

Through 2021 at high speed

Annual report



Annual report 2021

Správa železnic, státní organizace
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maintained by the Municipal Court in Prague,
file number A 48384

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2021 Highlights

Fast ride of 2021

Overview of key steps on the journey towards efficient innovations and modern high-speed railway network in the Czech Republic

January

HSL Terminal Praha východ (Prague East) officially published.

Construction of a new branch to Rajhrad and reconstruction of the station building in Písek started.

Design work on the first section of VRT Polabí (HSL Elbe Flatlands) launched.

February

Reconstruction of one of the last sections of Corridor I, Ústí nad Orlicí – Brandýs nad Orlicí started.

March

Modernisation of railway line sections Beroun – Králův Dvůr and Křižanov – Sklené nad Oslavou completed.

Nine-month reconstruction of the bridge over the Sázava river on the Havlíčkův Brod – Pardubice line started.

April

Overall renovation of the historical station building of the Pilsen Main Station started.

Completion of the public contract “Increase of line speed in the section Valašské Meziříčí – Hustopeče nad Bečvou”.

Information centre of Správa železnic at Praha hlavní nádraží (Prague Main Station) opens for first visitors.

May

Reconstruction and double-tracking of railway line Pardubice-Rosice nad Labem – Stéblová started.

ETCS control system installed in section Praha-Uhřetěves – Votice.

June

Refurbished station building in Třeboň reopened.

Repairs initiated at Corridor II from Břeclav to Hodonín severely damaged by the tornado.

July

Winning architectural design of Brno Main Station presented to public.

Repairs of the station building at Litoměřice město stop completed.

Contract signed for the preparation of documentation for zoning proceedings for the Krušnohorský tunel (Ore Mountains Tunnel). Design work now under way for two sections of the future high-speed railway network.

August

Reconstruction started for railway line sections Děčín východ – Děčín-Prostřední Žleb, Brno-Maloměřice – Adamov, as well as for stations Roudnice nad Labem, Holešov and Adamov.

September

New railway station Praha-Zahradní Město and pedestrian underpass at Prague Main Station opens for passengers.

Reconstruction of railway line section Adamov – Blansko started, and a large project between Rumburk and Velký Šenov finalised.

First stations with new furnishing.

Contract for documentation for zoning proceedings concluded and design work started on the VRT Jižní Morava (HSL South Moravia) section.

October

Demanding reconstruction of Vilémovský viaduct successfully completed.

New diagnostic vehicles of Správa železnic presented at Prague Main Station.

Collaboration with French state railways on the preparation of high-speed railway lines in the Czech Republic continues. Správa železnic concludes a new contract with SNCF Réseau for the next 8 years.

November

Vsetín station to be a part of a transfer terminal. Overall reconstruction begins.

Public tender opened for documentation for zoning proceedings for VRT Podřipsko (HSL Říp Flatlands).

December

New stops Brno-Starý Lískovec and Ostopovice open for passengers.

Reconstruction of Pačejov station, including renovation of the station building.

Public tender opened for documentation for zoning proceedings for VRT Střední Čechy (HSL Central Bohemia) and VRT Vysočina fáze I (HSL Highlands Phase I).

Contents



High-speed window

Biggest milestone in 2021...

During last year, project work began on three sections of new high-speed lines. This means the Krušnohorský tunel (Ore Mountains Tunnel), which will provide a connection between Czech and Western European high-speed infrastructure; the South Moravia section between Modřice and Šakvice, and the Polabí section between Prague and Poříčany.

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Foreword

Ladies and gentlemen, dear business partners,

The completion of 92 kilometres of modernised railway lines, with modernisation started and continued for more railway lines and stations, further progress made in the preparation for the construction of the first high-speed line (HSL) sections, and renovations and repairs of station buildings with emphasis on barrier-free access: these are just the most important of Správa železnic's achievements in 2021. This includes of course ensuring the continuous day-to-day operation of Czech railway network. Under the external circumstances that affected our activity, we did well – and the past twelve months were among the most successful ones in our history.

We were managing a record-high budget of CZK 60 billion, of which CZK 37 billion was earmarked for investments. Thanks to well-prepared projects, Správa železnic was very successful in drawing EU funds: their share in the investments exceeds CZK 20 billion. To modernise the Czech railway infrastructure, we used 99.9% of the EU subsidies available.

Three projects were initiated under the Blending Call programme: sections Ústí nad Orlicí – Brandýs nad Orlicí, Brno-Maloměřice – Adamov and Adamov – Blansko. Because of extensive construction work, starting mid-December 2021, all train traffic between Brno and Blansko was stopped for a year. The reconstruction of the Vsetín station proceeded to the implementation stage, as did the modernisation and double-tracking of the railway line section between Pardubice-Rosice nad Labem and Stéblová. For the second year, construction work on the reconstruction of the Pardubice junction and on the corridor between Velim and Poříčany continued, and significant progress was made in the constructions of Corridor IV at Votice – Sudoměřice and Soběslav – Doubí u Tábora.

Since September 2021, the Czech railway network has a new station: Praha-Zahradní Město, located at the track shifting that was built by Správa železnic as part of the modernisation of the Praha-Hostivař – Praha hl. n. (Prague Main Station) section, including a higher-capacity quadruple-track railway line. The reconstruction of the section between Lysá nad Labem and Čelákovice was basically completed in December, including its key part: the replacement of the bridge over the Elbe river in Čelákovice. We also completed the modernisation of a part of Corridor III from Beroun to Králův Dvůr, including the overall renovation of the Beroun station and a reconstruction of section Valašské Meziříčí – Hustopeče nad Bečvou. The newly electrified railway line from Olomouc to Uničov was put into operation. As for the project of a Praha – Kladno railway line with a branch to the Prague airport, we got closer to starting the construction of the first two sections.

In autumn, we opened the extended northern pedestrian underpass at the largest Czech passenger railway station, shortening the journey from Prague city centre to the neighbouring parts. Soon after "commissioning", the underpass was already being used by tens of thousands of people per day.

Progress has been made in the preparation of high-speed railway lines, the most important milestone of 2021 being the initiation of design work. Designers were working on documentation for zoning decisions for three sections of new railways: the Krušnohorský tunel (Ore Mountains Tunnel) allowing to connect Czech high-speed railway infrastructure to the Western European network; VRT Jižní Morava (HSL South Moravia) from Modřice to Šakvice; and VRT Polabí (HSL Elbe Flatlands) from Prague to Poříčany. The European Commission's proposal to include most new railway lines in the TEN-T Core trans-European network means significant progress in this respect and in terms of future funding. Furthermore, the historically first high-speed railway terminal Praha východ (Prague East Terminal) near Nehvizdy was designed. A tender for the architectural-urbanistic solution of another HSL terminal near Roudnice nad Labem was announced.

Another important step was the conclusion of a new contract on cooperation between Správa železnic and SNCF Réseau for the upcoming 8 years. Representatives of French state railways will consult with Czech experts on the next stages of HSL preparations.

We continued to stabilise and improve the technical conditions of railway infrastructure, and successfully implemented several major repair projects at railway lines across regions. These included the repair of overhead lines at the railway junction Prague and the major renovation of infrastructure in the Šluknov Hook region and in sections Nymburk – Mladá Boleslav, Horažďovice – Žichovice or Vysoké Mýto – Litomyšl, for instance.

In line with the adopted strategy of renewal of vehicles for diagnostics, maintenance, and repairs of railway infrastructure, a MVŽSv2 track inspection vehicle for railway superstructure and a EM100 track inspection motor car were added to our fleet. At the end of the year, we acquired a multisystem Siemens Vectron engine to be used for Czech and foreign railway diagnostics, including the track-side part of ETCS.

We successfully completed the project of inspecting bridges of prestressed concrete: a detailed diagnostic and static assessment was carried out for 63 structures. The results have shown that none of the bridges inspected showed critical defects that would necessitate immediate structural intervention or reduction of operation parameters.

In 2021, Správa železnic completely renovated 73 station buildings. Financial expenses spent on construction and maintenance work exceed CZK 2 billion.



Buildings in Šumperk, Havířov, Hanušovice, Strakonice, Třebíč, Křižanov, Louny and other locations were completed. Reconstruction of the facade and roof of the Fanta building at the Prague Main Station was finished, and work has now proceeded to the interior of this listed building.

We continued with increasing the safety of level crossings. Thanks to this effort, there are no more crossings of railway lines with category I roads in the network of Správa železnic secured only by warning crosses. The last one was the level crossing on the regional line Čáslav – Třemošnice, which is now also secured by warning lights and barriers made of composite material with LED lighting.

We also focused on, and expanded the ways of, communicating with the public: in May, we opened a new information centre of Správa železnic on the lower floor of the new vestibule at the Prague Main Station, and we launched a public information hotline at 800 21 00 21.

Prague, 18 March 2022


Jiří Svoboda
Director General

Organisation's profile

Basic information

WHO WE ARE

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

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

- operating 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 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 18 March 2022

Director General

Jiří Svoboda

(aged 51 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

as at 18 March 2022

Deputy Director General for Economics

Aleš Krejčí

(aged 62, 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 49, 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 Jaseňák

(aged 59, graduated from the University of Transport in Žilina, holding the office since 1 November 2018)

Corporate governance

STATUTORY BODY

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.

As at 31 December 2021

Director General

Jiří Svoboda

Statutory Deputy Director General

Mojmír Nejezchleb

As at 18 March 2022

Director General

Jiří Svoboda

Statutory Deputy Director General

Mojmír Nejezchleb

In 2021 and 2022, no changes occurred.

MANAGEMENT OF SPRÁVA ŽELEZNIC

As at 31 December 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 Jasenčák

As at 18 March 2022

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 Jasenčák

In 2021 and 2022, no changes occurred.

SUPERVISORY BOARD

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.

As at 31 December 2021

Chairperson

Pavel Hruběš

Vice-chairperson

Martin Kolovratník

Members

Ladislav Němec

Jaroslav Foldyna

Ivo Drahotský

Vít Janoš

Dan Ťok

As at 18 March 2022

Chairperson

Pavel Hruběš

Vice-chairperson

Martin Kolovratník

Members

Ladislav Němec

Jaroslav Foldyna

Ivo Drahotský

Vít Janoš

Dan Ťok

Changes in 2021 and 2022

Office	Period	Change
Member	until 31 January 2021	Tomáš Čoček
Member	since 30 March 2021	Dan Ťok

AUDIT COMMITTEE

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.

As at 31 December 2021

Chairperson

Eva Janoušková

Members

Pavel Hruběš

Lenka Hlubučková

Dan Ťok

As at 18 March 2022

Chairperson

Eva Janoušková

Members

Pavel Hruběš

Lenka Hlubučková

Dan Ťok

Changes in 2021 and 2022

Office	Period	Change
Member	until 28 February 2021	Tomáš Čoček
Member	since 16 April 2021	Dan Ťok

STRATEGY AND DEVELOPMENT COMMITTEE

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 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.

As at 31 December 2021

Chairperson

Ladislav Němec

Members

Martin Kolovratník

Ivo Drahotský

Vít Janoš

Dan Ťok

As at 18 March 2022

Chairperson

Ladislav Němec

Members

Martin Kolovratník

Ivo Drahotský

Vít Janoš

Dan Ťok

Changes in 2021 and 2022

Office	Period	Change
Member	until 28 February 2021	Tomáš Čoček
Member	since 16 April 2021	Dan Ťok

Strategy

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 railway transport sector. The strategic objectives relate to all business activities of the organisation and include an international significance.

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, Správa železnic's activities 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 railway 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 the implementation of ERTMS/ETCS train control system and telematics applications.

STRATEGIC PROJECTS

At Správa železnic, project management is 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 the high-speed railway lines, where Správa železnic continued the preliminary project preparation of the main connection Dresden – Praha – Brno – Ostrava / Břeclav. Apart from the preparation of a high-speed railway system, we have been working on other projects in all areas of Správa železnic's activities.

The programme titled ERTMS/ETCS Implementation at Správa železnic is of key importance for the future of the railways. The aim of the programme is to increase the safety of railway operation and to ensure interoperability. 2021 was a very significant year in terms of the progress made in ETCS implementation. ETCS versions to be deployed at individual lines of the entire network were determined: ETCS Level 2, including setting the principles of the related optimisation of infrastructure to improve railway capacity for the busiest lines, and two

variants referred to as ETCS Regional, for less busy regional lines. Based also on input provided by Správa železnic, the government approved the Plan for Modern Signalling of Czech Railway Network – implementation of ETCS, which outlines the planned timing of ETCS implementation. A new unit specialising in ETCS and new automation and signalling technologies was formed at Správa železnic. In the future, Správa železnic expects a greater involvement in international activities: joining the ERTMS Users Group (EUG) and the planned accession to the EULYNX initiative. As for rolling stock, equipping of 98 special rail vehicles for infrastructure maintenance was contracted, with delivery date by 2024, to ensure that Správa železnic's rolling stock is ready for exclusive operation under ETCS supervision. Správa železnic also acquired a multisystem Vectron engine equipped with an ETCS on-board unit according to the latest specifications, which, thanks to its technological equipment, can check the correct functioning of the ETCS unified signalling and control system.

In 2021, the planned milestones of the Implementation of Building Information Modelling/Management (BIM) project at Správa železnic were reached. For the further implementation of the project, a long-term, detailed strategy of the implementation process was set. Správa železnic increased the number of pilot projects being prepared and implemented to verify the internal digitalisation progress and the methodological service by Státní fond dopravní infrastruktury (State Fund for Transport Infrastructure – SFTI). In 2021, model documentation for awarding construction contracts using BIM was updated, and systematic work was initiated on extending the industry's data standard to meet the organisation's needs, so that BIM models of construction could be used throughout their life cycle. A key milestone whose achievement will be one of the main topics of the project in the upcoming years, is the acquisition and implementation of a Common Data Environment (CDE) in the organisation.

The Creation and Development of Digital Technical Maps (DTM) project and the mapping of technical infrastructure continues. The main output of the project will be Digital Technical Railway Maps (DTMŽ), a functional information system, integrated in the DTM information systems at the level of the Czech Office for Surveying, Mapping and Cadastre, and at the level of regions. A pilot project to verify data gathering by mobile mapping in the railway environment was implemented. Detailed technical specifications for information system implementation and data input on technical and transport infrastructure were completed.

We have implemented the first phase of the Bottleneck Identification project. Its output is to identify capacity bottlenecks, i.e. the segments of infrastructure that hinder railway traffic. The project covers both railway lines and operating points with track developments. Throats (track developments) and sets of tracks are analysed separately at the operating points. The project focuses on fully available infrastructure, i.e. the infrastructure whose capacity is not restrained by traffic restrictions.

In 2021, we initiated the implementation of a programme titled Cyber Security at Správa železnic, which aims to protect the perimeter of Správa železnic by imple-

menting technical measures targeted against the vector of probable cyber-attacks that, if successful, may threaten a high number of human lives or cause considerable financial loss to the Czech Republic.

Another strategic topic is safety improvement. The project of Reducing Accidents on Railway Level Crossings Concept is the outcome of 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 safety, through road modification, and ending with developing tools to replace level crossings.

The project portfolio of Správa železnic currently comprises a total of 29 strategic projects including direct actions to achieve strategic goals, and 28 significant projects. Three strategic projects and four significant projects were completed in 2021.

REVISED STRATEGY OF SPRÁVA ŽELEZNIC

In the second half of the year 2020, 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 safety, speed and capacity at selected lines outside the TEN-T network.
- 3. Implement the Fast Connections Development in the Czech Republic governmental programme.
- 4. Start the construction of the first section of high-speed line by 2025.
- 5. Eliminate speed restrictions 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. Rationalise 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 portion (75%) of inland freight transport from roads to railways and waterways. 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.

In 2021, a document of key importance for railway transport was the Decision (EU) 2020/2228 of the European Parliament and of the Council of 23 December 2020 on the European Year of Rail (2021). On its basis, among other things, Správa železnic together with the Czech Chamber of Commerce organised a professional forum titled Green Railway for Europe, taking place at the Czech Technical University in Prague, Faculty of Transportation Sciences in June 2021. A prerequisite for the railway infrastructure to fulfil its role in sustainable development is a direct reduction of CO₂ emissions per unit of transportation outputs (line electrification, unification of traction power supply system, recuperation), but in particular, in line with the requirements of EU legislation, the facilitation of shifting to railway a substantial portion of road freight transport and a part of passenger transport, with direct effect of increasing the railway infrastructure capacity. The forum very clearly described the link between these requirements and the projects being implemented and changes being prepared at the Czech railway network to set the future direction more precisely.

