTIMATED RECEIVABLES

In 2020, estimated receivables totalled TCZK 329 325 (2019 – TCZK 378 479).

The balance of estimated receivables was mainly influenced by recording the estimate of ancillary services in the form of traction electricity supplied to carriers of TCZK 240 606 (2019 – TCZK 265 075) which Správa železnic has been providing to all carriers using the dependent electric traction since 1 January 2019. In addition, estimated receivables are also recorded

for the expected consumption of heat produced internally that will be invoiced to lessees in 2020 after determining actual consumption. Another portion relates to legal claims for expected insurance settlements from insurance companies of TCZK 16 368 (2019 – TCZK 17 111) and damages claimed from the guilty persons of TCZK 19 226 (2019 – TCZK 25 436).

4.6 CASH

Total cash as at 31 December 2020 amounted to TCZK 5 129 489

(2019 – TCZK 3 789 930), of which the most significant item is the balance of bank accounts of TCZK 5 126 673 (2019 – TCZK 3 786 689). The balance of cash as at 31 December 2020 was impacted by the legal dispute with ČEZ Prodej, s.r.o. (“ČEZ”). Until the resolution of the legal dispute, TCZK 1 307 633 will remain in the Správa železnic’s bank account (refer to note 6.2.1).

4.7 PREPAID EXPENSES

Prepaid expenses largely include deferred operating expenses of Správa železnic related to the principal business activities of the following year (licences, lease payments, insurance, prepayments, highway stamps, etc.).

4.8 EQUITY

In accordance with Czech Accounting Standard No. 22, the amount of registered capital was reduced by the net book value of privatised assets of TCZK 14 121 (2019 – TCZK 764) in 2020.

In 2020, the registered capital was influenced by delimitation where the net book value of assets handed over free-of-charge totalled TCZK 31 277 (2019 – TCZK 5 221).

Based on the physical counts, assets with a replacement cost of TCZK 63 (2019 –

TCZK 55) was included in other capital contributions.

Other retained earnings from previous years were unchanged in the current reporting period. In the previous period, it was mainly affected by TCZK 13 593 paid to SFTI from proceeds from recovered material relating to non-investment projects completed in previous years.

The Company plans to transfer the loss incurred in the current period to Accumulated loss, brought forward.

4.9 PROVISIONS

Information about the substance of individual provisions is presented in note 3.5.

A provision for legal disputes is established on the basis of the status of new or pending legal disputes and their current underlying court or out-of-court proceedings. A significant portion of the provision for legal disputes relates to the recognition of the provision for damages claimed by ČEZ due to Správa železnic’s failure to purchase the contracted amount of electricity in 2011 (refer to note 6.2.1). As at 31 December 2020, the provision was increased by a part of default interest for 2020.

In 2020, Správa železnic did not establish the provision for payments to a specialised

Table of 4.9

	Balance at 31 December 2019	Additions	Utilisation/ Release	Balance at 31 December 2020
Provision for legal disputes with ČEZ	788 973	36 570	0	825 543
Provision for other legal disputes	35 162	20	2 768	32 414
Provision for compensation for job-related accidents and occupational illness	21 672	20 528	21 672	20 528
Provision for extra pension payments	8 904	6 595	8 904	6 595
Provision for unpaid payroll and other expenses	150 000	160 000	150 000	160 000
Provision for payments to a specialised tax office	14 260	0	14 260	0
Total (balance sheet, line B.)	1 018 971	223 713	197 604	1 045 080

Table of 4.10.1

Type of payables	Balance at 31 December 2019	Balance at 31 December 2020
Retention	10 710	9 171
Bid-bonds, security deposits, sureties	2 999	2 997
Cash deposits received from customers	52 543	56 540
Total (balance sheet, line C.I.4.)	66 252	68 708

tax office for sanctions for budget discipline violations, as all legal proceedings relating to this item had been concluded and the provisions utilised.

retention payments, bid bonds, security deposits and sureties associated with construction works.

4.10 LONG-TERM LIABILITIES

4.10.1 TRADE PAYABLES

Long-term trade payables primarily include cash deposits and sureties received from customers. Other significant items are

4.10.2 DEFERRED TAX

Správa železnic reports tax losses of TCZK 4 350 938 (2019 – TCZK 2 467 202) for 2016 – 2020 (information for 2020 is based on a preliminary calculation of income tax).

In accordance with the accounting policy described in note 3.9, a tax rate of 19 % was used to calculate deferred tax (2019 – 19 %).

4.10.3 OTHER PAYABLES

Other payables concern payables to the state, i.e. the MF, arising from the repayment of loan principal and interest balances which the state has made on behalf of Správa železnic under the state guarantee (according to individual contracts and/or the Transformation Act). The balances of these payables do not accrue any interest.

In 2005, the Czech Government adopted Resolution No. 1553 on the remission of these payables (refer to note 3.14). In 2020, payables of TCZK 583 822 were remitted. No remission against the state budget took place in 2019.

Due to a calculated tax loss for 2020, Správa železnic expects full remission of the remaining portion of the payables towards the MF in 2021. Therefore the remaining

portion of the payable is reported in other short-term liabilities (see note 4.11.3).

4.11 SHORT-TERM LIABILITIES

4.11.1 SHORT-TERM ADVANCES RECEIVED

As at 31 December 2020, short-term advances received total TCZK 316 484 (2019 – TCZK 334 797). Short-term advances received were influenced principally by prepayments for the purchase of electricity which Správa železnic has been providing to all carriers that use the dependent electric traction since 1 January 2019. The advances received further include advances for ancillary services relating to the lease of residential and non-residential premises, the provision of easements, where Správa železnic is the obligated party.

4.11.2 TRADE PAYABLES

Payables before their due dates predominantly relate to STRABAG Rail, a.s., Subterra, a.s., Metrostav, a.s., EUROVIA CS, a.s., TSS GRADE, a.s. Czech republic branch, regarding their construction works.

Payables that are more than five years overdue as at the balance sheet date do not exist.

Table of 4.10.2 Správa železnic has determined deferred tax as follows:

Item	at 31 December 2019	at 31 December 2020
Tangible and intangible fixed assets	-4 175 927	-4 134 590
Adjustments to fixed assets	38 683	35 562
Adjustment to inventory	2 362	2 194
Trade receivables	23 892	24 965
Provisions	190 895	198 565
Tax losses carried forward	468 768	826 678
Total asset +, liability - (balance sheet, line C.I.8.)	-3 451 327	-3 046 626

Table of 4.10.3

Creditor	Balance at 31 December 2019	Balance at 31 December 2020
MF – payment under the state guarantee for loan interest, after the remission	126 428	--
MF – payment under the state guarantee for loan principal, after the remission	1 456 470	--
Other	3	4
Total (balance sheet, line C.I.9.3.)	1 582 901	4

Table of 4.11.2

	Balance at 31 December 2019	Balance at 31 December 2020
Payables before due date	2 278 666	3 364 170
Payables past due date	39 837	19 103
Total (balance sheet, line C.II.4.)	2 318 503	3 383 273

4.11.3 OTHER PAYABLES

Other payables concern remaining portion of payables to the state, i.e. the MF, arising from the repayment of loan principal and interest balances which the state has made on behalf of Správa železnic under the state guarantee (according to individual contracts and/or the Transformation Act). The balances of these payables do not accrue any interest. Správa železnic expects full remission of the remaining portion of the payable in 2021.

4.11.4 TAX LIABILITIES AND SUBSIDIES

The balance of unrecognised non-investment subsidies as at 31 December 2020 represents a liability from drawn subsidies from SFTI of TCZK 713 669. The main reasons for not recognising investment subsidies to the full limit amount for 2020 are primarily ex-ante advance payments that will be paid and accounted for in 2021.

Správa železnic maintains no tax arrears with respect to the relevant tax authorities.

4.11.5 ESTIMATED PAYABLES

As at 31 December 2020, estimated payables total TCZK 371 059 (2019 – TCZK 498 842) and represent primarily an estimate for fees refunded for the use of railway infrastructure of TCZK 116 000

(2019 – TCZK 116 000), an estimate for payment of rail replacement service to carriers in accordance with the Network Statement totalling TCZK 50 000 (2019 – TCZK 4 500), and uninvoiced supplies of electricity, heat, water and gas of TCZK 156 068 (2019 – TCZK 328 448). The decrease is primarily influenced by the invoicing of traction electricity before the end of 2020 due to a change in supplier.

4.12 BANK LOANS AND OVERDRAFTS

4.12.1 LONG-TERM LIABILITIES TO CREDIT INSTITUTIONS

Správa železnic's debt portfolio principally includes a payable arising from a loan agreement previously held by ČD, s. o. The loan carries a state guarantee and was received primarily in connection with the financing of the construction and renovation of railway corridors pursuant to Government Resolutions No. 798/1999 and No. 1201/2000. This loan is subject to debt remission (refer to note 3.14).

4.12.2 SUMMARY OF MATURITIES OF LOANS GUARANTEED BY THE STATE

The repayments of long-term loans according to guarantees provided by the state under special legislation or guarantees resulting from the Transformation Act are made for Správa železnic by the state, or the MF. In 2020, the MF repaid principals

Table of 4.11.3

Creditor	Balance at 31 December 2019	Balance at 31 December 2020
MF – payment under the state guarantee for loan interest, after the remission	--	60 339
MF – payment under the state guarantee for loan principal, after the remission	--	1 251 439
Other	111	318
Total (balance sheet, line C.II.8.7.)	111	1 312 096

Table of 4.11.4

Type of payables	Balance at 31 December 2019	Balance at 31 December 2020
Undrawn investment subsidies from SFTI	450 244	713 669
Investment contributions of cities, municipalities, regions and other entities	2 999	1 943
Undrawn non-investment subsidies from CEF	2 805	1 554
Income tax withheld on behalf of employees	94 936	127 395
Other taxes	535	561
Total (balance sheet, line C.II.8.5.)	551 519	845 122

Table of 4.12

Bank	Loan maturities	Currency	Balance at 31 December 2019	Drawing in 1-12/2020	Repayments 1-12/2020	FX differences	Balance at 31 December 2020
EIB Luxemburk	15/12/2020	EUR	290 400	0	302 119	-11 719	0
Total (balance sheet, line C.I.2.)			290 400	0	302 119	-11 719	0

amounting to TCZK 302 119 (2019 – TCZK 292 281). When the repayment is made by the state, the relevant balance is reallocated to “Other short-term payables”.

In 2020, the remaining portion of the loan was repaid.

Interest rates applicable to loans denominated in EUR range between 3 – 5.5 % a year on a fixed basis.

4.13 ACCRUED EXPENSES

Accrued expenses total TCZK 94 393 (2019 – TCZK 244 914) and mainly include expenses for replacement bus transportation from ČD amounting to TCZK 42 831 (2019 – TCZK 68 756) and tax documents received after being able to claim the entitlement to VAT deduction of TCZK 51 562 (2019 – TCZK 176 158).

4.14 TOTAL REVENUE FROM OWN PRODUCTS AND SERVICES

All revenues were generated in the Czech Republic.

Revenues from the use of railway infrastructure for the purpose of transporting passengers and freight has decreased year-on-year due to the impact of the COVID-19 outbreak for carriers in both freight and passenger transport.

Similar results were shown also in the sales of electric energy, as since 1 January 2019 and pursuant to the Act on Railways, Správa železnic has been acting as the provider of ancillary services in the form of supplies of traction electricity for the needs of all carriers using the dependent electric traction. In 2020, the sales totalled TCZK 1 701 612 (2019 – TCZK 1 918 735).

4.15 CONSUMPTION OF MATERIALS AND ENERGIES

The increase in the costs of material consumption was due to extensive repairs and maintenance activities and the increase of material consumption for constructions.

In compliance with the Act on Railways, as amended, since 1 January 2019 Správa železnic has been acting as the provider of ancillary services in the form of supplies of traction electricity actually consumed for the needs of all carriers using the dependent electric traction. The decrease of the costs of electricity purchase in relation to the supplies of traction electricity for the needs of all carriers was caused principally by lower volume of performance of carriers in the Správa železnic’s network due to the COVID-19 outbreak.