In connection with its participation in research, development, and innovation projects of the Technology Agency of the Czech Republic, Správa železnic in collaboration with the Czech Technical University's Faculty of Transportation Sciences, VŠB – Technical University of Ostrava, Nuclear Research Institute, rolling stock manufacturers, and with the participation of carriers and customers of passenger transport as a public service, organised an expert workshop titled ‘Hydrogen for Rail’ in June 2021. Experts discussed the issues of alternative fuels at Czech railway network, sustainable mobility in terms of an irreversible shift to zero-emission mobility, and, importantly, hydrogen as the fuel of the future.

In September 2021, Správa železnic initiated the formulation of its Sustainability Strategy and Sustainability Report for the 2020-2021 period. Attention is also paid to ESG, meaning non-financial criteria measuring environmental impacts (E – environment), respect to social values and safety (S – social / safety) and good governance aspects (G – governance). 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, to improve the safety and health of Czech citizens, and to meet the Czech Republic's commitments ensuing from its membership in the EU. A green and at the same time digital transformation should reform transportation, establish a new concept of connectivity, and energise the economy.

BUSINESS STRATEGY

To intensify its business activities and make them more efficient primarily as regards the utilisation

of passenger stations buildings, the organisation initiated a systematic analysis of its current business portfolio and the possibilities of its further development. Led by strategy, a communication platform has been set up where priorities of individual Regional Directorates are strategically coordinated and development activities intensively shared, as team culture is one of the prerequisites to make efficient use of new opportunities. Great emphasis was placed on the implementation of pilot projects allowing to evaluate innovation activities before deploying them widely. In this respect, the following tasks were carried out:

- a nationwide survey of satisfaction and potential future development of Czech railway stations, aiming to monitor passenger needs and prioritise activities that increase their satisfaction;
- testing of technologies measuring the flow of passengers within station buildings to increase the attractiveness of the premises for potential partners.

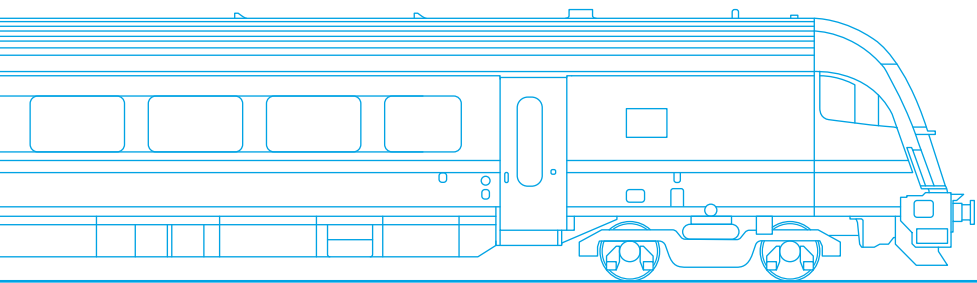
Station buildings must keep up with current trends not just in terms of architecture, but must also reflect new trends in public behaviour, such as the use of pick-up boxes, the possibility of working on a computer or organising business meetings. In 2021, the conceptual preparation of the northern wing of the Fanta building at the Prague Main Station was also accelerated. The use of the premises, apart from the original use as a cultural hall, was directed towards the creation of a quiet zone for passengers, in response to the results of the mentioned satisfaction survey. New trends in the layout of station buildings have been also drawn from abroad, especially Europe, where several interesting projects are currently underway.

At the same time, processes for the management and renewal of immovable assets are being coordinated and optimised, and proposals are being made for suitable strategic recommendations to make the organisation's current activities and its further development more efficient.



HSL Terminal – Roudnice nad Labem

Správa železnic / M.P.rov Nehvizdy 2020 / Visualisation by Dousek-Zaborský



230 km/h

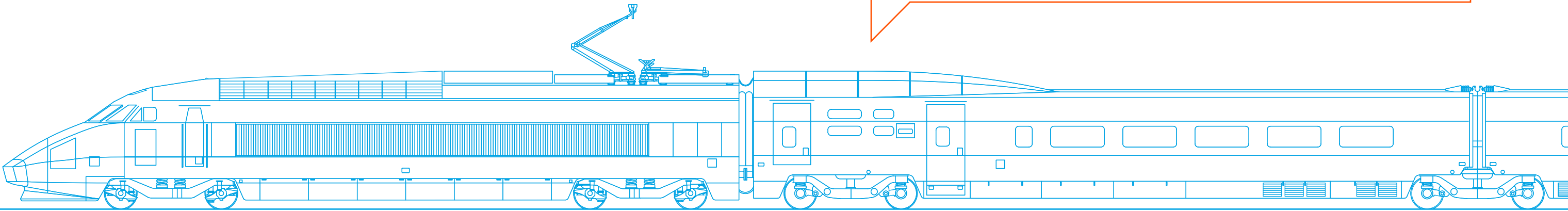
High-speed window

Two categories of high-speed trains...

Two categories of trains will run on high-speed lines: High-speed express and Regional high-speed train. The first will ensure express connections between major centres with speeds up to 320 km/h. The second will serve wider regions and run between the current rail network and the high-speed one. Trains in that category will have a maximum speed of about 250 km/h, though it will depend on the connection type. Speeds can range between 200 and 320 km/h.

Research, development and innovation

320 km/h



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Thanks to the central coordination of research and development, Správa železnic carries out these activities using optimal project management across the organisation, with a focus on an efficient 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 naturally reflect current and expected future trends of digitalisation and smartification.

The state organisation has been publishing Vědeckotechnický sborník Správy železnic, a science and technology anthology, 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 published 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 2021, Správa železnic as a member of a syndicate of project participants continued its involvement in project S2R-OC-IP2-02-2019: Support to the development of a demonstrator platform for traffic management, financed from a joint technology initiative Shift2Rail within EU framework programme Horizon 2020.

As an application guarantor, Správa železnic participates in the international research and development Regional hydrogen trains (TO01000324) project under the KAPPA programme of the Technology Agency of the Czech Republic. The project is to be implemented in 2021-2024, with state support and focus on Energy and Fuels field. The aim of the project is to analyse railway lines and locate areas where hydrogen trains would be a preferred solution compared to other technologies from a technical, financial, and environmental perspective. The results will allow to identify preferred areas for deployment of hydrogen trains to replace future decommissioned diesel trains on non-electrified railways.

In 2021, Správa železnic became a member of ERTMS Users Group (EUG), an association uniting most of significant infrastructure managers in the EU (as well as Switzerland and the United Kingdom), which aims to be a partner for the European Commission. Správa železnic thus gained the possibility to use the EUG expert team for consultations on technical requirements and proposed technical solutions. The membership will also allow the organisation to understand ERTMS specifications, giving Správa železnic a significantly stronger position to address its own ideas about their future, be an equal partner to the industry and, on an expert level, benefit from other infrastructure managers' experience in implementation.

Správa železnic also participated in the C-Roads Czech Republic project, completed as at 31 December 2021. As the first infrastructure manager in the EU, Správa železnic conducted pilot tests of improving the safety at level crossings by means of a standardised cooperative system, directly transmitting real time information about warning signals being active at a specific level crossing to road vehicles. Správa železnic has provided two level crossings in the Pardubice region where the communication between the control unit and road vehicles was tested.

NATIONAL PROJECTS

Správa železnic is an active member of the Interoperabilita železniční infrastruktury (Interoperability of Railway Infrastructure) – Czech Technology Platform, aiming to actively and concretely contribute 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).

The long-term partnership between Správa železnic and the University of Pardubice's Faculty of Transport Engineering and Faculty of Electrical Engineering and Informatics continued in 2021, mainly in the form of joint activities within PosiTrans, a project of collaboration between the University of Pardubice and applied research organisations. Research activities concentrated on railway infrastructure capacity and microscopic stochastic simulation of railway operation. Specifically, they focused on the effect on the capacity of platforms' placement at station approach; the possibility of partial double-tracking of sections between stations by extended throats; crossovers between tracks in the middle of a double-track line sections between stations; or signalling equipment allowing bundling at single-track lines. In 2021, the research team of the University of Pardubice mainly used technical consultations with Správa železnic's employees and previously provided information on selected infrastructure as a basis for creating simulation models. The results of the joint research were published in magazines and presented at professional conferences and forums.

Správa železnic ordered an expert study on the deployment of smart technologies at railway stations, including a presentation of technologies and solutions broken down by the following areas: management of unmanned stations; development of services for passengers and the public; and integration of railway stations (train stops) into smart city. The study by ITS – Intelligent Transport Systems – in cooperation with the Czech Technical University in Prague, Faculty of Transportation Sciences, focused on three categories of passenger railway stations, presenting concrete technologies and their application at concrete locations: Kralupy nad Vltavou, Křivoklát and Praha-Podbaba.

Within the second call under the programme to support applied research, experimental development, and innovation in transport, DOPRAVA 2020+ (TRANSPORT 2020+) of the Technology Agency of the Czech Republic, Správa železnic as the application guarantor participates in a project on the prediction of tree fallings to ensure safety of railway traffic.

Správa železnic awarded a public contract to Czech Technical University's Faculty of Transportation Sciences for a Study on safety issues in the railway sector. It is inspired by Vize 0 (Vision Zero), a road safety project aiming to eliminate deaths due to traffic on transport infrastructure. Transport safety is one of the strategic goals of the government's Transport Policy of the Czech Republic for the period of 2021-2027 with an outlook until 2050, published 8 March 2021. Minimising deaths and severe injuries in traffic is one of the goals of the government's Strategy of Development of Intelligent Transport Systems 2021-2027, dated 4 January 2021, with an outlook till 2050.

In October 2021, the results of the fourth call under the THĚTA programme to support applied research, experimental development, and innovation were announced. Správa železnic together with VŠB – Technical University of Ostrava succeeded with a project on reducing railway transport's energy consumption and negative environmental impact by preparing the infrastructure for trains powered by alternative fuel (TK04010081).

In the area of transport safety, within the Technology Agency of the Czech Republic's BETA2 programme of public procurement in applied research and innovation for the needs of the government, Správa železnic submitted to the MT the initial intent to update the procedures and digitalise the process of assessing psychological fitness for certain jobs at Správa železnic.

Správa železnic sees great potential for future cooperation in sharing 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 capacity restrictions of backbone corridor lines sections. 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 share our know-how and expertise with research and development institutions.

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High-speed window

Accelerating to 320 km/h...

The distance a high-speed train needs to reach 320 km/h depends on the lines's ascending or descending gradient. Modern trains usually require 20 to 25 km. They then require about 7 km to stop.



Selected activities of Správa železnic in 2021

01

Ensuring rail operability is the key to smooth and safe transport

Správa železnic ensures repairs and maintenance of nationwide and regional railway infrastructure. It looks after construction of track substructure, bridges and tunnels, buildings, ground structures, electrical engineering, energetics, and telecommunications and signalling equipment. It further ensures repairs and maintenance of property at railway stations, including building cleaning and security.

In 2021, preparation or implementation was financed for 528 targeted repair actions, of which 164 with expenses exceeding CZK 10 million. The total includes 151 actions for repairing station or operational buildings. A total of CZK 1.1 billion was spent on building repair, maintenance and operation.

CONTINUAL IMPROVEMENTS TO BRIDGE AND RAILWAY LEVEL CROSSING CONDITIONS

It was found that no railway bridges with a prestressed concrete structure are in critical condition. The safety of 123 railway level crossings was improved.

02

Railway modernisation is accelerating

The modernisation of railway transit corridors I–IV continues, which will significantly contribute to shortening travel times. Other lines included in the European railway system are also being modernised.

HIGH-SPEED RAIL IS NO LONGER A MATTER OF THE FUTURE

Investment in preparations for fast connections and building of new high-speed lines is in full swing. Work has begun on documentation for zoning decisions and EIAs for the first four HSL sections.

TO GERMANY AND POLAND FASTER AND WITH MORE COMFORT

As part of preparations for the cross-border Krušnohorský tunel (Ore Mountains Tunnel), procurement is already underway. Feasibility study is also being conducted for the high-speed line from Prague through Hradec Králové to Wrocław.

CONCLUDING A FRAMEWORK AGREEMENT ON NEW FURNITURE FOR RAILWAY STATIONS

The agreement includes supply of benches, rubbish bins, signboards, information panels, and bicycle stands.

NEW EQUIPMENT FOR THE SPRÁVA ŽELEZNIC' FIRE RESCUE CORPS

The second wave of equipment renewal is finished successfully. Expenses totalled CZK 257.557 million (the first phase totalled CZK 552.453 million).

Total expenses for ensuring operability in 2021 were: CZK 19.273 billion excluding depreciation.

THE FIRST ARCHITECTURAL DESIGN COMPETITION HAS ENDED AND MORE ARE UNDERWAY

All high-speed line stations have announced architectural design competitions. The first competition, for the Praha východ Terminal (Prague East Terminal), has been completed.

INVESTMENT IN PROPERTY AND SUBURBAN TRANSPORT

The process of upgrading, double-tracking and electrification of the Prague – Kladno line with a connection to Václav Havel Airport has started.

The most expensive ongoing construction are renovations of station buildings, such as those in České Budějovice, Pardubice, Beroun, Praha-Vysočany and Havířov and the facade of the Prague Main Railway station building.

03

Operating rail infrastructure for carrier and passenger satisfaction

The railway operation safety system is up-to-date and fully functional. In 2021, the supervisory authority of the state administration did not find any deficiencies. The safety of railway and railway transport operating is at a consistently high level and safety targets are met.

OPEN COMMUNICATION LEADS TO CARRIERS' SATISFACTION

Long-term limitations on operating railway are announced well in advance and consulted with representatives of carriers and other customers. This open approach has proven effective and most comments are settled to carriers' satisfaction.

THE TRAINING SYSTEM WILL FURTHER INCREASE EMPLOYEE EXPERTISE

In 2021, the employee training system was further improved. Preparations also continued to build a new training room at the Traffic Control Centre (TCC) in Prague, a fully realistic simulation identical to real life operations.

NEW TRAFFIC CONTROL ROOM AND ETCS DISPATCHER WORKPLACE IN PRAGUE

At the Prague TCC, a new traffic control room has been commissioned to exercise remote control over the Praha-Uhřetěves – Lysá nad Labem section. The European Train Control System (ETCS) dispatcher workplace has also commenced operations. A 525 km railway network is controlled from the Prague TCC.

AN OPERATION DISPATCHER CENTRE AND ETCS DISPATCHER CENTRE HAVE BEEN OPENED IN PŘEROV

It is an operational dispatcher workplace to ensure the project of public pusher operation service. An ETCS dispatcher workplace has also been launched. The operation of 550 km of railway network is controlled from TCC Přerov.

Total expenses excluding depreciation for ensuring railway infrastructure operating in 2021: CZK 6.734 billion

04

Performance and the number of carriers on Správa železnic network rising

Performance rose for both passenger and freight transport. The total number of carriers rose in 2021 from 122 to 126.

Compared to 2020, train-kilometres and gross tonne-kilometres in passenger transport rose by 2 % and 3 % respectively. A decisive share in passenger transport performance continues to be maintained by České dráhy, a. s.

In freight transport, performance rose in comparison to 2020 by 5%. A decisive share in performance continues to pertain to ČD Cargo, a. s.

05

Expansion of international cooperation continues

In 2021, cooperation with all foreign partners successfully continued, and entirely new international activities and projects were developed. Správa železnic capitalises on the support of several of experienced partners to accelerate the development of Czech railway network following the model of European leaders.

CONFERENCE AND THE BERLIN – PRAGUE – VIENNA HIGH-SPEED LINE

In September, the Connecting Europe Express visited Ostrava, Brno and Prague. In Prague, this occasion was accompanied by an international conference that included the issue of high-speed rail connecting Berlin, Prague and Vienna. This contributed to the decision of the European Commission to include the entire Czech section of this line into the proposed revision of the TEN-T Core network, just as the entire Brno – Přerov – Ostrava section. For freight transport, the Velký Osek – Choceň line was included in the revision proposal. This will enable future co-financing of important projects from EU funds.

COOPERATION WITH SNCF RÉSEAU IN BUILDING HIGH-SPEED RAIL TRANSPORT

A new contract for the next eight years will enable Správa železnic to use the services of French HSR experts.

SIGNIFICANT PROGRESS IN PREPARING KRUŠNOHORSKÝ TUNEL (A CROSS-BORDER SECTION TUNNEL)

Procurement is underway for suppliers of the preparation of documentation for zoning decision for the construction of the cross-border tunnel (Krušnohorský tunel). This part of the Dresden – Prague connection is being developed from the second half of 2021 in cooperation with strong European companies.

KNOW-HOW EXCHANGE WITH SPANISH ADIF

The aim of tight cooperation with Spanish experts is the exchange of information about building, operating and maintaining the ETCS, high-speed lines and new technologies.



Significant construction works completed in 2021

Interactive map
of Správa železnic



Significant construction works started in 2021

**Interactive map
of Správa železnic**



Organisation's activity

Line anniversaries

Launch of railway transportation

1 May 1841	Břeclav – Staré Město u Uherského Hradiště	180
1 September 1841	Staré Město u Uherského Hradiště – Hulín – Přerov	180
17 October 1841	Olomouc hl. n. – Přerov	180
8 April 1851	Ústí nad Labem jih – Děčín hl. n. – Dolní Žleb	170
15 October 1861	Plzeň-Skvřňany – Domažlice – Česká Kubice state border	160
1 January 1871	Ostrava střed – Ostrava-Kunčice – Frýdlant nad Ostravicí	150
8 January 1871	Český Těšín – Jablunkov state border	150
25 January 1871	Jihlava – Havlíčkův Brod	150
4 February 1871	Rakovník zastávka – Lužná – Žatec – Chomutov	150
1 April 1871	České Budějovice – Kaplice – Rybník	150
23 April 1871	Znojmo – Jihlava	150
1 June 1871	Havlíčkův Brod – Chrudim – Rosice nad Labem	150
1 June 1871	Ostoměř – Stará Paka – Kunčice nad Labem	150
3 September 1871	Benešov u Prahy – Veselí nad Lužnicí – České Velenice	150
20 September 1871	Plzeň hl. n. – Klatovy – Nýrsko	150
1 October 1871	Zábřeh na Moravě – Šumperk – Petrov nad Desnou – Sobotín	150
1 October 1871	Kunčice nad Labem – Vrchlabí	150
1 November 1871	Znojmo – Šatov state border	150

9 November 1871	Březno u Chomutova – Ostrov nad Ohří	150
1 December 1871	Rybník – Horní Dvořiště state border	150
9 December 1871	Trávnice – Františkovy Lázně	150
14 December 1871	Praha hl. n. – Praha-Vršovice – Čerčany	150
17 December 1871	Ostoměř – Jičín	150
17 December 1871	Trutnov hl. n. – Svoboda nad Úpou	150
18 August 1881	Kaštice – Krásný Dvůr	140
15 November 1881	Jičín – Velešibý	140
20 December 1881	Chodov – Nejdk	140
20 November 1891	České Budějovice – Kájov	130
9 May 1901	Chlumec nad Cidlinou – Městec Králové	120
31 May 1901	Bruntál – Malá Morávka	120
6 August 1901	Kácov – Ledečko – Čerčany	120
7 December 1901	Loket – Krásný Jez	120
16 February 1911	Kuřim – Veverská Bítýška	110
14 May 1931	odb. (junction) Chotěbuz – Albrechtice u Českého Těšína	90
27 June 1991	Praha-Braník – Praha-Modřany zastávka (stop)	30

Operability of railway infrastructure

Ensuring the operability of railway network is an essential, statutory prerequisite for its operating for the needs of safe and smooth railway traffic, thus representing one of the principal activities of Správa železnic.

Within Správa železnic's internal organisational structure, these activities are coordinated by the **Rail Operability Section**, which lays down the methodology to ensure proper technical conditions, development and modifications of railway infrastructure and of related structures, including station buildings and operation or administrative buildings. The Rail Operability Section also approves the use of new materials, products and technologies, coordinates central procurement, public tenders, telematics, diagnostics and railway geodesy. Its organisational structure also includes the Fire Rescue Corps of Správa železnic.

Measuring and diagnostics of railway infrastructure parameters is carried out by special railway vehicles of the Telematics and Diagnostics Centre, an organisational unit of the Rail Operability Section. On a regional scale, operability is ensured through inspecting and monitoring by staff of operation centres of technical administration centres at the respective Regional Directorates.

Based on the analysis of the results diagnostics, repair and maintenance plans are prepared with the aim to meet all railway operator's duties in this field. One of the indicators of the operability is not exceeding the limit values of restricted-speed line sections, or 'slow-orders'. Assessed slow-orders primarily include those resulting from the unsuitable technical condition of the infrastructure. The target value for slow-orders set at 7 km as at 31 December 2021 was met with a considerable margin: the actual length of the assessed slow-orders as at that date was only 1.976 km.

In 2021, the preparation or implementation of 528 specific repair projects was financed from funds earmarked for ensuring operability, of which 164 costed more than CZK 10 million. The total number also includes 151 construction projects involving repairs of station or operation buildings: the aim of these repair projects is to eliminate unsuitable conditions of infrastructure, or to maintain its existing parameters.

The most significant repair projects of 2021 were those focused on signalling and trackside equipment at line sections operated under Regulation D3, aiming to increase their safety. These were carried out **at sections Havlíčkův Brod – Humpolec, Zadní Třebaň – Liteň and Březnice – Strakonice**. The repair projects will be followed by investment projects, including the implementation of ETCS elements.

Of other major projects of 2021 we should mention the repair of platforms No. 5 and 6 at Brno hl. n. (Main Station), or the repair of a bridge at kilometre 32.544 of line section Ostrava-Kunčice – Ostrava-Vítkovice. Railway line sections or their parts were repaired at Horažďovice – Žichovice, Nymburk – Mladá Boleslav, Kladno – Krupá and Vysoké Mýto – Litomyšl. At the Prague junction and the Polepy – Hoštka section, the overall repair of the overhead line was carried out. Repairs also involved station interlocking equipment, for instance at Nymburk město, Dolní Lipka, Miroslav and Liběchov stations.

A significant benefit of railway line repairs is also the elimination of speed limit restrictions. This means the possibility to use speed as per the route book in the sections between stations or at operating points where the train speed had been restricted due to unsuitable conditions. The planned minimum limit of 20 km was significantly exceeded in 2021, as we managed to eliminate the speed limit restrictions in the total length of 126.272 km, which is up by more than 60% compared



Správa železnic / Rusina Frei architekti / Visualisation by monolot

to 2020. This was achieved even though the elimination of speed restrictions was not the primary aim of the repairs: this considerable improvement from prior years was a result of a favourable funding, the extent of the repairs completed, and a suitable structure of the repair projects portfolio.

In 2021, the implementation of the cyclic maintenance principle continued at Správa železnic. Pilot projects were implemented between the Děčín-Prostřední Žleb station and the German state border. Within the continued implementation, the verification of the system setup in terms of the life cycle of selected infrastructure elements and number of defects and malfunctions was carried out. Corridor I was assessed in detail for this review.

In the area of rail mechanisation, the supply of platform and hinged trailed trolleys from the 100-piece series was completed in 2021. Based on the results of a tender procedure, contracts were concluded with suppliers for equipping 98 Správa železnic's rail vehicles with ETCS on-board units. Preparation for obligatory certification as the entity in charge of maintenance of vehicles was also in progress in 2021.

The preparations for supplies of new vehicles for diagnostics, maintenance and repairs of railway infrastructure continued. To ensure the continuity of activities at the nationwide network, a new MVŽSv2 track inspection vehicle for railway superstructure for measuring speeds of up to 200 km/h, and an EM 100 track inspection motor car for diagnostics of regional railway superstructure were acquired. At the end of the year, a multisystem Vectron MS series engine for diagnostics of dependent traction, allowing to check the correct functioning of the ETCS trackside part, and to ensure the performance Správa železnic's diagnostic vehicles, was added to our fleet.

In 2021, Správa železnic also devoted attention to activities aimed at preventing accidents on level crossings. **In addition to continuously increasing safety on level crossings, innovation projects for signalling and telecommunication equipment (detectors of obstacles, preparation and implementation of wider use of camera systems for automatic detection of offences, etc.) continued. At 123 level crossings, safety was improved** through construction projects of an investment nature, and **numerous repairs were also carried out.** Further contributing to reducing the risk of accidents, **52 redundant level crossings were cancelled.** With the change in legislation effective 1 January 2021 introducing new conditions for the cancellation of unnecessary level crossings, we expect the cancellation process to become more dynamic in the years to come.

The survey of unstable sections of the railway substructure carried out in 2018–2019 was updated in 2021. **The process of assessing unstable sections has been made more efficient and systematic.** Defects of the railway substructure manifest not only through defects of rail geometry parameters, but also through the instability of a whole embankment, the main cause being long-term degradation of the embankment body due to drainage. In the second quarter of 2021 the repair of the emergency condition of the embankment was completed at section 178.850–179.000 of the Hájek – Dalovice line, with very complicated geotechnical conditions in terms of the stability of high embankments. The resolution of a similar emergency condition at Lidečko on the railway line Vsetín – Horní Lideč was also initiated.

A gradual improvement of the condition of bridges continued, reducing the number of bridge structures rated at the worst, i.e. the third grade. While such a rating may not be the reason for an immediate change in the operability conditions, it is a serious indicator for the infrastructure manager to address the future of the structure by including it into the construction planning process. **A railway bridge stable operability programme has been prepared, setting objectives and trends in improving the condition of bridges in 2021–2025. In 2021, a project titled Diagnostic and Static Assessment of Railway Bridges with Prestressed Concrete Structure was completed, with the outcome that none of such bridges is in an emergency condition.**

In 2021, the preparations for the Creation and Development of Digital Technical Maps and Technical Infrastructure Mapping project culminated. This activity also aims to meet the requirements of Act No. 200/1994 Coll., on Surveying and Mapping, which defines digital technical maps and underlying data for their management.

In 2021, the testing operation of VNPN GSM-R STOP equipment (warning upon unpermitted passing through a signal) was underway. At railway lines equipped

with the STOP function, this functionality allows to use it also within the GSM-R system. The system automatically sends a signal to stop the train if a signal in the Stop position is passed. Vehicles equipped with the GSM-R STOP module will stop, and an acoustic warning is played to the engine driver by the vehicle's radio station.

Správa železnic prepared underlying materials for the Plan for Modern Safety at Czech Railway Network – Implementation of ETCS, which was approved by Czech Government Resolution No. 795 of 13 September 2021. The plan addresses the installation of ETCS on the entire network of Správa železnic by 2040.

In 2021, **the implementation of the concept for improvement of safety at lines with simplified railway traffic control continued.** It aims to deploy ETCS components at lines operated under the D3 Regulation. The first lines where this concept is to be tested are Studénka – Bílovec (ETCS REGIONAL variant D3 STOP) and Nepomuk – Blatná (ETCS REGIONAL variant D1 STOP). Apart from this, preparations and implementations continued at other lines, involving modifications of signalling equipment for future installation of ETCS REGIONAL, or already its installation. This area is closely linked to repairs of signalling and trackside equipment at railway lines carried out within repair and maintenance projects.

In 2021, over CZK 1.1 billion was spent on repairs, maintenance, and operations of buildings. Their structural and technical condition was assessed, priorities were set within the entire network of train stations and train stops, and a new mid-term **plan for renovations and revitalisations of passenger stations for the period of 2022–2026 was developed and then approved by the central committee of the MT. Major projects of renovations and repairs of passenger railway stations completed in 2021 include Havířov, Strakonice, Křižanov, Hanušovice, Třebíč, Mnichovo Hradiště and Horažďovice.** Refurbishment of sanitary facilities (lavatories) also continued and was carried out at more than 30 station buildings, including improvements to their structural-technical conditions and installation of equipment for entry and fee collection. The main goal in the operation of public sanitary facilities is the overall improvement of passengers' comfort mainly by ensuring technical and aesthetic conditions that comply with contemporary standards.

Apart from construction projects involving station buildings, Správa železnic in 2021 also concentrated on further improving the standard of cleaning of premises accessible to the public: the entire system was redesigned in terms of unification of cleaning work and use of modern tools to monitor work and service quality.

An important step towards the standardisation of publicly accessible premises was **the conclusion of a contract for the supply of furnishings of railway stations and train stops, including new benches, waste bins, notice boards, information panels and bicycle stands. The new furnishings meet the requirements for a uniform design, and thanks to their technical and aesthetic parameters are a real improvement to the look of our stations.** As for advanced and innovative technologies, progress has been made with a study looking into the possibility of using smart technologies at small and medium-sized railway stations and train stops, for instance in the form of information kiosks, storage lockers and pick-up boxes, or securing access to inner premises.

In railway transport accessibility, a major event of 2021 was the organisation of yet another meeting of a platform comprising representatives of Národní rada osob se zdravotním postižením ČR (Czech National Disability Council), passenger carriers, and Správa železnic. Thanks to our continued involvement in the Single Tariff System, which also makes it possible to book assistance for persons with impaired mobility or orientation, our employees provided assistance in 9,000 cases in 2021. In this context, **the decision to acquire 65 mobile lifting platforms for the disabled at 37 locations was of a key importance.** A new map layer was included in Správa železnic's interactive map, containing information on barrier-free accessibility and assistance availability at individual railway stations and train stops.

As in 2021, Správa železnic supplied traction electricity to all carriers using dependent traction in 2021. A hybrid model, allowing to also use data from on-board measurements, was used to calculate individual consumption. 196 carriers' engines or electric units were equipped with the traction electricity measuring system, making it a total of 552 fitted and operated vehicles (units). The active exchange of energy data with ÖBB-Infrastruktur AG for the purposes of traction electricity billing continued. Správa železnic also provided for the central procure-

ment of supplies of natural gas and electricity for the transportation sector through purchases at the Power Exchange Central Europe, a.s.

In 2021, Správa železnic successfully passed a recertification audit of the energy management system under the ISO 50001 standard.

In construction design and implementation, the electrification of railway lines continued, in line with the strategy of a gradual transition to a uniform power supply system 25 kV AC 50 Hz.

FIRE RESCUE CORPS

In 2021, a second phase for the renewal of Fire Rescue Corps equipment was completed, with costs totalling CZK 257.557 million (together with the first stage: CZK 552.453 million). Two types of tank car fire engines (7 in total), four wrecking trucks, five car cranes, nine container trailers and thirteen technical containers were acquired.

Structural modifications were carried out at two buildings of the Fire Rescue Corps: in Brno, the construction of additional garage hall with the capacity of six parking places was completed in 2021, and in Ostrava, the overall renovation of the fire station building continued, with expected completion in March 2022. Apart from these projects, constructions of new fire station facilities in Nymburk, Cheb, Česká Třebová, Přerov and Pilsen are in the stage of intensive preparation.

NEW UNIFORM COMPONENTS FOR SPRÁVA ŽELEZNIC'S EMPLOYEES IN SPECIFIC PROFESSIONS

2021 was a milestone in this respect, as the renewal of uniform components for specific professions culminated at Správa železnic. The new uniforms meet the requirements for the innovated corporate identity and provide better comfort for employees in their day-to-day use.

PREPARATION AND IMPLEMENTATION OF QUALIFICATION SYSTEM

In 2021, work continued on introducing the Qualification System at Správa železnic, in the first stage mainly for sector-specific, below-the-threshold public contracts being implemented by Regional Directorates in the segment of repair and maintenance construction work. The system is to be launched in the course of 2022, when the receipt of suppliers' application for inclusion in the system will start. **First public contracts are expected to be implemented using the system at the turn of 2022 and 2023,** depending on how the individual categories of the system are filled with suppliers. **A well-set and well-functioning qualification system will help Správa železnic to further develop its public procurement area.**

EXPENSES INCURRED ON ENSURING OPERABILITY

Správa železnic ensures repairs and maintenance of nationwide and regional railway infrastructure, comprising the following sectors: railway lines (superstructure and substructure), railway constructions, bridges and tunnels, buildings and ground constructions, electrical and energetics equipment, telecommunication and signalling equipment. 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 tender procedures. In 2021, 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 2021, total expenses, not including depreciation and amortisation, incurred in ensuring the operability of the railway infrastructure, including the relevant allocation of centrally recorded expenses amounted to CZK 19.273 billion.