Table of 4.14

Item	2019	2020
Revenue from use of the railway infrastructure by ČD group – freight transport	887 747	770 084
Revenue from use of the railway infrastructure by ČD group – passenger transport	1 809 153	1 601 187
Revenue from use of the railway infrastructure by external carriers – freight transport	754 675	655 793
Revenue from use of the railway infrastructure by external carriers – passenger transport	227 179	254 447
Income from allocated capacity	114 434	126 259
Rental income	590 849	548 555
Income from the sales of electricity	3 456 653	3 144 852
Income from third-party carriers for provided services (extraordinary shipments, etc.)	3 007	3 543
Income from other external services	473 111	441 867
Total (income statement, line I.)	8 316 808	7 546 587

Table of 4.15

Item	2019	2020
Costs of material consumption	1 947 553	2 920 837
of which: – material for renovations and maintenance activities	1 068 816	1 409 974
Costs of energy consumption	519 500	502 276
Costs of water consumption	13 057	13 128
Costs of heat consumption	58 495	58 773
Costs of gas consumption	73 025	63 100
Costs of electricity purchase	3 218 157	2 958 582
Costs of fuel consumption	100 710	92 826
Other	16 054	16 079
Total (income statement, line A.2)	5 946 551	6 625 601

4.16 PURCHASE OF SERVICES

The major item in the cost of services are the regular costs of repairs and maintenance reflecting the intensity of repairs and maintenance while ensuring the operability of national and regional railways. Repair and maintenance activities ("OUA") represent projects that are contracted based on tender laws and form part of Správa železnic's Comprehensive Plan for Repairs and Maintenance. These services are recorded separately to enhance the transparency of the Organisation's records.

4.17 OTHER OPERATING REVENUES

The increase in revenues is impacted principally by remissions to payments and penalties for budget discipline violations during investments imposed in previous years, totalling TCZK 2 631 860 (2019 – TCZK 0).

Pursuant to government Decree No. 1553 dated 30 November 2005, a remission of liabilities of TCZK 583 822 was recognised in other operating revenues in 2020 (see note 3.14).

Table of 4.16

Item	2019	2020
Costs of construction-related repairs and maintenance excluding OUA	142 474	86 511
Costs of repair of apartments excluding OUA	37 651	41 057
Costs of services provided by the statutory auditor	1 965	2 005
of which: – statutory audit of the annual financial statements	1 125	1 125
– other non-audit services	840	880
Repair and maintenance activities	10 778 340	12 206 330
of which: – repair and construction maintenance	9 500 635	10 584 640
– other services	1 277 705	1 621 690
Other	2 072 728	2 204 447
of which: – repair and maintenance	791 214	830 494
– services (rent, SW operation, servicing and maintenance, platform cleaning, security services, environmental services, etc.)	1 281 514	1 373 953
Total (income statement, line A.3.)	13 033 158	14 540 350

Table of 4.17

Item	2019	2020
Subsidies from SFTI for repairs and maintenance of national and regional lines	19 414 884	20 751 758
Non-investment subsidies from SFTI – operating purpose	30 358	37 626
Non-investment subsidies from the state budget	--	324 001
Subsidies from SFTI for the operation of RI	4 252 625	2 631 446
Other subsidies	10 051	9 988
Proceeds from recovered material	327 906	289 554
Received contractual penalties and default interest	239 772	41 817
Claims for compensation of shortages and damage	1 182 477	61 039
Revenues relating to remission of debt of Správa železnic	--	583 822
Remission of payment and penalty for budget discipline violations	--	2 631 860
Other	92 140	57 558
Total other operating revenues (income statement, line III.3.)	25 550 213	27 420 469

4.18 OTHER OPERATING EXPENSES

In 2020, the total other operating expenses were principally affected by expenses related to the Network Statement. In accordance with the Act on Railways, as amended, a carrier can claim the expenses incurred in connection with ensuring replacement bus transportation service for suspended public passenger transportation from Správa železnic. The total amount paid to carriers for 2020 was TCZK 241 701 (2019 – TCZK 470 293). The decrease in expenses was principally due to the decrease in the carriers' volumes in Správa železnic's network due to the pandemic.

A significant decrease of other operating expenses was mainly due to the settlement of the payment obligation relating to the budget discipline violations in investments.

4.19 OTHER FINANCIAL REVENUES

Financial revenues principally include foreign exchange gains arising from foreign currency translation.

4.20 OTHER FINANCIAL EXPENSES

Financial expenses predominantly include foreign exchange losses from the translation of foreign currency loans and bank charges.

Table of 4.18

Item	2019	2020
Fines and penalties, default interest	737 846	1 998
Write-off of receivables	7 590	3 523
Write-off of sunk investments	659	366
Retirement annuity	4 877	5 016
Costs arising from the failure to employ the disabled	36 000	41 513
Insurance of assets and liability insurance	95 956	94 850
Membership contributions	9 267	15 708
Shortages and damage	422	2 956
Third party property damage	15 259	19 522
Expenses arising from the Network Statement	470 293	241 701
Other	52 854	34 025
Total other operating expenses (income statement, line F.5.)	1 431 023	461 178

5. Employees, executives and statutory bodies

5.1 PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

As at 1 January 2020, Správa železnic had 17 096 employees, divided into a total of 18 organisational units, according to the scope of their activities and individual regions, and in the Directorate General in Prague, which is responsible for strategic and organisational activities.

As of 1 January 2020, a change in the organisational structure of the Directorate General has been implemented (transformation of the Strategy Department and Constructions Planning Department, establishment of new International Affairs Department and Constructions Designing Department, and as of 1 April 2020, the organisational structure of the majority of Správa železnic's organisational units was changed. These changes related principally to the centralisation of economic activities, preparation of the organisational structure to take over the telecommunication infrastructure management activities, consolidation of two Railway Geodesy Administration units (Olomouc and Prague) into one unit, termination of the Railway Energy Administration unit (its activities were assumed by relevant regional directorates, Shared Services Centre and the Directorate General), the transformation of the Shared Services Centre and the Technical Centre of Infrastructure which was renamed as

the Telematics and Diagnostics Centre. The Fire Rescue Service organisational unit was renamed as Fire Rescue Corps.

As at 1 April 2020, the number of organisational units was reduced to 16, i.e. the Directorate General plus 15 organisational units.

At the same time, the process of rationalisation and optimisation connected with putting investment constructions in operation continued, as a consequence of which the number of operational staff in traffic control decreased by 34 (i.e. by 0.5 %).

During 2020, severance pay was provided to 240 employees.

As at 31 December 2020, Správa železnic had 17 276 employees (at 31 December 2019 – 17 136 employees); due to the above impacts, the number of employees increased by 140 as compared with 31 December 2019.

5.2 LOANS, CREDITS OR OTHER BENEFITS

In 2019 and 2020, members of the Správa železnic's management did not receive any borrowings, loans or any other bonuses in addition to their basic salaries and bonuses agreed in management contracts approved by the Supervisory Board.