Table 1 – Selected activities

Indicator	Unit of measurement	Amount 2020	Amount 2021
Track geometry modification	km	1,830	1,406
Switch geometry modification	pcs	1,404	1,245
Ballast cleaning – tracks	km	285	133
Ballast cleaning – switches	pcs	348	414
Continuous welded rail, welding – tracks	km	801	473
Continuous welded rail, welding – switches	pcs	438	380
Replacement of rails	km	673	484
Replacement of sleepers	pcs	341,005	310,747

Table 2 – Basic description of railway network

Indicator	Unit of measurement	Amount 2020	Amount 2021
Total length of lines	km	9,377	9,358
Length of electrified lines	km	3,217	3,215
3 kV DC traction system	km	1,796	1,784
25 kV AC 50 Hz traction system	km	1,383	1,393
1.5 kV DC traction system	km	24	24
15 kV AC traction system	km	14	14
Length of standard-gauge lines	km	9,354	9,335
Length of narrow-gauge lines	km	23	23
Length of single-track lines	km	7,337	7,324
Length of double- and multiple-track lines	km	2,039	2,033
Total construction length of tracks	km	15,189	15,091
Number of switch units	pcs	22,240	21,445
Bridges	pcs	6,719	6,719
Tunnels	pcs	166	166
Total bridge length	m	154,422	154,845
Total tunnel length	m	54,072	54,072
Level crossings	pcs	7,784	7,734

Table 3 – Overview of buildings managed by Správa železnic

Indicator	Unit of measurement	Amount 2020	Amount 2021
Buildings	pcs	8,108	8,070
Built-up area	m ²	1,723,045	1,722,965
Built-up space	m ³	12,848,527	12,787,916

Modernisation and development of 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:

- Modernisation of railway transit corridors;
- Modernisation of railway junctions;
- Modernisation of other lines integrated in the European railway system;
- Ensuring the interoperability of selected lines;
- Investment in the railway infrastructure to support the development of suburban Transport and integrated transport systems;
- Passenger station assets;
- Preparation of Fast 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 Corridor I on the Břeclav – Brno – Česká Třebová – Prague – Děčín line and of Corridor II on the Břeclav – Přerov – Ostrava – Petrovice u Karviné line was followed by the modernisation of Corridors III and IV.

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 Corridor I, and the Přerov – Dětmárovice line section as part of Corridor II. Table 4 contains incomplete line sections of Corridor III, which are ongoing or in design preparation stages.

Table 4 – Overview of works on Corridor III

Project description	Length (km)	Stage of completion	Project launch	Project completion
Optimisation of Praha-Smíchov – Černošice line	8.8	ongoing	8/2019	7/2022
Optimisation of the Černošice – Berounka branch line	5.9	in preparation	2024	2026
Optimisation of the Berounka branch – Karlštejn line	15.5	in preparation	2024	2027
Optimisation of the Karlštejn – Beroun line	5.7	in preparation	2022	2025

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 Corridor I. Table 5 contains structures in the line section Horní Dvořiště – České Budějovice – Prague, which are ongoing or in design preparation stages.

Table 5 – Overview of works on Corridor IV

Project description	Length (km)	Stage of completion	Project launch	Project completion
Modernisation of the Sudoměřice – Votice line	17.0	ongoing	3/2018	9/2023
Modernisation of the Veselí n. L. – Tábor line, Part 2, Veselí n. L. – Doubí line section, Stage 2 Soběslav – Doubí	8.6	ongoing	9/2019	4/2023
Modernisation of the Nemanice I – Ševětín line	17.1	in preparation	2023	2031

Apart from the above, in 2021, Správa železnic started to reconstruct the 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 the European Investment Bank (EIB) and Connecting Europe Facility (CEF) funds. Line sections Velim – Poříčany, Dětmárovice – Petrovice u Karviné, Brno-Maloměřice St. 6 – Adamov, Adamov – Blansko and Ústí nad Orlicí – Brandýs nad Orlicí are already in their implementation stage.

MODERNISATION OF RAILWAY JUNCTIONS

In connection with the modernisation of corridor lines, significant railway junctions in their route are being modernised too. Finished are the passages through the railway junctions of Děčín, Ústí nad Labem, Kolín, Choceň, Ústí nad Orlicí, Břeclav, Přerov (the first construction project), Olomouc, Bohumín and Cheb and certain sections of the Pilsen junction. At the Prague junction, line sections Úvaly – Praha-Běchovice – Praha-Libeň and Praha-Holešovice – Praha-Bubeneč have been completed and put into use, completing the passage of Corridor I through the junction. The reconstruction of the Negrelli viaduct has been completed. Construction in the Praha-Hostivař – Praha-Vršovice line section is near completion, ensuring the admission of Corridor IV to the Prague junction. The modernisation at Brno hl. n. station has been completed, the overhaul of the Pilsen and Pardubice junctions continues, and the reconstruction of the Přerov junction proceeded to the second part. Preparatory work continues for the construction project Praha hl. n. – Praha-Smíchov, which will connect Corridor III to the Prague junction. Preparatory design work continues also for 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 progressing, with certain sections already completed and put in use, the modernisation of the Lysá nad Labem – Čelákovice – Praha-Vysočany line section continues, and investment projects to increase the speed between Hranice na Moravě and Horní Lideč are being implemented. Modernisation of the Kolín – Nymburk – Všetaty – Ústí nad Labem – Děčín and Plzeň – Domažlice lines are in preparatory stages. More construction projects in the Ústí nad Labem – Most – Cheb and České Budějovice – Plzeň line sections are also being prepared. The design preparation for the construction of new railway lines Ústí nad Orlicí – Choceň and Brno – Přerov is under way.

ENSURING INTEROPERABILITY OF SELECTED LINES

Other significant investments include construction projects ensuring the interoperability of the railway network in terms of telecommunication and signalling technology. With the exception of the Votice – České Budějovice section of Corridor IV, where the modernisation has not yet been completed, all transit corridors are now 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 between Ústí nad Labem and Cheb and Pardubice – Hradec Králové – Jaroměř are in the implementation stage.

After the completion of the ETCS pilot project in the Poříčany – Kolín line section, installation of the ETCS has also been completed and put in use in the section Kolín – Břeclav – Austrian / Slovak state border. Further, the installation at Corridor II, in the Petrovice u Karviné – Ostrava – Přerov – Břeclav line section has been completed, and work continues in the Přerov – Česká Třebová, Kralupy nad Vltavou – Praha – Kolín, Praha-Uhřetěves – Votice, Ústí nad Orlicí – Lichkov, Mosty u Jablunkova – Dětmárovice and Beroun – Pilsen – Cheb line sections.

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

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 Prague in Ruzyně is being prepared. The project is subdivided into several separate construction projects, the first of which – the reconstruction of the Negrelli viaduct – has already been completed. Further improvement of suburban transport is to be brought by the optimisation of the Praha-Vysočany – Lysá nad Labem and Praha hl. n. – Praha-Smíchov – Beroun lines, and by the extension of the pedestrian underpasses at the Prague Main Station, already completed and in use. The first stage of electrification of the Brno – Zastávka u Brna section is ongoing, and the installation of second track on the Pardubice – Hradec Králové line continues, while modernisation and double-tracking has been already completed in the Stěblová – Opatovice nad Labem section.

INVESTMENT IN PASSENGER STATION ASSETS

Investments in passenger station assets are a priority for Správa železnic. The efficient and economic use of individual buildings, as well as enhanced passenger comfort and a greater choice of offered services are accentuated. To achieve these goals, unify binding procedures in project preparation, and ensure the efficient use of public funds, the updated Policy of the Treatment of Passenger Station Assets approved by the MT is applied. In 2021, investments in station buildings and other properties at passenger stations exceeded CZK 1.2 billion.

Major completed investment projects were the reconstructions of the station buildings in Hrušovany nad Jevišovkou-Šanov, Hanušovice or Křižanov. The most demanding of ongoing construction projects in terms of costs are the renovations of station buildings in České Budějovice, Pardubice hl. n., Beroun, Praha-Vysočany and Havířov, as well as the reconstruction of the facade of the Fanta building at the Prague Main Station.

Numerous other significant projects were initiated, for instance at Pilsen Main Station and Opava západ station, and the refurbishment of interior premises of the station building of the Prague Main Station. Newly, these investments were financed from EU funds as well, namely the Recovery and Resilience Facility (RRF) and, to a lesser extent, Operational Programme Environment (OPE).

INVESTMENT IN PREPARATION OF FAST CONNECTION

Based on Regulation (EU) No. 1315/2013 of the European Parliament and of the Council on Union guidelines for the development of the trans-European transport network, the Czech Republic has undertaken to support the development of railway infrastructure, including through the construction of new lines in the main routes of the trans-European TEN-T corridors. Subsequently, in 2017, Governmental Resolution No. 389 on the Programme for the Development of Fast Rail Connections in the Czech Republic was issued, the essence of which is, among other things, the construction of new high-speed lines. Based on the above-mentioned documents, Správa železnic as the railway infrastructure manager was entrusted with the preparation and construction of new HSLs.

Since 2019, Správa železnic has been cooperating on the preparation of HSLs with French state railways holding (SNCF Réseau), which has almost 50 years of experience in the design, construction, operation and maintenance of a high-speed railway network. In 2021, this cooperation was confirmed by a new contract for the next 8 years.

Feasibility studies for individual branches of fast connections or HSLs were already completed in 2020. These are: the Prague – Dresden, Prague – Brno – Břeclav and Brno – Přerov – Ostrava sections. Since the beginning of 2021, work has started on the preparation of documentation for zoning decision and environmental impact assessment (EIA) for the individual sections of the HSLs. In cooperation with Polish colleagues, a feasibility study for the last branch of HSL, from Prague through Hradec Králové to Wrocław (Poland), is being prepared.

To speed-up the preparation phase, natural science surveys and research of archived geological surveys are carried out in advance, as well as a detailed terrain mapping future HSL routes by geodetic engineers. Správa železnic also requested relevant regions to include the HSLs into their planning and zoning documentations (principles of spatial development), discusses its intentions with local authorities, and presents its plans to them. The status of the preparations is also reported to the general public on regular basis, also through social networks.

Based on the results of feasibility studies, work started on the preparation of documentation for zoning decision and environmental impact assessment (EIA) for the first four HSLs: i.e. the VRT Polabí section from Praha-Běchovice to Poříčany, the first section of VRT Moravská brána from Prosenice to Hranice na Moravě, the second section of VRT Moravská brána from Hranice na Moravě to Ostrava-Svinov and VRT Jižní Morava from Modřice to Šakvice. In the preparation for the cross-border Krušnohorský tunel (Ore Mountains Tunnel), contracting and implementation is taking place jointly with Deutsche Bahn (DB), including the preparation of documentation for zoning decision.

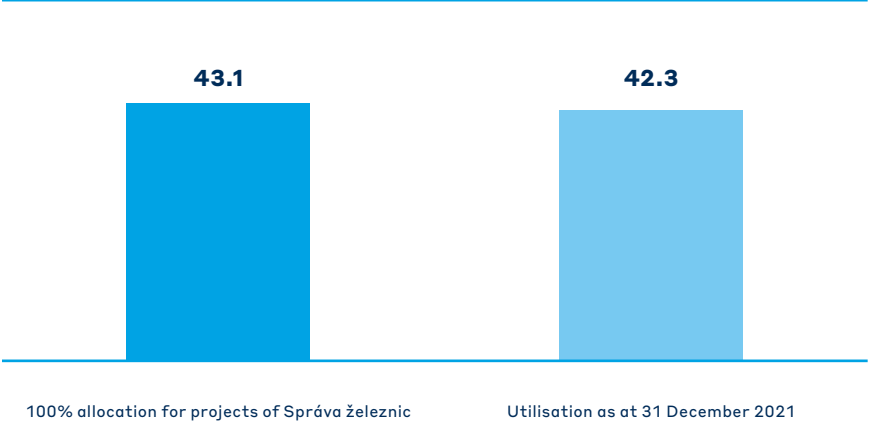
In the years to come, preparation of further HSL sections in the stage of documentation for zoning decision stage will continue. **For all proposed railway stations on the HSLs under preparation, urban-architectural competitions are being opened, addressing not just the stations themselves, but also their connectivity to other means of transport.** Local governments are thus given a wider perspective of the overall concept of the area and its possible use. **The first such competition for the new Praha východ (Prague East) Terminal on VRT Polabí has already been completed.** A second competition for the HSL junction at Roudnice nad Labem was announced in 2021.

Construction of the first HSL sections is expected to start in 2025.

OPERATIONAL PROGRAMME TRANSPORT 2 (OPT2)

In 2021, Správa železnic continued to successfully draw funds from the OPT2 programme within the current programming period of 2014-2020. The drawing from OPT2 amounted to CZK 4.9 billion in 2021, of which the highest amount was used in the modernisation of the Sudoměřice – Votice line (in 2021, CZK 883 million was utilised from OPT2). In 2021, 28 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 to CZK 43.1 billion during 2021. Importantly, Správa železnic's projects in the total financial volume exceeding this amount have been approved, which means our organisation is fully prepared for any increase in funds available from OPT2. If the allocation is not increased, some activities will be funded from national funds. Full drawdown of OPT2 funds is expected in 2022.

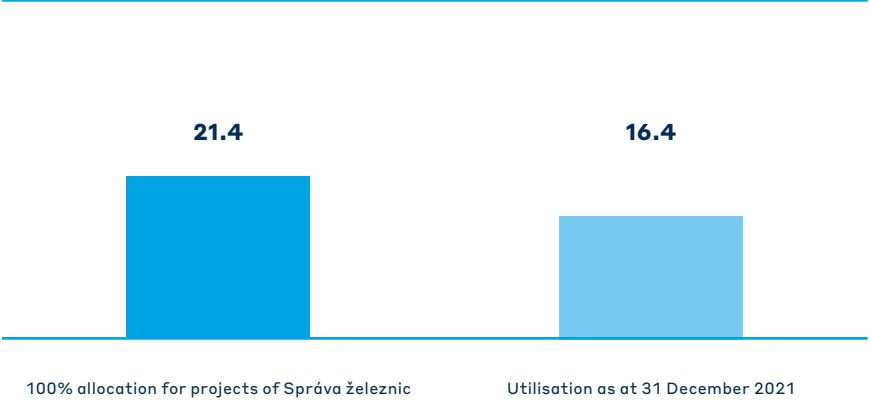
Chart 1 – Utilisation of total allocation from OPT2 (in CZK billions)



CONNECTING EUROPE FACILITY (CEF)

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 are also directed into projects of modernisation of selected junctions and implementation of ETCS, including their preparation. In 2021, the utilisation of these funds amounted to CZK 5.5 billion, of which the highest amount was drawn for the modernisation of Pardubice junction (in 2021, CZK 950 million was drawn from CEF). In total for the current programme period of 2014-2020, CZK 16.4 billion was utilised from this source as at 31 December 2021. 17 projects were funded from this programme in 2021.

Chart 2 – Utilisation of total allocation from CEF (in CZK billion)



CEF BLENDING CALL

The CEF Blending Call is another important subsidy title, combining CEF funds, EIB loans and national funds. Within these CEF blending projects, funds from the RRF facility were drawn for the first time in 2021. The funds are used for investment projects on the following TEN-T network sections in the Czech Republic:

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

The implementation of constructions Dětmarovice – Petrovice u Karviné – state border, and Velim – Poříčany continued in 2021. Construction was started in sections Ústí nad Orlicí – Brandýs nad Orlicí (original route), Adamov – Blansko and Brno-Maloměřice St. 6 – Adamov. For the remaining three projects, design preparation is in progress.

RECOVERY AND RESILIENCE FACILITY (RRF)

Recovery and Resilience Facility (RRF) is a new EU subsidy title, which through the National Recovery Plan of the Czech Republic provides funds for the recovery from the economic consequences of the covid-19 pandemic. The funds are intended for projects that meet the reform and investment requirements (e.g. new technologies, electrification of railway lines, increased safety), and are widely applicable in Správa železnic's investment projects. Already in the first year of drawing, a total of CZK 9.7 billion was drawn, of which CZK 3 billion was support claimed retrospectively for 2020, and CZK 6.7 billion was direct support for projects implemented in 2021. A total of 259 projects were supported.

INVESTMENT GRANTS

Investment construction projects were mostly financed from public sources (Table 6). In 2021, the most significant sources of funding of investment construction projects were national funds from the budget of the SFTI, i.e. CZK 15.1 billion. The second largest source was the new EU support facility RRF, from which more than CZK 9.7 billion were drawn. Subsidies from the CEF infrastructure fund (CZK 5.5 billion) and OPT2 (CZK 4.8 billion) were also used to finance the construction and modernisation of railway infrastructure. Drawing of the EIB loan continued, totalling CZK 1.9 billion. With respect to railway infrastructure, Správa železnic is the main entity responsible for the utilisation of EU funds in the Czech Republic, acting both as the beneficiary and as the investor.

The volume of investment subsidies received in 2021 for the preparation and implementation of investment projects relating to the railway infrastructure totalled over CZK 37 billion. Despite all measures adopted in connection with the state of emergency due to the covid-19 outbreak, Správa železnic managed to implement investments in the largest annual volume since its foundation. The utilised amount exceeded the amount of 2020 by CZK 7.5 billion.

Table 6 – Investment grants received for 2021 (in CZK millions)

Investment grants	2021
SFTI for construction and modernisation, state share, OPT, CEF, EIB, RRF	37,108
EU funds	3
Contributions from cities, municipalities, regions, and other entities	32
Total investment grants	37,143

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

FURTHER DEVELOPMENT

In 2022, Správa železnic will draw the remaining funds from the OPT2 programme (see Chart 1), and several projects are already ongoing that are expected to be approved for funding from OPT3 in the new EU programming period 2021-2027. The situation is similar for the drawing of CEF funds (see Chart 2), where implementation has started for the first of projects to be approved by the EU for co-financing from the new CEF2 programme in the course of 2022. The drawing of funds from RRF and EIB will continue in full. These will be complemented by smaller-volume subsidy titles, such as OPE, new sources from OP EIC, and the new Operational Programme Technology and Applications for Competitiveness.

To use the subsidy funds in commissioning new projects for implementation, **preference will be given to priority projects, such as the initiation of the modernisation of the Praha-Bubny – Praha-Výstaviště line, the construction projects to complete railway corridors, the electrification of selected railway lines, and investments in interoperability or increased safety at level crossings (for these, the highest utilisation of subsidy resources in the history of Správa železnic is expected in 2022), as well as the preparation of the construction of fast connections. Správa železnic has sufficient projects prepared for implementation, with a focus on the priority objectives of the modernisation.** To cover the needs of modernisation, the Správa železnic actively uses existing and new subsidy titles, including the possibility of public-private partnerships – PPP projects.

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

In the years to come, the modernisation of the railway infrastructure forming the TEN-T Core network will continue in accordance with the Technical Specifications for Interoperability (TSIs) 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.

Implementation of the above standards is paramount to developing 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 will focus 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.

Chart 3 – Utilisation of funds for construction preparations in the 2017-2021 period (in CZK millions)

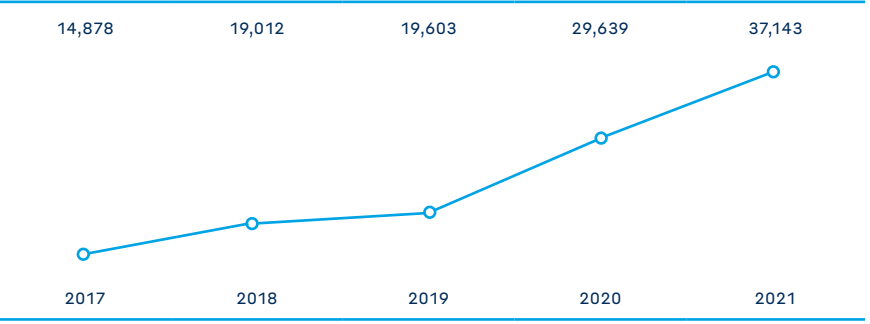
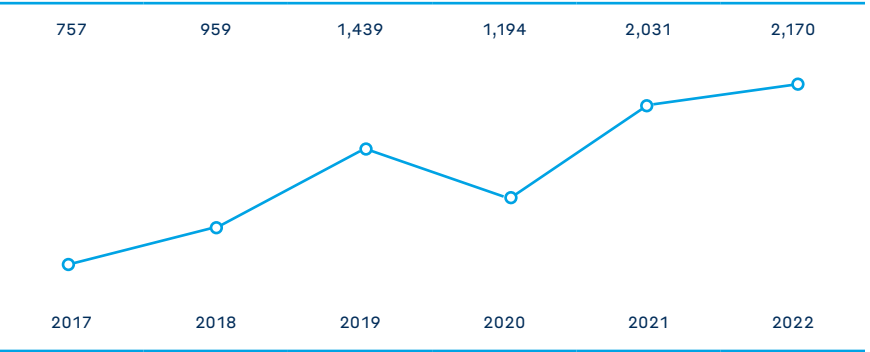


Chart 4 – Utilisation of funds for construction preparations in the 2017-2022 period (in CZK millions)



Note: The expected utilisation for 2022 is taken from the overview of global preparation items approved by MT.

Operating railway infrastructure

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

RAILWAY 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 railway operating and rail transport includes the preparation of annual reports on the safety of railway operating and rail transport, including yearly definition and assessment of safety targets and the preparation of an accident rate overview.

In 2021, the state administration's supervisory body identified no faults in the Správa železnic's safety system of railway operating 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 safety system of railway operating is managed in accordance with the requirements of ISO 9001:2015. The ISO 9001:2015 certificate issued by internationally accepted certification body proves the implementation and effective application of a quality management system and confirms correct approaches in the safety system of railway operating and investigation of accidents and incidents.

CLOSURES AND CAPACITY RESTRICTIONS

In 2021, the specification for closure plan at four, three and two months in advance continued, with the possibility of including additional requirements in the annual closure plan within a time frame of six months and over.

Inspired by the Brenner line, a Working Group údolí Labe (Elbe Valley) was established in cooperation with DB Netz to allow early warning and consultations in relation to long-term closures and capacity restrictions on the railway operating in cooperation with carriers and transport customers representatives. This new model with its more open approach towards carriers and transport customers has proven successful, and **most issues were resolved to carriers' satisfaction.**

SERVICE FACILITIES

In 2021, the list of service facilities operated by Správa železnic was updated. Throughout 2021, information on these facilities was disclosed on the European Rail Facilities Portal (<https://railfacilitiesportal.eu/>). Preparations continued for implementation of fees for the use of Siding track and Loading and unloading point service facilities. In December 2021, descriptions of these service facilities including a price list valid from 1 January 2023 were published.

EDUCATION AND TRAINING

In 2021, new method of employee education has been developed, both in basic training and maintaining the appropriate level of expertise of current employees. The structure of activities was significantly affected by the covid-19 pandemic. Throughout the pandemic, due to quarantine restrictions, remote on-line trainings of employees were used to a great extent. The system prepared and planned in the previous year was further developed in 2021, namely in relation to remote training.

The documentation preparation for the construction project to develop new training rooms in both Traffic Control Centres (TCCs) continued. In this project, the new training room in TCC Prague will correspond in floor area to a large control room

and will be on the fifth floor of the TCC Prague building. Besides the building itself, this project will include furnishings and IT equipment with software applications **to provide a fully realistic traffic simulations 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 periodic training of TCC operating personnel, as well as **for training of new employees, emergency train dispatchers, operational control employees, and heads of operation districts.**

Other mandatory trainings continued, provided by own TCC employees. **In May 2021, another training for line traffic dispatchers from among TCC Prague employees was successfully completed.** The training took place at TCC Prague premises and following successful completion of required tests, the graduates were appointed for independent rail control operation. At the same time, individual trainings for applicants to the position of line traffic dispatcher continue.

TRAFFIC CONTROL

In December 2021, Správa železnic's most important transport regulation was published: SŽ D1 ČÁST PRVNÍ (Part 1) Transport and signal regulations for railway lines not equipped with ETCS, effective from 1 July 2022. This has been the first such extensive amendment since 2012 when previous regulation SŽDC D1 was published. During 2022, other related transport regulations and related documents will be also amended.

In 2021, the consolidation of information systems for passenger in railway stations and stops continued, as well as the improvement of comprehensive data provided through Správa železnic's interactive maps on restrictions and closures, on the operated lines, and on individual passenger trains. The application Infotabule was further improved. This application is available free of charge for both Android (GooglePlay) and iOS (AppStore). The application provides on-line information on train schedules in all railway stations and stops.

TCC PRAGUE

In 2021, **a new TCC room was commissioned** in Prague, focusing on remote control of the Praha-Uhřetěves – Lysá nad Labem (excl.) line sections, including the Praha-Uhřetěves – Praha-Hostivař line section. **The ETCS dispatcher work-place was also opened.**

At the same time, preparation works for the inclusion of designated line sections into the TCC Prague remote control system in 2022 continued. Specifically, this means the extension of the TCC Praha-Uhřetěves – Lysá nad Labem (excl.) with the Praha-Zahradní Město – Praha-Vršovice line section, and the expansion of the Říčany – Horní Dvořiště with the Červený Újezd – České Budějovice (excl.) line section, which will also includes furnishings of the new TCC and transfer of the Říčany – Olbramovice (Votice) line section from the provisional TCC premises into this room.

At present, the operation of 525 km of railway network is controlled from TCC Prague.

TCC PŘEROV

In 2021, **an operation dispatcher centre was commissioned to serve the public pusher operation service** of Správa železnic. **The ETCS dispatcher workplace was opened** in the TCC premises. At the same time, work continued on the documentation for zoning decision for the TCC Přerov building extension.

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

EXPENSES INCURRED IN OPERATING THE RAILWAY INFRASTRUCTURE

Správa železnic employees perform the traffic control of railway traffic, dispatcher's traffic control, operation of control-command and signalling units and information systems for passengers, timetable construction, and path capacity allocation to carriers. In 2021, the expenses related to these activities mainly covered by non-investment subsidy from SFTI for the operating of the railway, complemented by Správa železnic's own resources. **The overall cost less amortisation incurred to operating the railway infrastructure comprised in particular the traffic control ensured by the Regional Directorates and Traffic Control Centres (TCC), and totalled CZK 6.734 billion in 2021, including a relevant portion of centrally recorded expenses of the DG – Traffic Management Section.**

Utilisation of the Správa železnic's railway infrastructure by carriers

In 2021, the total number of carriers that have concluded a contract with Správa železnic for the operation of rail transport using the state-owned nationwide and regional rail infrastructure increased to 126.

The total volume of outputs in passenger transport increased in 2021. Compared to 2020, train-kilometres (trkm) increased by 2%, and gross tonne-kilometres (gtkm) by 3%, with České dráhy, a. s., accounting for the majority of the total outputs in passenger transport.

ARRIVA vlaky s. r. o. and RegioJet a. s. reported a significant increase in the volume of passenger transport outputs.

In freight transport, total outputs reported a year-on-year increase, with gtkm increasing by 5% compared to 2020 in the Správa železnic's network. ČD Cargo, a. s., has retained the majority share in the freight transport outputs. METRANS Rail s. r. o. and Rail Cargo Carrier – Czech Republic s. r. o. reported a significant increase in the volume of freight transport outputs.

As at 12 December 2021, the calculation of the price for use of infrastructure by trains was amended significantly.

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

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of carriers	79	84	89	94	96	99	103	107	122	126

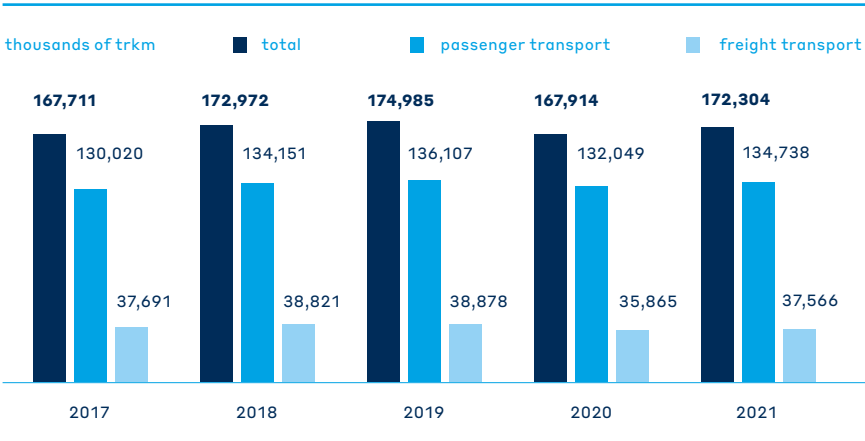
Table 8 – Percentage share of carriers in passenger transport output in 2021

Carrier/Indicator	% of trkm	% of gtkm
České dráhy, a. s.	83.88%	84.57%
ARRIVA vlaky, s. r. o.	5.30%	2.41%
RegioJet, a. s.	4.81%	10.32%
GW Train Regio, a. s.	1.92%	0.64%
Leo Express, s. r. o.	1.18%	1.06%
Die Länderbahn CZ, s. r. o.	0.91%	0.21%
RegioJet ŮK, a. s.	0.75%	0.31%
Leo Express Tenders, s. r. o.	0.47%	0.22%
Die Länderbahn GmbH DLB	0.32%	0.12%
Other	0.44%	0.14%

Table 9 – Percentage share of carriers on freight transport output in 2021

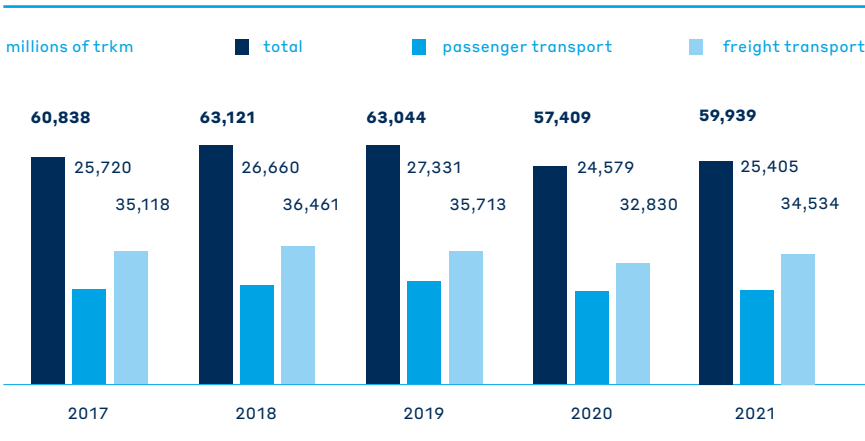
Carrier/Indicator	% of trkm	% of gtkm
ČD Cargo, a. s.	57.55%	56.38%
METRANS Rail, s. r. o.	6.16%	9.16%
PKP CARGO INTERNATIONAL, a. s.	5.49%	6.49%
ORLEN Unipetrol Doprava, s. r. o.	3.63%	4.53%
Rail Cargo Carrier – Czech Republic, s. r. o.	3.15%	4.75%
IDS CARGO, a. s.	2.58%	2.83%
DB Cargo Czechia, s. r. o.	1.36%	1.88%
LOKORAIL, a. s.	1.32%	2.04%
Cargo Motion, s. r. o.	1.14%	1.09%
Other	17.60%	10.85%

Chart 5 – Output of carriers on network operated by Správa železnic (in thousands of trkm) between 2017-2021



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 gtkm) between 2017-2021



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

Table 10 – Number of train paths in timetable according to category (irrespective of carrier)

Indicator	2020	2021
Ordinary passenger trains (Os)	8.842	10.574
Regional fast passenger trains (Sp)	591	749
Express trains (R)	507	724
Higher-quality trains (EC, EN, Ex, IC, LE, SC, railjet)	264	347
Express freight trains (Nex)	471	703
Continual freight trains (Pn)	766	899
Handling and work-siding trains (Mn, Vleč)	1.278	926
Train sets (Sv)	1.269	1.532
Locomotive trains (Lv)	626	557
Správa železnic catalogue (offer) paths	865	549

International cooperation

As a whole, railway transport has global character and international cooperation is necessary to maintain its efficiency and sustainability. With regard to the EU legislation, railway transport represents a highly regulated segment, which requires high technical harmonisation at the same time. In relation to a transformation process implemented at the EU level to establish a Single European Railway Area, Správa železnic has been actively participating in many related EU initiatives, programmes and projects, cooperates with EU institutions and agencies, partner infrastructure managers and international organisations.