Table of 5.1 The following tables summarise the average recalculated number of Správa železnic's employees and executives and the related current personnel expenses for 2019 and 2020:

2019	Average headcount	Wages and salaries	Social security and health insurance	Other expenses	Total personnel expenses
Employees	17 101	8 076 664	2 733 753	536 155	11 346 572
Executives *)	5	31 090	5 536	74	36 700
Supervisory Board and its committees	--	2 923	991	--	3 914
Total	17 106	8 110 677	2 740 280	536 229	11 387 186

*) 2019 personnel expenses (including expenses in respect of former executives) utilised in 2019 from the provision established in 2018 for personnel expenses incurred in this year amounted to TCZK 12 995.

2020	Average headcount	Wages and salaries	Social security and health insurance	Other expenses	Total personnel expenses
Employees	17 123	8 705 933	2 928 709	550 753	12 185 395
Executives *)	5	30 675	4 849	74	35 598
Supervisory Board and its committees	--	3 081	1 041	--	4 122
Celkem	17 128	8 739 689	2 934 599	550 827	12 225 115

*) 2020 personnel expenses (including expenses in respect of former executives) utilised in 2020 from the provision established in 2019 for personnel expenses incurred in this year amounted to TCZK 11 995.

In 2020, bonuses totalling TCZK 3 081 were paid to members of the Supervisory Board and members of its committees (2019 – TCZK 2 923).

6. Contingent liabilities and other off balance sheet commitments

6.1 OFF BALANCE SHEET COMMITMENTS

6.1.1 ENVIRONMENTAL LIABILITIES

Deliverables from the performed across-the-board environmental audit of the assets owned by the state with the right of management for Správa železnic (2008) and other available analyses indicate that the level of proven pollution is lower than originally anticipated (this also relates to the distribution of assets of ČD, s. o. in the past according to Act No. 77/2002 Coll.). As such, it will not be necessary to continue the intensive monitoring of these areas. However, this was only a partial sample of areas with potential legacy contamination. For this reason, it is not possible to calculate the total potential future liabilities arising from damage caused by prior activities (potential legacy environmental burdens including soil and water pollution, etc.).

It is impossible to determine the liabilities related to the prevention of potential future damage (predominantly due to accident leakage of harmful substances in extraordinary events). The actually incurred costs for the prevention of environmental damage (including potential environmental damage) are recognised as operating expenses as part of the securing of the operability of the railway infrastructure. In case of confirming the originator of an environmental accident such costs are being re-billed.

Concurrently, within planned investment projects it will be necessary to continue with the gradual removal of the legacy noise burden in sections both within and outside the corridors.

With respect to the modernisation of the railway infrastructure, environmental protection is an integral part of the preparatory project documentation and environmental costs (e.g. the construction of sound barriers or other compensatory measures) are part of the acquisition cost of a new investment construction.

In 2020, total non-capital expenditures related to environment were approx. MCZK 529 (2019 – MCZK 508). Capital expenditures related to sound protection when modernising tracks were MCZK 49 (2019 – MCZK 22).

Other capital expenditures that primarily relate to the planned maintenance of buildings owned by Správa železnic whose nature helps protect environment (by reducing electricity consumption, for example) were calculated at MCZK 59 in 2020 (2019 – MCZK 55).

6.2 LITIGATIONS

6.2.1 ČEZ PRODEJ, S.R.O.

In 2008, Správa železnic entered into a contract for the supply of traction electricity for the 2009–2011 period with ČEZ Prodej, s.r.o. (“ČEZ”), based on a tender.

Given the changed legislative conditions, on 1 January 2010, Správa železnic discontinued supplying traction electricity to carriers, and accordingly reduced the purchases from ČEZ. Even though Správa železnic believes that it proceeded in accordance with the concluded contract, ČEZ has filed an action seeking damages from Správa železnic equalling the difference between expected and realised complementary sales in 2010 and 2011. The issue is currently being dealt with in courts. As concerns the damages equalling the difference between the expected and realised complementary sales for 2010, on 19 March 2015, the High Court in Prague upheld the action filed by ČEZ, and Správa železnic was ordered to settle the damages claimed totalling TCZK 1 131 262. Based on an application for appellate review (extraordinary appeal) filed by Správa železnic, the Supreme Court of the Czech Republic revoked the lower-instance courts' judgements and referred the case back to the Municipal Court in Prague, which dismissed ČEZ's action by a final judgement of 2 August 2018, confirmed by the decision of the High Court in Prague of 20 May 2019. In response, ČEZ filed with the Supreme Court an application for appellate review of this judgement on 27 August 2019. This proceeding has not been concluded yet. On 16 October 2019, ČEZ also filed a constitutional complaint with the Constitutional Court against the same High Court's affirmative judgement. The Constitutional Court subsequently adjudicated as follows: revoking the part of the contested judgement that ruled on the ineffectiveness of the withdrawal of the action by ČEZ, and returning it to the Municipal Court in Prague; the remaining

part of the constitutional complaint was rejected. Based on the Constitutional Court's judgement, the Municipal Court in Prague ruled that the withdrawal of the action was ineffective. As a result of the Supreme Court's revocation of the judgements, the legal title to the payment of damages by Správa železnic ceased to exist, resulting in ČEZ's unjust enrichment. ČEZ refused to return this unjust enrichment to Správa železnic, thus Správa železnic filed an action seeking the recovery of the unjust enrichment with the Prague 4 District Court on 17 October 2017. On 5 February 2019, the Prague 4 District Court issued a judgement fully upholding the action filed by Správa železnic, further confirmed by the Municipal Court in Prague on 18 September 2019. Based on this judgement, ČEZ paid TCZK 1 115 954 plus appurtenances totalling TCZK 191 679 to Správa železnic on 9 October 2019. ČEZ then filed an application for appellate review of the Municipal Court in Prague's decision with the Supreme Court on 9 December 2019.

This proceeding has not been concluded yet.

Concerning damage compensation equalling the difference between the contracted and realised complementary sales for 2011, no court decision has been issued yet, as the proceedings were stayed until the appellate review proceedings concerning damages for 2010 are concluded. ČEZ filed an application for appellate review of the decision to stay the proceeding with the Supreme Court. This proceeding has not been concluded yet. As at 31 December 2020, Správa železnic established a provision for default interest for 2020

of TCZK 36 570. The total provision for this litigation as at 31 December 2020 was TCZK 825 543 (see note 4.9).

6.2.2 GRANDI STAZIONI ČESKÁ REPUBLIKA, S.R.O.

In connection with the purchase of a part of a business establishment, a lease contract concluded with Grandi Stazioni Česká republika, s.r.o. ("GS") was transferred to Správa železnic, which concerned the lease of the Prague hl. n. station (Prague main station). This contract expired on 15 October 2016. Under the provisions of this contract, GS calculated the value of leasehold improvements performed during the lease term in the total amount of TCZK 776 503. Subsequently, Správa železnic asked GS to support this value with relevant documents. Based on the submitted documents Správa železnic accepted the amount of TCZK 565 684 and paid it to the Grandi Stazioni's account in 2016. Správa železnic refused to pay the remaining amount of TCZK 210 819 and on 2 November 2016, GS filed an action with the Prague 1 District Court in for the payment of the above amount plus appurtenances (contractual penalty of 0.5 % per day of the outstanding amount and the statutory default interest). On 5 April 2019, the Prague 1 District Court issued a judgement dismissing GS's action. Within the appellate proceedings, on 3 December 2019, the Municipal Court in Prague affirmed part of the first-instance court judgement but revoked the other part concerning the principal of TCZK 176 392 and a related contractual penalty for the period after 18 January 2017, referring the matter back to the Prague 1 District

Court for further consideration. GS then filed an application with the Supreme Court for appellate review of the part of the Municipal Court in Prague's decision dated 3 December 2019, which confirmed the first-instance court's ruling to dismiss the claim to a portion of the contractual fine and a portion of the default interest subject to the litigation. The Czech Supreme Court only decided on the appellate review by its ruling dated 14 December 2020 published on 23 December 2020. The ruling revoked the part of the judgement of the Municipal Court in Prague affirming the dismissing judgement of the Prague 1 District Court concerning the claim for the payment of the statutory default interest of 8.05 % per annum on TCZK 565 684 for the period from 21 October 2016 to 25 November 2016, and the claim for the payment of contractual penalty of 0.5 % per day on TCZK 742 077 for the period from 24 October 2016 to 25 November 2016, and on TCZK 176 393 for the period from 26 November 2016 to 18 January 2017, stating that as regards the above portions of the claims, the matter is returned to the Municipal Court in Prague for further proceedings. The reason for reversing the judgement was the Supreme Court's conclusion on partially incorrect and partially insufficient and therefore unreviewable statement of grounds of the mentioned part of the judgement of the Municipal Court in Prague.

It is expected that the Municipal Court in Prague shall either reaffirm the dismissing judgement of the Prague 1 District Court of with proper statement of grounds, or shall revoke the judgement of the Prague 1 District Court of and return the

matter for further proceedings. Správa železnic's management does not consider the potential payment probable, therefore no provision has been established.

On 31 July 2017, Správa železnic received a letter from GS whereby Grandi Stazioni asserts its alleged claim to the settlement of TCZK 1 255 622 by Správa železnic from the alleged damages from the pre-contractual liability under Section 1729 of Act No. 89/2012 Coll., the Civil Code. Správa železnic responded by its letter dated 3 August 2017, in which it refused the existence of the alleged claim as well as other untrue allegations made by GS. On 14 August 2017, GS filed an action in this matter to the Prague 1 District Court. On 6 March 2018, the court officially delivered this action to the legal representative of Správa železnic together with related documentation prepared in connection with solving the issue of admissibility of a part of the action by courts. On 13 August 2019, the Prague 1 District Court by its judgement fully dismissed the action. On 2 December 2019, GS filed an appeal against this judgement with the Municipal Court in Prague. On 29 April 2020, appellate proceedings (before the Municipal

Court in Prague) took place, reviewing the GS's appeal against the first instance judgement. The appellate court affirmed in full the judgement of the Prague 1 District Court No. 41 C132/2017-454 dated 13 August 2019 dismissing GS's action for the payment of TCZK 1 255 622 plus appurtenances due to pre-contractual liability. At the same time, Správa železnic was awarded full compensation of costs of the appellate proceedings. On 9 August 2020, GS filed a constitutional complaint against the part of the judgement concerning the adjudication of compensation of costs of proceedings to Správa železnic and ČD. Upon the Constitutional Court's call, Správa železnic expressed its opinion on the constitutional complaint in its submission dated 25 September 2020, and, same as ČD proposed its dismissal. On 15 December 2020, the Constitutional Court of the Czech Republic issued a resolution rejecting the constitutional complaint.

The proceeding has thus been concluded.

6.3 PROPERTY RELATIONS

Správa železnic's records also include a number of plots of land with unclear

Table of 6.4 Expenses that are projected to be incurred are as follows:

At 31 December 2020	Construction work undertaken to date	The estimate of the remaining expenses	Total estimated expenses
Corridor I	40 759 568	0	40 759 568
Corridor II	39 016 291	0	39 016 291
Corridor III	51 959 394	6 027 880	57 987 274
Corridor IV	29 870 488	6 592 655	36 463 143
Total	161 605 741	12 620 535	174 226 276

7. Formation and incorporation of Správa železnic

ownership titles. These cases are reviewed on an ongoing basis as the data included in the Real Estate Cadastre is digitalised. Adjustments, if any, are charged against equity accounts (refer to note 3.4).

6.4 PROJECTED COMMITMENTS ASSOCIATED WITH CORRIDOR CONSTRUCTION

With a view to fully link the Czech railway infrastructure to the European infrastructure, Správa železnic is overseeing the construction of railway transit corridors. The construction of the Corridor I was completed in 2004 and the construction of the Corridor II was completed in 2007. Construction of the Corridor III and IV is currently in progress.

Implementation of the Corridor III from the state border Mosty u Jablunkova – Dětmárovice – Přerov – Česká Třebová – Prague – Pilsen – Cheb, state border was approved by Government Resolution No. 575 of 5 June 2002.

Implementation of the Corridor IV from the state border Horní Dvořiště – České Budějovice – Prague was approved by Government Resolution No. 1317 of 10 December 2001.

In 2015, the government approved the above total expected expenses by Government Resolution No. 269.

7.1 FORMATION AND INCORPORATION OF SPRÁVA ŽELEZNIC

On 1 March 2002, Act No. 77/2002 Coll., on České dráhy, state organisation Správa železniční dopravní cesty as a joint stock company, an amendment to Railways Act No. 266/1994 Coll., as amended, and the State Enterprise Act No. 77/1997 Coll., as amended, took effect (hereinafter the “Transformation Act”). On the basis of the Transformation Act, ČD, s. o. discontinued its activities and operations on 31 December 2002 and SŽDC (nowadays Správa železnic) and ČD were formed as its legal successors effective from 1 January 2003.