HSL Terminal – Roudnice nad Labem

EUROPEAN UNION

The European Union declared 2021 the European Year of Rail, and it was the first complete year in which the rules of the fourth railway package were imposed. Between 23 and 25 September, the **Connecting Europe Express (CEE)** visited Ostrava, Brno and Prague. CEE represented the importance and future of railways across the EU. **At this event, the issue of a high-speed railway between Berlin, Prague and Vienna (Via Vindobona) in the context of European transport policy was discussed in Prague with representatives of the European Commission, MT, and Saxony.** Due to this effort, **the European Commission included the complete Czech section of this planned HSL route into the proposed revision of the TEN-T Core network, together with the Brno – Píerov – Ostrava section, which will open the option for the future co-financing of significant projects from EU funds. The Velký Osek – Choceň line section was also included in the revised proposal of the TEN-T Core network for freight transport.**

Together with its partners in the EU, Správa železnic has actively participated in preparing the documents related to European Green Deal activities and relevant EU legal documents supporting sustainable and smart mobility to reduce the carbon footprint of transportation. This comprises the Fit for 55 package, which is an environmental transformation plan aimed at reducing greenhouse gas emissions by 2030 by at least 55%, and the Sustainable and Smart Mobility Strategy, which aims to ensure a more sustainable, inclusive, intelligent, safe and resistant transport system.

Under the EU Horizon Europe framework programme for research and innovation, a successor to the joint Shift2Rail Joint Undertaking was established under the name Europe's Rail Joint Undertaking ("ERJU") in 2021. Správa železnic participates in the ERJU through the CER (Community of European Railway and Infrastructure Companies), a member of the system pillar.

INTERNATIONAL RELATIONS STRATEGY

In 2021, Správa železnic fulfilled its vision in international relations – **to become a modern and active organisation able to promote its interests at EU level, to be a confident partner of railway infrastructure managers and carriers on the liberalised EU railway market, to consistently advocate its position in international organisations in respect of the requirements of relevant Czech and EU legal regulations.**

In 2021, Správa železnic operated at international level principally through its 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.**

Key activities this year comprised formulating Správa železnic's position on the EU legislation updates, such as Regulation (EU) No. 913/2010 concerning a European rail network for competitive freight transport. The support provided to the MT in presenting the position of a member state was also of great significance, as were the subsequent negotiations on specific EC drafts, such as Regulation (EU) No. 1315/2013 on Union guidelines for the development of the trans-European transport network, in which the **conference organised by Správa železnic on the Connecting Europe Express with the participation of high EC representatives played a key role. The TSIs review preparation process in 2022 shall be mentioned as well. Direct relations between Správa železnic and Herald Ruijters, Director of DG MOVE for TEN-T policy have been established and several meetings took place.**

Organisation's activity

COVID-19

Although international activities represent one of the areas most affected by the covid-19 pandemic and thus most events were relocated to a distance regime and teleconferencing, in 2021, Správa železnic managed to successfully continue discussions with its international partners and develop new international activities and projects. Správa železnic continued to participate in information and experience sharing related to the covid-19 impact on railway transport.

FRANCE

In 2021, 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.

In October 2021, Správa železnic entered into a contract with a French counterpart, SNCF Réseau, on cooperation in the preparation of HSL, which will enable Správa železnic to use technical, consultation and advisory services of French experts in relation to further development of high-speed railway infrastructure for the next eight years. This will primarily mean cooperation in the area of documentation for zoning decisions, or preparation of internal policies of Správa železnic for HSL. The contract further expects regular communication and supervision during the actual lines construction, start of operation, maintenance and monitoring. Under this cooperation, Správa železnic's experts participated in several conferences and educational technical visits in France.

GERMANY

Existing cooperation with DB, the German partner, further deepened in know-how sharing on railway digitisation, which is provided through its subsidiary Digitale Schiene Deutschland, as well as through closer relations with representatives of the DB Group from neighbouring regions (Saxony, Bavaria). **In traffic control, a new working format for regular expert meetings was established under the name Elbtalgruppe (Elbe Valley Group), with the objective of optimising traffic at the most frequented cross-border line in the Czech Republic.**

Based on the Agreement on Cooperation on Design Preparation of the New Railway Connection Dresden – Prague concluded with the German infrastructure manager DB Netz at the end of 2019, **the project preparation of a cross-border tunnel in Krušné hory (Ore Mountains) has advanced significantly. 2021 was also important due to the implementation of tender procedures for public tenders' suppliers. The tender procedures concern the preparation of documentation for zoning decision of this section of the Dresden – Prague line, which has been under development thanks to the technicians of strong European companies since mid-2021.** Together with the German partners, Správa železnic also constructively participated in the preparation of an international agreement defining the requirements for granting, implementation, and operating of this new railway line.

SPAIN

At the end of 2021, Správa železnic managed to establish **closer cooperation with its Spanish counterpart ADIF.** At the international Rail Live 2021 conference in Madrid, which was co-organised by MAFEX, **Správa železnic's delegation visited ADIF to share and exchange information on a development strategy focusing on the construction, operation, and maintenance of ETCS, HSR systems and new technologies.** Správa železnic also established cooperation with CEDEX, a civil engineering research agency, and its Railway Interoperability Laboratory (LIF).

Through strategic steps in bilateral relations development with key partners, Správa železnic acquired the support of experienced partners, which will allow for the acceleration of further railway development in the Czech Republic, inspired by European leaders.

NEIGHBOURING COUNTRIES AND INTERGOVERNMENTAL AGREEMENTS

In the past year, Správa železnic maintained **special top-level relations with other bordering countries,** regularly sharing information on key strategic intentions as well as discussing operating issues and amendments of contracts, which define traffic control and railway transport on cross-border lines. Apart from traditionally outstanding relationships with the Slovak ŽSR, in 2021, Správa železnic managed to open active cooperation in many areas **with Austrian ÖBB and Polish PKP PLK.** With the Polish partner CPK, cooperation on the coordinated preparation of the Katowice – Ostrava and Prague – Wrocław lines continued.

Under intergovernmental agreements, Správa železnic participated in the performance of these agreements in 2021 alongside the MT, which comprise bilateral agreements on railway infrastructure development with neighbouring countries, the Slavkov / Austerlitz Declaration collaboration, and collaboration of the Visegrad Group. Negotiations continued between the Czech Republic, Germany and Poland on the privileged line section between the border stations Hrádek nad Nisou and Zittau, crossing the Polish territory.

ERTMS USERS GROUP (EUG)

In the previous year, Správa železnic took all the necessary steps to become a regular member of the platform of rail infrastructure managers as at 1 January 2022, where its members share technical and operational knowledge and expertise about the business impact of ERTMS implementing, maintenance, and development. EUG closely cooperates with the EU Agency for Railways (ERA), the international association of signalling companies in the railway industry, the railway operational communications industry group, and independent laboratories which participate in ERTMS equipment testing.

EUG provides consultancies and shares its knowledge and experience to support its members in implementing safe, reliable, and interoperable systems at adequate cost. All questions raised by members are discussed by experts in specialised working groups.

EUG provides education for its experts through internships and other types of training. Together, its members decide on preferred solutions for the future interoperable network, which are further discussed with the ERA and railway industry associations. EUG thus plays an important role in ERTMS system development. Many projects have the support of the European Commission and the railway industry, and many are co-funded by the EU.

EULYNX – CONSORTIUM FOR INTERFACE STANDARDISATION OF ETCS COMPONENTS

By signing the memorandum of understanding in December 2021, Správa železnic initiated the process of accession to the EULYNX consortium, which unites large European infrastructure managers cooperating in the development of standards for interfaces between individual control and signalling technologies, namely under ETCS. The aim of this standardisation is opening the market for various suppliers of individual components, which play a key role in ETCS implementation.

Membership in the EULYNX consortium allows influencing the development of interface standards regarding specific issues of its member states, to test these standards, create prototypes, and participate in decision-making on the standards' implementation. This represents a strategic step in Správa železnic's obligation fulfilment towards European interoperability. The benefits of EULYNX and EUG memberships will lead to significant savings during ERTMS implementation. It is expected that Správa železnic will become a full member in the first half of 2022.

EUROLINK – HARMONISED TIMETABLE CONCEPT

During the year, Správa železnic as a member of the core team participated in the EUROLINK infrastructure managers' initiative, which presents the concept of a harmonised timetable in the European area in 2030 and beyond. The aim is to find and utilise capacity reserves for the further development of railway transport. In a way, the project expands on the idea of the TimeTable Redesign for Smart Capacity Management project (TTR). At present, this initiative grows in importance in the context of other European activities, such as the Platform on International Rail Passenger Transport (IRP), which also includes the Trans Europe

Express 2.0 project (TEE 2.0) that aims at the utilisation of the EUROLINK concept to further the integration of express trains across Europe.

RISC – RAILWAY INTEROPERABILITY AND SAFETY COMMITTEE

The Director of International Affairs Department of Správa železnic and the MT representative attended RISC meetings together. The Committee is the top body directly established by the European Commission to approve the wording of legislative and implementing documents relating to railway interoperability and safety. Through its membership, Správa železnic has access to a communication platform through which the ERA publishes all legislative drafts, principally those relating to the future TSIs, as well as to the application of existing TSIs. Based on MT mandate, Správa železnic is the coordinator of the Czech railway sector position. In 2021, Správa železnic concentrated on the 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), comparing efficiency, 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, or 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 participated in the working groups and in December became a member of a small team of SNCF Réseau, the acting chairperson, which organises PRIME programme including the communication with the European Commission.

RFCS – RAIL FREIGHT CORRIDORS

In accordance with the Regulation (EU) No. 913/2010 of the European Parliament and of the European 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: RFC Baltic – Adriatic, RFC Orient / East-Med, RFC North Sea – Baltic and RFC Rhine – Danube. Since 2021, Správa železnic acts as a chairperson of the Management Board of the Rhine – Danube corridor, which gives it a privileged access to the informal RFC Network platform and to other meetings of different types. Under the RFC agenda, Správa železnic participates in the meetings of the Single European Railway Area Committee Working Group on Rail Freight Corridors (SERAC WG on RFCs).

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 European 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 2021, activities focusing on railway infrastructure were strengthened in CER by establishing an independent section for infrastructure, and Správa železnic's Director General was named and elected into the CER Management Committee. Supporting technical working groups focusing solely on TSIs review were also established. Správa železnic actively participates in all those groups.

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 relating to the covid-19 pandemic, 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 timetable construction across Europe including the TTR project solution, and providing joint access to marketing and allocation of international paths.

Cooperation in the area of development and implementation of software applications for carriers and railway infrastructure managers continued. An important factor was the cooperation of railway infrastructure managers in the area of rail operation and RFC corridors development.

UIC – INTERNATIONAL UNION OF RAILWAYS

Although the EU gradually takes over the leader's role in technical standards harmonisation, UIC remains an important coordinator in HSR development, research and development and fundamental principles of harmonisation between the Eastern and Western railway systems. Správa železnic's experts participated in transposing UIC regulations into the International Railway Solutions (IRS), 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 Statistics Group. In 2021, Správa železnic took over the management of the New Technologies Working Group again.

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 preparing 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.

OSŽD – ORGANISATION FOR COOPERATION BETWEEN RAILWAYS

In 2021, representatives of Správa železnic continued to participate in projects of OSŽD'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 the ETSI which focuses on European telecommunications standards with worldwide impact. As a member, Správa železnic has unrestricted access to all published standards and specifications in this area. Správa železnic experts participated in the meetings of the Railway Telecommunications Working Group.

CEN / CENELEC – EUROPEAN COMMITTEE FOR STANDARDISATION / EUROPEAN COMMITTEE FOR ELECTROTECHNICAL STANDARDISATION

In the framework of the activities of CEN / CENELEC, Správa železnic experts participated in the preparation of new amendments to existing European standards on technical and electrical engineering.



From Prague to Dresden in less than 60 minutes...

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High-speed window

Financial performance

Financial performance of Správa železnic

Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled CZK 459 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 relating to remission of debt, i.e. debt remission of Správa železnic, which represents 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, used to cover expenses incurred on the operating of the railway infrastructure.

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 Network Statement on Nationwide and Regional Railways.

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

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

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

The revenue relating 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, relating 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 was adopted, resolving the situation through the clearing of debts. 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 to supply external customers connected to the local distribution network of the railways (except for own consumption of Správa železnic), 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 relating 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 / Rusina Frei architekt / Visualisation by monolat

Table 11 – Financial performance of Správa železnic in 2021

Indicator	2021 (CZK million)
Revenues from use of railway infrastructure	3,570
Revenues from allocated railway infrastructure capacity	134
Subsidies from SFTI for repairs and maintenance of nationwide and regional lines	18,509
Subsidies from SFTI for the operating of the railway	4,300
Other subsidies	36
Revenues relating to remission of debt of Správa železnic	1,262
Purchase and sale of energy and distribution services	239
Materials, energy consumption and services	(14,367)
Personnel expenses	(12,955)
Accounting depreciation	(3,842)
Other operating revenues and expenses	994
Operating profit / loss	(2,120)
Exchange rate differences	(1)
Other financial revenues and expenses	0
Profit / loss from financial operations	(1)
Profit / loss before tax	(2,121)
Deferred tax	435
Profit / loss after tax	(1,686)
EBITDA	459

Správa železnic's **personnel expenses** include wages and salaries, social security expenses and social expenses (namely contributions in accordance to the Corporate Collective Bargaining Agreement).

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. revenues from external production and leases, own work capitalised, revenues from capitalised on salvaged materials, and revenue from the sale of fixed assets and material less the net book value. The indicator is further reduced by the changes in other provisions and adjustments, payment of rail replacement bus service to carriers due to planned restrictions of the operating of the railway infrastructure in accordance with the Network Statement, expenses incurred on property and liability insurance, a contribution for personal protective equipment to be used at work or membership fees paid to organisations, taxes and other fees.

Exchange rate differences arise in particular from the conversion of foreign currency trade receivables and liabilities at the exchange rate valid as at 31 December 2021.

The 2021 results also comprise **deferred tax** of CZK 435 million (reduction of deferred tax liability). The 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 relevant state administration bodies in order to keep cash inflows and outflows in 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 the railway infrastructure and the operating of the railway infrastructure and the pricing policy applied to the use of the railway infrastructure. The aim of Správa železnic is to stabilise cash inflows and outflows as well as achieve a balanced cash flow.

Správa železnic's financial performance is regularly assessed and analysed in order 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 higher inflation rate, which Správa železnic reflects by expecting higher expenses, namely in own energy consumption and in some services. The balance of revenues and expenses of Správa železnic will be equal.

Internal audit and risk management

Act No. 320/2001 Coll., on Financial Control in Public Administration and on the Amendment of some Acts, as amended (Act No. 320/2001 Coll., on Financial Control) and Implementing Decree No. 416/2004 Coll., to the Act on Financial Control in Public Administration, together with the International Professional Practices Framework were the fundamental legal and regulatory standards on internal audit.

The Internal Audit entity is functionally independent and separate from the organisation’s managing and executive structures. The purpose, authorities and obligations of the internal audit are stipulated in the SŽ R1/1, the organisation regulations of the Directorate General, and SŽ SM024, the Internal Audit Statutes. Its independence and objectiveness of its activities within the organisation have been confirmed by the Audit Committee. Average full-time equivalent number of employees in internal audit during 2021 was 14.67.

The annual plan of activities of Internal Audit for 2021 focusing on risks as approved by the Supervisory Board of Správa železnic reflected:

- set goals of the mid-term internal audit plan for 2020-2023;
- top management requirements;
- information on the internal audit system based on the executed internal and external checks and audits;
- meeting the requirements of Act No. 320/2001 Coll., on Financial Control, and Act No. 181/2014 Coll., on Cyber Security.

In accordance with the annual audit plan for 2021, the Internal Audit Department carried out, a total of 10 regular and 9 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 performance compliance with applicable legislative and internal regulations;
- set-up and correctness of management and review procedures;
- assessing the potential impact of identified risks on the compliance with 3E criteria in the organisation’s audited activities.

Regular internal audits specifically checked the following areas: funding of repairs and maintenance of the railway infrastructure, railway station building administration, set-up and operation of the management and control processes of Railway Geodesy Administration, administration and maintenance of noise-protection barriers, cash transactions; development of Fast Rail Connections, diagnostics support in internal regulations, and SW licence purity. Following a public tender, the first part of cyber-security audit was performed through co-sourcing with Ernst & Young with the aim to verify the correct set-up and functionalities of the information security management in the organisation in compliance with the requirements of Act No. 181/2014 Coll., on cyber-security.

Subsequent internal audits checked the performance of adopted remedial measures to the issues found during regular audits in 2020 in the following areas: implementation and start of operation of the ERTMS trackside, publishing of agreements in the Register of Contracts, timetable construction, the quality of implemented constructions; crisis management system, occupational health and safety; auditing of technical condition of the signalling equipment; quality of accounting processes; and Fire Rescue Corps processes setup.