Správa železnic assumed the assets comprising the railway infrastructure while ČD assumed the assets used to operate railway transportation. In addition, Správa železnic took over the majority of receivables and payables while ČD assumed only trade receivables and payables before their due dates and receivables and payables arising from employment arrangements with its employees. Both entities assumed the assets and liabilities at their book values.

The Transformation Act was amended in April 2004 under which, as of 1 July 2004, Správa železnic took over the assets of ČD, s. o. earmarked for the settlement of the payables of ČD, s. o. which had passed on to the MT under the original wording of the Transformation Act.

While the apportionment of the assets between the successor companies was made on a best effort basis to ensure the appropriate and legally consistent apportionment of assets and liabilities, alternative interpretations of certain provisions of the Transformation Act remain. This specifically relates to tangible fixed assets and their source of funding. The financial statements of Správa železnic do not include any adjustments that might be necessary as a result of any such future revisions of the applied interpretations and the resulting impacts on the reported components and amounts of Správa železnic's assets and liabilities.

7.2 SIGNIFICANT FACTORS IMPACTING SPRÁVA ŽELEZNIC'S ACTIVITIES AND OPERATIONS

Správa železnic was formed pursuant to, and its activities and operations are governed by, the Transformation Act, Act No. 266/94 Coll. and other general legal regulations governing the position of state organisations. The above legislation, inter alia, sets out the scope of Správa železnic's assets or its role in operating and securing the operability of the railway infrastructure in the public interest.

Under the amendment to the Transformation Act, Správa železnic assumed the activities of the railway infrastructure operator on 1 July 2008. For this reason, the contract between Správa železnic and

ČD for the operability of the railway infrastructure was discontinued as of 30 June 2008, and the contract was replaced by individual contracts defining mutual relations between Správa železnic and ČD.

Pursuant to Resolution of the Government of the Czech Republic No. 486 of 22 June 2011, on the transfer of remaining rail operation activities (Rail Servicing) from ČD to Správa železnic and in relation to the Commercial Code, a purchase of a part of the business was realised on 1 September 2011. The subject of the purchase was Rail Servicing, i.e. traffic control in railway stations and on railway lines.

Based on Resolution No. 1546 of the Government of the Czech Republic dated 21 December 2015 on the purchase of a part of a facility designated as “Railway Stations”, the transfer from ČD to Správa železnic was carried out on 1 July 2016. The subject of the purchase were land, buildings, movable assets and other, together with sub-ledger accounts, inventories, receivables, liabilities and accruals/deferrals

Správa železnic provides carriers with the railway infrastructure for use in the public interest for an officially determined price which is set in compliance with Pricing Act No. 526/1990 Coll. The proceeds from payments for the use of the railway infrastructure are not sufficient to offset the costs involved in operating, maintaining and developing the railway

infrastructure. As such, the financing of Správa železnic's activities is dependent upon subsidies from the state and/or other entities.

For 2021, Správa železnic has contractually ensured funding from the State Fund of Transport Infrastructure for investment and non-investment activities of TCZK 52 830 722. In non-investments, out of the above amount, TCZK 2 610 416 is temporarily blocked due to insufficient funding from SFTI. In 2021, the release of this amount is expected, as well as partial strengthening of the limits for line repairs and maintenance at least in the amount provided in 2020. At the same time, Správa železnic in cooperation with the MT and SFTI continuously addresses the utilisation of funds from the Recovery and Resilience Facility (RRF), under which TCZK 6 557 680 is part of the investment activities for 2021. Currently, it is expected that this amount will be increased to reduce the need for national funding. Správa železnic's management believes that it will be able to provide the necessary funds in 2021, and enable Správa železnic to provide services in the same extent as in 2020, accordingly, the financial statements have been prepared on a going concern basis.

7.3 TRANSACTIONS WITH MAJOR CUSTOMERS ČD AND ČD CARGO

As at 31 December 2020, Správa železnic recorded amounts due from and to ČD at the net amount resulting in a receivable of

TCZK 355 822 (2019 – TCZK 470 125). The amount that is reported in the balance sheet as part of trade receivables and advances paid by ČD is TCZK 486 605 (2019 – TCZK 596 077). Trade payables including received prepayments amount to TCZK 130 783 (2019 – TCZK 125 952).

As at 31 December 2020, Správa železnic recorded amounts due from and to ČD Cargo at the net amount resulting in a receivable of TCZK 174 347 (2019 – TCZK 189 388). The amount that is reported in the balance sheet as part of trade receivables from ČD Cargo is TCZK 221 503 (2019 – TCZK 246 626). Trade payables including received prepayments amount to TCZK 47 156 (2019 – TCZK 57 238).

7.4 PRIVATISATION

Správa železnic records assets held for privatisation. These assets are separated in the accounting by an accounting circle – Assets for Remission of Debts ("MOZ").

In 2020, Správa železnic completed two privatisation projects for assets within the MOZ accounting circle in the aggregate amount of TCZK 14 113 (2019 – TCZK 764), comprising projects related to the complete privatisation of land following the privatisation of the residential living fund.

As at 31 December 2020, Správa železnic records fixed assets intended for the settlement of payables assumed from

Table of 7.3 Significant revenues generated by Správa železnic from its relationship with ČD:

	2019	2020
Revenue from using the railway infrastructure – passenger transport	1 809 153	1 601 187
Revenue from using the railway infrastructure – freight transport	4 723	4 661
Revenue from allocated railway infrastructure capacity	51 827	57 932
Revenue from electricity	1 639 957	1 643 616
Fire Rescue Corps services	1 861	671
Telecommunication network operation services	55 166	53 971
Total	3 562 687	3 362 038

Table of 7.3 Significant revenues generated by Správa železnic from its relationship with ČD Cargo:

	2019	2020
Revenue from using the railway infrastructure – freight transport	883 024	765 423
Revenue from allocated railway infrastructure capacity	24 451	27 471
Revenue from electricity	717 160	683 233
Fire Rescue Corps services	1 427	995
Telecommunication network operation services	38 763	39 701
Total	1 664 825	1 516 823

ČD, s. o., listed in the Appendix to the Transformation Act in the net book value of TCZK 464 506. As at 31 December 2019, the net book value of these assets was TCZK 479 217.

7.5 SALE OF FIXED ASSETS

Sale of redundant immovable assets – the Railway Infrastructure Assets circle

In 2020, revenues from the sales of immovable assets approved by the Czech

Government within the Railway Infrastructure Assets circle totalled TCZK 33 569 (2019 – TCZK 33 922).