In 2021, the Internal Audit Department carried out 24 consultancies relating to requests by the Director General or senior managers of expert departments of the Directorate General. The Internal Audit Department was also invited to consult on the implementation of the amendments to internal regulations in the area of accounting documents’ circulation, the rules for cash and valuables handling, and drawing the limit for entertainment expenses.

The results of the performed internal audits and consultations in 2021 were discussed with relevant Deputy Directors Generals or with the heads of the audited entities, and the Director General was then informed of the results of each engagement in the form of manager’s summary. Based on the 113 regular audit findings, 129 recommendations were drafted by Internal Audit Department, and specific measures, including deadlines, were subsequently adopted by the top

More stringent noise regulation compared to motorways...

High-speed lines must observe very strict noise limits. The national legislation requires a maximum level of noise equivalent to 55 dB during daytime and 50 dB at night. This limit is significantly lower than the limit for existing railway lines or motorways.



Správa železnic / Rusina Frei architekti / Visualisation by mondot

management of the audited departments. Their efficiency will be reviewed by follow-up internal audits in 2022. The implementation of remedial measures adopted in respect of the 2020 internal audit findings were reviewed by means of follow-up audits in 2021. The remedial measures were continually implemented and brought correct 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 have been identified during the internal audit activity under the provisions of Section 22 (6) of Act No. 320/2001 Coll., on financial control. The Internal Audit Department did not detect high or very high risk of corruption or fraudulent practices. During the audits and consultations, no significant risks relating to treatment and management of public funds were detected.

In compliance with the programme of securing and enhancing the internal audit quality, internal audit quality was internally and continuously assessed as part of performed audit engagements, using self-assessment, assessment by heads of audited entities, and regular (annual) assessment, which involved the Director General and heads of the Internal Audit Department.

In the fourth quarter of 2021, an external assessment of the quality of internal audits was launched, performed by independent assessor PricewaterhouseCoopers Audit in compliance with the 1312 international standard.

The head of the Internal Audit Department held a training for internal auditors and coordinated their participation in professional conferences. The internal auditors thus continue to participate in the Czech Institute of Internal Auditors' system of professional certification and recognition of the professionalism of internal auditors in public administration, with the aim of achieving second certification level.

In 2021, the Internal Audit Department collaborated with external audit company to carry out an audit of accounting and financial statements and the 2021 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 relating to the recording and assessment of review and audit findings identified by external review and audit entities, and prepared the agenda of reporting serious findings from financial audits and a summary report on financial audit results for 2021 for the eyes of the Ministry of Finance of the Czech Republic.

RISK MANAGEMENT

To ensure the long-term stability and future development possibilities of Správa železnic, it is necessary to recognise, predict, and manage any potential risks related to its activities. Previously, risk management was part of the regular internal control mechanisms. To ensure high efficiency in this area, the organisation's management decided to implement centralised risk management as an independent process integrated into the internal control system of the organisation. Risk management is being continuously developed in relation to the main objectives, strategic tasks and the organisation's position in the community.

The Director General is the ultimate person responsible for the risk management system. However, everyday risk management is the responsibility of all managers. Each risk owner is obligated to monitor their risk on regular basis, assess their condition and development and in case of negative results implement measures to mitigate the likelihood of their occurrence or their potential impact. The risk owner regularly informs a designated manager of the condition and development of risks. The manager then informs the Risk Management Committee through a summary report. The Risk Management Committee primarily discusses the general risk management framework, defines materiality and limits for risk management, assesses if individual limits are exceeded, as well as the overall risk position of the organisation, and approves summary and annual reports on risk management and submits recommendations to the Director General. The Internal Audit Department and the Audit Committee act as a monitoring body.

Risks are divided by significance. Risks included in the risk catalogue for centralised risk management are divided into two groups – significant and monitored. Depending on risk significance, the method and frequency of reporting is decided. Significant risks are reported in regular quarterly reports; monitored risks are reported annually. As at 31 December 2021, the risk catalogue comprised 119 risks in total, of which 28 were significant.

Another method of risk division is into groups by their root causes and the processes they endanger. In 2021, Správa železnic managed primarily 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 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 components of the railway infrastructure 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 cause and circumstances of their occurrence are identified and responsibility for their occurrence is assigned. Remedial measures are proposed and adopted for each accident, including implementation deadlines. Their implementation is then checked, and safety recommendations to prevent the occurrence of accidents are prepared. 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 and credit risk. As the organisation's activities related to modernisation, ensuring the operability and railway infrastructure operating are primarily funded from subsidies, liquidity in these areas is managed in relation to the respective grants for the relevant fiscal period, with an emphasis on complying with conditions for their utilisation and minimising possible penalties. In other areas financed primarily from revenues, the key liquidity management tool in 2021 comprised the continuous monitoring and management of cash flows. In 2021, Správa železnic did not utilise or repay any loan. 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 reviewed.

INFORMATION TECHNOLOGY AND CYBER SECURITY RISKS

Significant risks in terms of information technologies include the misuse, damage to or loss of data and a possible breach in the functionality of significant information systems. These risks are eliminated by applying a number of various measures, primarily a controlled administration of applications, servers and networks. A regular backup of all vital centrally stored data is performed, the updated antivirus protection is ensured, and individual stations are continuously tested. Regular operating system upgrades are also performed, and a system of identity and privileged rights for increase safety of access right management has been implemented.

In compliance with Act No. 181/2014 Coll., on Cyber Security and in order to fulfil the requirements in respect of 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 Committee at its seventh session. Changes in the Risk Management Plan were then transported to the cyber security programme which was approved as submitted as well. 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. Správa železnic also participates in job fairs, both on-line and in attendance. In accordance with the HR strategy, the age structure of key professions is analysed, and selected employees undergo special training process in order to ensure the succession of key positions. A central SAP SuccessFactors system was launched in June 2021 to ensure support for and control over the new employees hiring process.

Observing both external and internal legislation as well as the Corporate Collective Bargaining Agreement ensures the conditions for social consensus and low employee turnover level, which is supported by a funding guarantee for the operating of the railway infrastructure and its operability.

CORRUPTION AND COMPLIANCE RISKS

In 2020, the Compliance Programme Code of Správa železnic, státní organizace (Compliance Code) was adopted, which comprises the previous anti-corruption programme and expands on it with other aspects of comprehensive risk management in the area of compliance. This programme has been implemented into the internal control system of the organisation, and has been evaluated and developed in line with external legislation requirements and the needs of the organisation. The programme has been set up to minimise the occurrence and impact of risks while allowing the organisation to be exonerated in case of illegal conduct of its employees.

In 2021, when information on undesirable conduct was investigated for the first time throughout the whole year since the Code's effective date, several tens of notices were submitted to the compliance officer. Six cases were investigated to determine whether a crime or an offence had been committed. Although neither case was shown to constitute a breach of criminal law norms, the compliance officer notified the relevant departments of Správa železnic of some, usually ethical, issues and requested their removal in the future. Cooperation with the management and employees presented no problems. Compliance training was conducted in 2021 for all employees through e-learning or through other provable channels.

Human resources

Employees

As at 1 January 2021, Správa železnic had 17,232 employees working in 140 professions across its 16 organisational units (Správa železnic's Directorate General plus 15 organisational units) operating across the Czech Republic.

Since its inception 18 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 2021, the process of changes in the organisational structure of Správa železnic as approved by the Supervisory Board in the second half of 2019 continued, with the objective of optimising and enhancing the effectiveness of internal processes both at the level of the Directorate General and individual organisational units. Activities in selected areas have been strengthened: As at 1 January 2021, an ETCS traffic control room was established at the central Traffic Control Centre in Píčov and as at 1 April 2021, a new ETCS and Modern Technologies Unit was established under the Signalling and Telecommunications Department of the Directorate General of Správa železnic. With regard to external funding and grant opportunities, as at 1 March 2021, EU Financial Resources Department was established at the Directorate General of Správa železnic. Within the completion of the process of centralisation of economic activities into the Shared Services Centre, as at 1 July 2021, an Investment Accounting Unit and Central Filing Room and Data Verification Support Unit were established. As at 1 April 2021, the organisational structure of Regional Directorates changed, and Sales and Administrative Section was established. The Regional Directorates in Hradec Králové, Prague and Ústí nad Labem changed their districts. Following instructions of the Supervisory Board, a consolidation of the Olomouc and Ostrava Regional Directorates into one organisational unit has been prepared with effective date 1 January 2022.

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 84 (i.e. by 1.1%). As at 31 December 2021, the number of employees increased by 6 year-on-year, to 17,282 (see Chart 7). Chart 8 shows the number of employees as at 31 December 2021 by organisational units of Správa železnic. During 2021, severance pay was provided to 220 employees.

The average full-time equivalent number of employees was 17,215.21 in 2021 (a year-on-year increase by 86.73 employees, i.e. by 0.51%).

The age structure of employees did not change significantly year-on-year (see Chart 9), with the average age of Správa železnic's employees being 48.27 years as at 31 December 2021, which represents a year-on-year increase by 0.08%.

Railway transport is a male-dominated industry. This is confirmed by the prevailing share of male employees, which remained at 72.1% as at 31 December 2021 (see Chart 10), i.e. almost no change year-on-year.

The structure of Správa železnic's employees in terms of educational attainment did not change significantly in 2021 compared to 2020 (see Chart 11). The share of employees with incomplete, primary or secondary education without school-leaving exams was 28% (a year-on-year decline of 1.2%), the share of employees with secondary education with school-leaving exam was 55.9% (year-on-year increase by 0.4%), and the share of employees with higher professional education and a university degree (bachelor or master) accounted for 16.1% (a year-on-year increase of 0.8%).

REMUNERATION AND EMPLOYEE BENEFITS

Remuneration principles and employee benefits provided were negotiated in the Corporate Collective Bargaining Agreement for 2021 and its appendices. As at 1 January 2021, the amended Jobs Catalogue of Správa železnic has been in force.

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 2021, 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 2021, 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 treatment programme at one of four designated spa facilities (Jeseník Priessnitz Spa, Darkov Spa, Brusno Spa and Rajecké Teplice Spa). In 2021, this area was also affected by the covid-19; in respect of the current epidemiology situation, the possibility to draw this benefit also as stays at home was made available. A total of 1,481 employees attended a reconditioning treatment in the listed spa facilities; 772 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 life or work anniversaries, and upon the first-time termination of employment after becoming eligible for a retirement 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 take advantage of recreation with an employer contribution. 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 200 new employees were paid a recruitment allowance in 2021.

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 2021, nine trade union organisations – both multi-profession organisations and organisations representing single professions – were operating at Správa železnic. In 2021, joint meetings of the employer's and trade unions' representatives were held on regular basis, 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. Four changes to the Corporate Collective Bargaining Agreement were negotiated in 2021 – the first change on 27 November 2020, in relation to the announcement of minimum wage for 2021; the second change was agreed on 29 January 2021

in relation to the amendment to vacation calculation in compliance with the new legislature and the amendment to emergency nursing allowance; the third change was agreed on 26 February 2021 in connection with the introduction of financial meal contributions; and the fourth change was negotiated on 3 May 2021 and concerned the changes in occupational health and safety review and severance pay deadlines.

On 3 September 2021, collective bargaining of a new Corporate Collective Bargaining Agreement after 31 December 2021 was initiated; subsequently a new Corporate Collective Bargaining Agreement for 2022 was concluded on 6 October 2021, 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 – Boarding/meal allowance and expense refunds;
- No. 4 – Reconditioning stays for Správa železnic's employees;
- No. 5 – Principles for the granting of a recruitment allowance.

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.

EDUCATION AND TRAINING

Education and training follow the approved objectives of Správa železnic's Human Resources Management Strategy and Správa železnic's Learning Plan. Education and training at Správa železnic were 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. In 2021, Správa železnic continued professional in-house training by its own professional staff. In 2021, the Rail Authority awarded the organisation the accreditation of a training centre

for engine drivers under which the organisation can train its own employees.

MEDICAL CARE AT WORK

Occupational medical care for Správa železnic's employees was provided by a contractual health-care provider. In addition to the stipulated medical examinations (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 2021 (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 2021, OHS activities primarily focused on eliminating the deficiencies detected during occupational health and safety inspections and checks carried out by appointed employees in charge of health and safety at work, OHS Union Inspectors, the Regional Labour Inspection Office, and public health protection authorities. As a result of the covid-19 pandemic situation, 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 2021. Although a number of anti-epidemic measures were still in force at that time, OHS inspections were carried out.

In 2021, the identified OHS deficiencies were eliminated, and workplaces were modernised and refurbished; for older workplaces, the refurbishment mainly involved renovating specific workplaces including AC units' installation, and sanitary facilities renovation.

In 2021, Správa železnic recorded a total of 396 work injuries, of which three injuries required hospitalisation for more than 5 days, 175 injuries required sick leaves of more than three calendar days, one injury required sick leave of up to three calendar days, and the remaining 217 injuries were without subsequent sick leaves.

A total of 55,510 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 vaccinations for the employees listed in Table 12.

Chart 7 – Number of Správa železnic's employees in 2003-2021

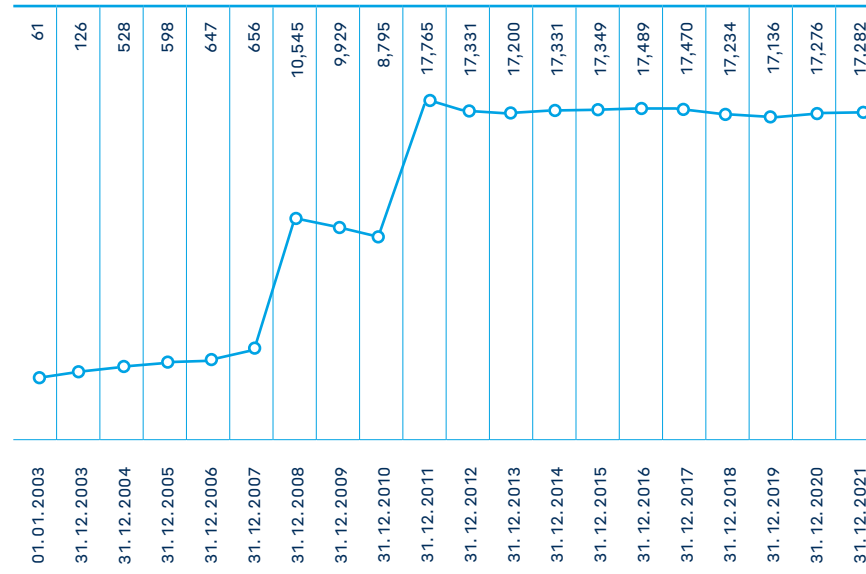


Table 12 – Vaccination record table

Vaccination	Number of employees
Engerix – Hepatitis B	10
FSME – Tick-borne encephalitis	838
Havrix 1440 – Hepatitis A	35
Antibody – Hepatitis A	27
Antibody – Hepatitis B	11
Twinrix – Hepatitis A+B	361
Total	1,282