Sale of redundant immovable assets – the Assets for Remission of Debts circle

Both in 2020 and 2019, no sales of assets were carried out within the Assets for Remission of Debts circle.

7.6 LEASED ASSETS

Lease of assets kept within the Railway Infrastructure Assets circle

As at 31 December 2020, Správa železnic reported 2 339 contracts for the lease of apartments. Revenues from these leases totalled TCZK 84 635 (2019 – TCZK 84 928).

With respect to other immovable assets not included in the residential living fund, Správa železnic records 6 884 lease contracts with total revenues, including movable assets, of TCZK 431 307 (2019 – TCZK 472 225).

Total rental revenues were TCZK 515 942 (2019 – TCZK 557 153).

Lease of assets kept within the Assets for Remission of Debts circle

As at 31 December 2020, Správa železnic reported 70 contracts for the lease of apartments. Revenues from these leases were TCZK 2 090 (2019 – TCZK 2 074).

With respect to immovable assets not included in the residential living fund, Správa železnic records 123 lease contracts with total revenues of TCZK 12 598 (2019 – TCZK 12 603).

Total revenues from the lease of real estate were TCZK 14 688 (2019 – TCZK 14 677).

7.7 CASH FLOW STATEMENT

For the purposes of the cash flow statement, cash and cash equivalents are defined to include cash in hand, cash in transit, cash at the bank and other financial assets whose valuation can be reliably determined and that can be readily converted to cash.

In the cash flow statement, cash flows from operating, investment or financial activities are reported on a gross basis.

7.8 COVID-19 OUTBREAK

In the following year, we expect continued restrictions relating to the COVID-19 outbreak. Správa železnic reflects this in lower sales estimates both from the use of railway infrastructure and rents from commercial premises.

Table of 7.7 Cash and cash equivalents as at the year-end were as follows:

	Balance at 31 December 2019	Balance at 31 December 2020
Cash in hand	3 241	2 816
Cash at the bank	3 786 689	5 126 673
Total (balance sheet, line C.IV.)	3 789 930	5 129 489

8. Subsequent events

8.1 CHANGES IN THE MANAGEMENT BODIES AND COMMITTEES OF SPRÁVA ŽELEZNIC

In its resolution No. 5/2021 dated 12 February 2021, the Supervisory Board of Správa železnic accepted the resignation of Tomáš Čoček from his membership in the Supervisory Board as at 31 January 2021.

In its resolution No. 10/2021 dated 26 February 2021, the Supervisory Board of Správa železnic accepted the resignation of Tomáš Čoček from his membership in the Audit Committee and Strategy Committee as at 28 February 2021.

Prague, 26 March 2021



Jiří Svoboda
Director General

Persons responsible for the annual report

Affirmation

We hereby affirm that the information stated in the annual report for 2020 is accurate and that no material circumstances known to us that may affect the accurate and proper assessment of Správa železnic, státní organizace, have been omitted.

The closing date of the annual report is 26 March 2021.



Jiří Svoboda
Director General



Aleš Krejčí
Deputy Director General
for Economics

Annual report on the provision of information

Správa železnic, státní organizace
Dlážděná 1003/7, 110 00 Praha 1 – Nové Město

Annual report on the provision of information in compliance with Section 18 of Act No. 106/1999 Coll., on Free Access to Information for 2020

File No. 1525/2021-SŽ-GŘ-O25
Pursuant to Section 18 of Act No. 106/1999 Coll., on Free Access to Information, Správa železnic, státní organizace, releases the annual report on the provision of information for 2020.

Requests made under the above act are attended to on behalf of Správa železnic by authorised employees of the Directorate General's Legal Matters Department in cooperation with all organisational units and expert departments of Správa železnic, státní organizace, depending on the nature of the request.

a) Number of submitted requests for information	181
Number of issued decisions to dismiss the request	36
Number of issued decisions to dismiss a part of the request	39
b) Number of submitted appeals against the decisions	15
c) Number of closed court proceedings	4
d) Number of exclusive licences provided	0
e) Number of complaints filed under Section 16a	4

TO POINT C) OF THE ANNUAL REPORT

Správa železnic presents the following lists of administrative court judgements on actions challenging the decisions of the liable entities' superior authorities on appeals against the decisions issued by such entities to (partly) dismiss the request for information:

- Municipal Court in Prague, judgement No. 5A 204/2016-63 – request for the following information:
- in what way and for what reason the price for the transfer of the part of the business establishment “Railway Stations” was changed, and for providing underlying documentation based on which the price was changed;
- the amount of income and expenses of the part of the business establishment “Railway Stations” for the past ten years from the day the request was delivered;
- the amount of the station fee to co-finance the operation of station buildings being transferred as a part of the business establishment “Railway Stations”. If the fee differs for individual stations, we request the provision of the facts on which such differentiation is based, and the amounts of fees for individual stations;
- all expert appraisals, including annexes, concerning the amount of station fees for station buildings being transferred as a part of the business establishment “Railway Stations”.

The Court dismissed the action against the decision of the Director General of Správa železniční dopravní cesty, státní organizace, of 19 August 2016.

- Municipal Court in Prague, judgement No. 5A 56/2017-50 – provision of information regarding leases of premises in station buildings of the railway stations Praha hlavní nádraží, Břeclav, Česká Třebová, Český Těšín, Havířov, Hranice na Moravě, Olomouc hlavní nádraží, Ostrava hlavní nádraží, Ostrava-Svinov, Pardubice, Zábřeh na Moravě, in particular:
 - 1) Price list of rent for České dráhy, a.s., per m² as regards the lease of sales premises (ticket windows and customer centres).
 - 2) Price list of rent for České dráhy, a.s., per m² as regards the lease of office premises and waiting rooms.
 - 3) Price list of rent for České dráhy, a.s., per m² as regards the lease of station hall space for placing vending machines.
 - 4) Price list for rent for České dráhy, a.s., per m² as regards advertising areas (notice boards, etc.).

The judgement vacated the decision by SŽDC and returned the matter to SŽDC for further proceedings.

- Municipal Court in Prague, judgement No. 9A 188/2018 – 51 – request for the continuous information on all train movements in the SŽDC's network, i.e. not just passenger trains, but also freight trains, service trains, etc., in

the form of full access, unlimited in time and functionality, to the GRAPP application – the Court dismissed the action against the decision of the Director General of Správa železniční dopravní cesty of 7 August 2018.

- Supreme Administrative Court, judgement No. 2 As 194/2019-66 – on the cassation complaint filed by Správa železniční dopravní cesty, státní organizace, against the judgment of the Municipal Court in Prague of 6 June 2019, No. 6A 135/2018-61. The Court concluded that the cassation complaint was unfounded and dismissed it.

TO POINT D) OF THE ANNUAL REPORT

Správa železnic reports that the cost of the legal representation in court proceedings amounted to CZK 148 200. Other cost related to the court litigations amounted to CZK 4 114.

TO POINT E) OF THE ANNUAL REPORT

Správa železnic notes that complaints in respect of the procedure of attending to the requests for information were filed by:

- an applicant who, after the elapse of the deadline under Section 14(5)(d) or Section 14(7), was not provided with information or final licence bid, and the decision on dismissal of the request was not issued;
- applicants who were provided with

partial information, and the decision on dismissal of the remaining part of the request was not issued;

- an applicant who, after the elapse of the deadline under Section 14(5)(d) or Section 14(7), was not provided with information or final licence bid, and the decision on dismissal of the request was not issued;
- an applicant who, after the elapse of the deadline under Section 14(5)(d) or Section 14(7), was not provided with information or final licence bid, and the decision on dismissal of the request was not issued.

Prague, 25 February 2021

Marcel Bařha

Director of Legal Matters Department

Requirements under Section 21 of the Accounting Act, as amended

This annual report has been prepared in the context of the statutory requirements for the structure of an annual report under Section 21 of Act No. 563/1991 Coll., on Accounting, as amended.

Apart from information necessary to fulfil the purpose of the annual report, the annual report contains financial and non-financial information as prescribed by law:

(a) on events that occurred after the balance sheet date and that are material for fulfilling the purpose of the annual report:

No events occurred since the balance sheet date that would have an effect on the future or performance of Správa železnic.

(b) on the expected development of the entity's activity:

It is expected that Správa železnic will continue to carry out its activity in the present scope, in accordance with Act No. 266/1994, the Railway Act, as amended. More information is disclosed in the chapters "Modernisation and development of the railway infrastructure – Further development" and "Financial performance – Financial outlook".

(c) on research and development activities:

Správa železnic is engaged in a number of science and development projects, mainly

as an application guarantor. More detailed information is disclosed in the chapter "Research, development and innovation".

(d) on acquisition of own shares or interests:

Správa železnic is not a capital corporation and does not hold a share in another capital corporation.

(e) on activities in the field of environmental protection and on labour (industrial) relations:

Správa železnic is environmentally responsible corporation and endeavours to minimise the impact of railways on the environment (more detailed information is disclosed in the chapter "Social responsibility – Environment"). As one of the most significant employers, Správa železnic provides its employees with a wide range of benefits, encourages their development and ensures a safe work environment. More detailed information is disclosed in the chapter "Human resources".

(f) on whether the entity has a branch or another part of a business establishment abroad:

Správa železnic does not have a branch or another part of a business establishment abroad.

(g) as required by other statutory provisions:

Pursuant to Act No. 107 /1991 Coll., on Free Access to Information, Správa železnic publishes an annual report on the provision of information. The report is contained in the chapter "Annual report on the provision of information".

List of abbreviations

BIM	building information modelling/ management
CDE	common data environment
CEA	Civil Engineering Administration
CEF	Connecting Europe Facility
CER	Community of European Railway and Infrastructure Companies
COVID-19	highly infectious disease caused by SARS-CoV-2 coronavirus identified in 2019
CTD	Centre of Telematics and Diagnostics
ČD	České dráhy, a.s.
ČD Cargo	ČD Cargo, a.s.
ČD, s. o.	České dráhy, státní organizace
CNB	Czech National Bank
CSNF	Cultural and Social Needs Fund
CTU	Czech Technical University
DB	Deutsche Bahn
DG	Director General of Správa železnic/Directorate General of Správa železnic
DTM	digital technical map
DTMR	digital technical map of railways
DÚR	documentation for obtaining a decision on construction placement/zoning permit
D3	Správa železnic's Regulation on Simplified Railway Traffic Control
EC	European Commission

EIA	environmental impact assessment (process, study)
EIB	European Investment Bank
ERA	European Union Agency for Railways
ERMTS	European Rail Traffic Management System
ETCS	European Train Control System
ETSI	European Telecommunications Standards Institute
EU	European Union
FRC	Fire Rescue Corps
FS	feasibility study
GP	geometric position
GS	Grandi Stazioni Česká republika, s.r.o.
GSM-R	Global System for Mobile Communication – Railway
gtkm	gross tonne-kilometres
HSL	high-speed line
IRS	International Railway Standards
ITS	intelligent transportation system
KPI	key performance indicators
Lv	locomotive train
LWR	long-welded rail
MCZK	million Czech crowns
MF	Ministry of Finance of the Czech Republic
Mn	handling train

MOON	payroll and other personnel costs
MOZ	accounting circle “Assets for Remission of Debts”
MS Teams	communication software (Microsoft Teams)
MT	Ministry of Transport of the Czech Republic
OHS	occupational health & safety
OEIC	Operational Programme Enterprises and Innovation for Competitiveness
OPT2	Operational Programme Transport within EU
Os	ordinary passenger train
OSJD	Organisation for Cooperation between Railways
Pn	continual freight train
PRIME	Platform of Rail Infrastructure Managers in Europe
R	fast passenger train
RCSE	remote-control security equipment
RD	Regional Directorate
RFC	Rail Freight Corridor
RGA	Regional Geodesy Administration
RISC	Railway Interoperability and Safety Committee
RNE	RailNetEurope
RRF	Recovery and Resilience Facility
SERAC	Single European Railway Area Committee

SFTI	State Fund for Transport Infrastructure
SNFC	Société nationale des chemins de fer français
Sp	regional fast passenger train
SSC	Shared Service Centre
Sv	train set – handling run
SW	software
TCC	Traffic Control Centre
TCI	Technical Centre of Infrastructure
TCZK	thousand Czech crowns
TEN-T	Trans-European Network – Transport
trkm	train kilometres
TSI	technical specifications for interoperability
UIC	International Union of Railways
UN	United Nations
ZDC	accounting circle “railway infrastructure”

Identification and contact details

Organisation name Established by	Správa železnic , státní organizace Czech Republic (represented by the Ministry of Transport of the Czech Republic)
Date of incorporation Identification number	1 January 2003 70994234
Registration court Registered under	Prague Section A, File 48384
Registered office	Praha 1 – Nové Město, Dlážděná 1003/7, Postcode 110 00
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