Chart 9 – Age structure of employees as at 31 December 2021

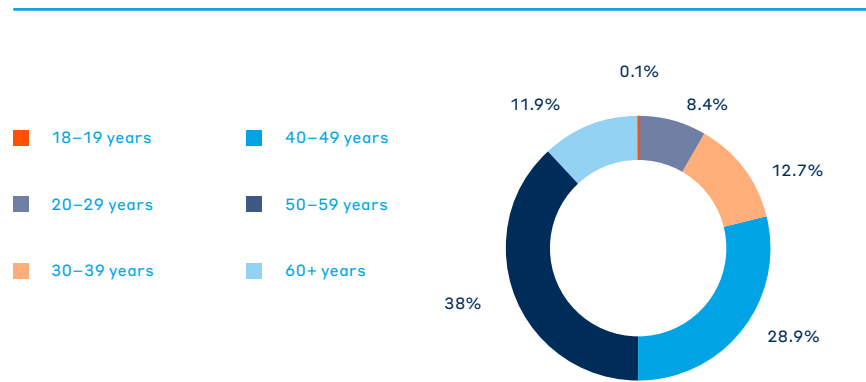


Chart 11 – Employee structure by educational attainments as at 31 December 2021

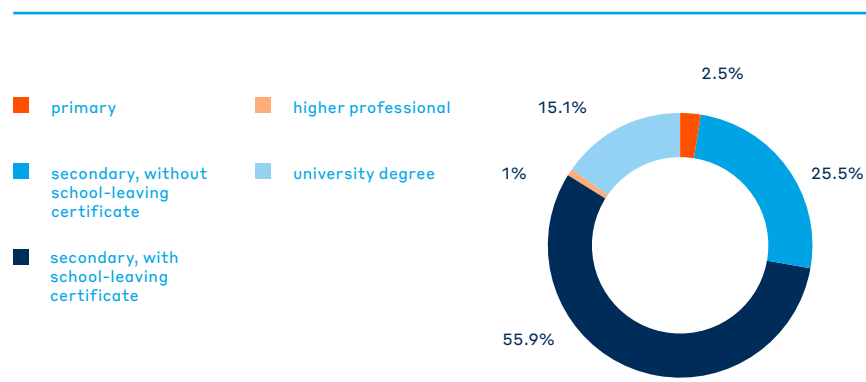
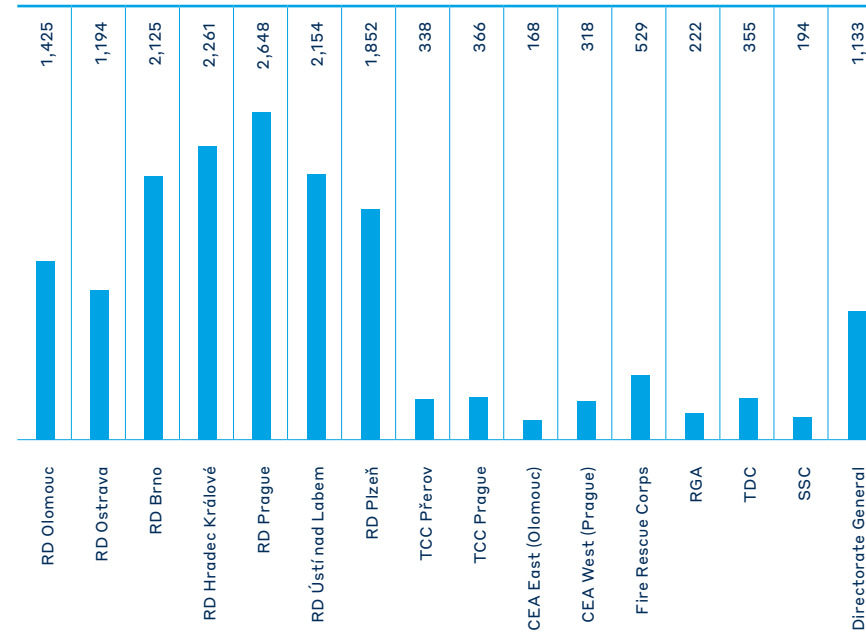


Chart 8 – Number of employees by organisational units as at 31 December 2021



Corporate social responsibility

Správa železnic is a socially responsible corporation, contributing to sustainable development in its business activities, operating transparently, and generally contributing to the improvement of the community.

We manage the Czech railway network in a transparent, environmentally friendly and socially sustainable way. All three areas of social responsibility (economic, social, and environmental) are thus part of our management and activities.

PRIORITIES

- Transparent financial transactions;
- Working with human resources;
- Helping the disabled;
- Safety on railways;
- Environmental protection.

ECONOMY

Transparency of financial transactions

With the help of information and communication technologies, the management of the organisation ensures the transparency of its financial transactions and sets up simple and comprehensive methods to ensure that each transaction is properly documented.

The organisation has an established and functional internal control system including risk management and internal audit.

All agreements and suppliers' contracts over CZK 50 thousand are published in the Register of Contracts of the Ministry of the Interior of the Czech Republic. This ensures the economy and efficiency of our activities and provides an overview for the public.

The organisation sends the MT a monthly payments overview for inspection.

Ethics and compliance

Správa železnic's Code of Conduct includes its fundamental 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 Conduct, effectively prevents undesirable behaviour.

The Code of Compliance does not concern only corruption and anti-corruption measures, but all behaviours and offences for which Správa železnic may be criminally liable. A compliance officer is in charge of the thorough investigation of any reported unethical or undesirable behaviour, proven or suspected.

The Code of Conduct and the Compliance Code of Správa železnic are binding for all employees.

SOCIAL ACTIVITIES

Employee inclusion and internal communications

Significant aspects of social activities comprise care for employees and an equal approach, job creation, lifetime education, employee safety, life-work balance, job security, equal opportunities, and diversity in the workplace.

In 2021, the first large employee satisfaction survey was conducted at Správa železnic, which showed above average results in the industry for basic needs.

The most important factors were secure wages, a good working team, and a good boss who is an expert.

Employee health is of the foremost importance to us. We have been experiencing a difficult period due to the covid-19 pandemic, and the management fully supports its employees. Under preventative measures, everyone has access to hygienic and protective supplies, hygienic measures are adjusted reasonably, and employees are provided all information.

The personal and career development of all employees is important to us, and thus we provide further training opportunities.

The project Tým Správy železnic (Správa železnic's Team) supports internal communications. Under this project, the Director General annually awards the best employees in the Employee of the Year, Newbie of the Year, and Hall of Fame categories. In 2021, 30 employees from our organisation were honoured in this way.

Cooperation with schools

When creating jobs, we focus on both experienced professionals and young graduates of secondary schools and colleges, who are offered numerous projects and programmes to support their studies. This includes practical training, professional excursions, mentoring, internships, topics for bachelor's and master's theses, lectures, conferences and, finally, help with the preparation for professional examinations. We have special websites for schools and students.

Internal employee fund-raiser

To support employees affected by the natural disaster in summer 2021, a public fund-raiser was held between 1 July and 30 September 2021. We raised CZK 3,142,100 and the funds were gradually distributed among 18 colleagues affected by a disaster, commensurate to the damage to their homes.

Helping the disabled

We closely cooperate with organisations representing persons with health disability.

We help the clients of such organisations and persons with impaired mobility or orientation by making railway stations accessible, and continuously increasing the number of barrier-free stations and stops. We build elevators and ramps or platforms for crossing elevations at buildings entrances.

We provide assistance services to persons with impaired mobility or orientation at railway stations. They can use our mobile teams for assistance. A team can be booked through the uniform tariff system.

To facilitate the independent movement of visually impaired persons, tactile elements have been placed in station buildings and on platforms – guiding lines, e.g. with warning strips along the platform edge. Other important elements for better orientation of passengers in buildings and on platforms include voice beacons.

Tactile plates with Braille letters placed at designated points, such as the right handrail of the stairway from underpass to platform, or above door handles on public toilet doors are other examples.

We also cooperate with the Národní rada osob se zdravotním postižením ČR (NRZP – Czech National Disability Council) and together address improving the accessibility of railway transport, e.g. by creating a platform for meetings between NRZP, carriers in passenger transport and Správa železnic. For the construction of barrier-free toilets, NRZP provides Euro-locks.

We are also preparing to purchase mobile lifting platforms for persons with disability, to help them when boarding or exiting a train. By providing this service through Správa železnic, it will be made available to more carriers and thus a wider passenger public with disabilities.

Safety and prevention on railways

Railway safety is an inherent part of the technological development of our railways, and that includes the installation of the ETCS on main and regional lines and equipping them with GSM-R communication system. The completion of this plan is expected by 2040.

We are accelerating the pace of making level crossings safe; every year, tens are being modernised. Between 2020 and 2022, we plan to spend over CZK 4 billion to improve the safety on over 500 level crossings.

Prevention is another important issue in railways safety. We address this topic at events we either actively organise or participate in together with our partners. We also address safety and prevention in our social network communications.

Our safety-prevention videos do not target only teenagers but all age groups who can be prone to make mistakes on railways, which could end tragically. All videos are available at our YouTube channel.

ENVIRONMENTAL ISSUES

Environmental protection

Railway transport is considered an environmentally friendly transport, however, even here there are negative impacts on the environment which should be minimised, such as noise, vibrations, dustiness, air pollution, and waste.

Besides compliance with extensive European and national legislation on environmental issues, Správa železnic attempts to promote environmental protection and achieve long-term sustainable development as part of its corporate social responsibility.

- We reduce the creation and production of waste.
- We protect nature and landscape.
- We protect public health from adverse effects of noise and vibrations.
- We attend to water protection.
- We help with air protection.
- We implement our own environmentally-friendly activities.

- Our employees participate in the Bike or Walk to Work event, and committed to comply with the Energy Decalogue of Správa železnic.

The data on the investment and non-investment expenses incurred on environmental issues are reported in the notes to the financial statements in Note 6.1.1 Environmental liabilities.

Environmental activities

Správa železnic is an environmentally responsible company. We promote energy savings, set-up targets and target values in compliance with the established energy management system pursuant to ISO 50001:2018 to improve energy savings for each calendar year. We reduce paper waste, sort waste properly, and participate in environmental protection through our own activities, e.g. the project replacing each tree cut down due to railways by a new one in the tree nursery.

In this project, we cooperate with Lesy České republiky (Forests of the Czech Republic) in selecting localities suitable for new planting. Our target is to plant at least the same number of trees every year that we have to cut down to ensure the safety and operability of railways. We want to return all necessary cuts back with interest. Work teams from all units of Správa železnic participate in this project.

Other activities include long-term care plans that are part of the pilot project Action Plan for Tree Maintenance Near Railways – a conceptual document of Správa železnic for the management and maintenance of greenery, namely trees. We use the methodology of similar plans, namely those prepared for special protection areas. The aim is to provide regular maintenance and landscaping to achieve, within a 10–15 year horizon, such character of landscape along railway lines, to suit both safety requirements and the preservation and improvement of biodiversity. Establishing so-called transition zones will create conditions for the gradual transition from shrubbery to low-rising woods. We expect that the future development of such landscape will need only minimum maintenance and intervention.

Správa železnic actively focuses on replacing preparations based on glyphosate used to eliminate weeds on the railway infrastructure. An expert study will verify the option to use new information from other European railways in the Czech railway infrastructure and to apply the results of UIC research. The aim is to prepare responsibly for a potential change in the rules for the application of chemicals on railways after 2022 following the discussion on extending the use of glyphosate-based substances. We expect that new, alternative methods of greenery maintenance in the railway infrastructure will be more friendly to various parts of the environment and will minimise the impact on biodiversity.

To collect pertinent information on possible asbestos presence, a public tender to analyse Správa železnic's buildings with the potential presence of this dangerous substance was assigned in 2021. This represents the first stage in an extensive research project encompassing up to several hundreds of buildings with intended construction activities.

Financial section

Attractive travel time...

The high-speed line planned from Prague to Brno, Břeclav and Ostrava will probably become the busiest line in the country. Travel time between Prague and Brno will be cut from the current nearly three hours to about 50 minutes. Travellers on the Ostrava – Prague line will also see substantial time savings. They should spend only about 90 minutes in the train.

High-speed window

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

Independent Auditor's Report to the Founder of Správa železnic, státní organizace



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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 2021, 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 2021, 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.

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 statutory body 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 mate-

riality, 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 organisation's financial reporting process. The Audit Committee is responsible for monitoring the organisation'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

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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.
- 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.

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.

STATUTORY AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

Karel Charvát is the statutory auditor responsible for the audit of the financial statements of Správa železnic, státní organizace as at 31 December 2021, based on which this independent auditor's report has been prepared.

KPMG Česká republika Audit

Prague 18 March 2022
KPMG Česká republika Audit, s. r. o.
Registration number 71

Karel Charvát

Karel Charvát
Partner
Registration number 2032

Balance sheet

in full format as at 31 December 2021 (in thousands of Czech crowns)
Translated from the Czech original

Name and registered office of the organisation:
Správa železnic, státní organizace
Dlážděná 1003/7, 110 00 Praha 1, Czech Republic

Identification number
709 94 234

Assets

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
	TOTAL ASSETS	1	185,514,740	(124,625,385)	60,889,355	62,608,659
B.	Fixed assets	2	176,059,897	(124,274,362)	51,785,535	54,564,755
B.I.	Intangible fixed assets	3	1,397,010	(1,171,444)	225,566	202,581
B.I.2.	Intellectual property rights	4	1,323,197	(1,166,758)	156,439	145,143
B.I.2.1.	Software	5	1,321,307	(1,165,997)	155,310	143,699
B.I.2.2.	Other intellectual property rights	6	1,890	(761)	1,129	1,444
B.I.4.	Other intangible fixed assets	7	4,686	(4,686)	0	0
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	8	69,127	0	69,127	57,438
B.I.5.1.	Advance payments for intangible fixed assets	9	130	0	130	130
B.I.5.2.	Intangible fixed assets under construction	10	68,997	0	68,997	57,308
B.II.	Tangible fixed assets	11	174,662,887	(123,102,918)	51,559,969	54,362,174
B.II.1.	Land and buildings	12	141,488,215	(97,940,999)	43,547,216	45,973,699
B.II.1.1.	Land	13	6,776,137	(10,040)	6,766,097	6,762,256
B.II.1.2.	Buildings	14	134,712,078	(97,930,959)	36,781,119	39,211,443
B.II.2.	Plant and equipment	15	19,984,482	(17,627,521)	2,356,961	2,838,579
B.II.3.	Adjustments to acquired fixed assets	16	8,443,268	(7,470,411)	972,857	1,535,742
B.II.4.	Other tangible fixed assets	17	8,080	(2,003)	6,077	2,861
B.II.4.3.	Other tangible fixed assets	18	8,080	(2,003)	6,077	2,861
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	19	4,738,842	(61,984)	4,676,858	4,011,293
B.II.5.1.	Advance payments for tangible fixed assets	20	631,979	0	631,979	387,100
B.II.5.2.	Tangible fixed assets under construction	21	4,106,863	(61,984)	4,044,879	3,624,193
C.	Current assets	22	9,418,845	(351,023)	9,067,822	8,010,418
C.I.	Inventories	23	767,359	(11,188)	756,171	630,003
C.I.1.	Raw materials	24	763,251	(11,188)	752,063	630,002
C.I.2.	Work-in-progress and semi-finished products	25	0	0	0	0
C.I.3.	Finished goods and goods for resale	26	1	0	1	1
C.I.3.2.	Goods for resale	27	1	0	1	1
C.I.5.	Advance payments for inventories	28	4,107	0	4,107	0
C.II.	Receivables	29	2,268,475	(339,835)	1,928,640	2,250,926
C.II.1.	Long-term receivables	30	5,179	0	5,179	1,434
C.II.1.1.	Trade receivables	31	0	0	0	204
C.II.1.5.	Receivables - other	32	5,179	0	5,179	1,230
C.II.1.5.2.	Long-term advances paid	33	5,147	0	5,147	1,205
C.II.1.5.4.	Other receivables	34	32	0	32	25
C.II.2.	Short-term receivables	35	2,263,296	(339,835)	1,923,461	2,249,492
C.II.2.1.	Trade receivables	36	1,293,911	(325,193)	968,718	1,330,434
C.II.2.4.	Receivables - other	37	969,385	(14,642)	954,743	919,058
C.II.2.4.3.	Tax receivables	38	443,891	0	443,891	440,326
C.II.2.4.4.	Short-term advances paid	39	90,077	0	90,077	116,709
C.II.2.4.5.	Estimated receivables	40	385,322	0	385,322	329,325
C.II.2.4.6.	Other receivables	41	50,095	(14,642)	35,453	32,698
C.IV.	Cash	42	6,383,011	0	6,383,011	5,129,489
C.IV.1.	Cash in hand	43	2,474	0	2,474	2,816
C.IV.2.	Bank accounts	44	6,380,537	0	6,380,537	5,126,673
D.	Deferrals	45	35,998	0	35,998	33,486
D.1.	Prepaid expenses	46	32,569	0	32,569	27,763
D.3.	Accrued revenues	47	3,429	0	3,429	5,723

Liabilities

Ident.	LIABILITIES	line	Current period	Prior period
	TOTAL LIABILITIES AND EQUITY	48	60,889,355	62,608,659
A.	Equity	49	49,254,920	51,051,588
A.I.	Registered capital	50	57,388,168	57,384,330
A.I.1.	Registered capital	51	57,388,168	57,384,330
A.II.	Premium and capital contributions	52	692,042	860,821
A.II.2.	Capital contributions	53	692,042	860,821
A.II.2.1.	Other capital contributions	54	692,042	860,821
A.III.	Funds from profit	55	124,805	70,909
A.III.2.	Statutory and other funds	56	124,805	70,909
A.IV.	Retained earnings (+/-)	57	(7,264,472)	(6,018,158)
A.IV.1.	Retained profits or accumulated losses (+/-)	58	(7,102,103)	(5,855,789)
A.IV.2.	Other retained earnings (+/-)	59	(162,369)	(162,369)
A.V.	Profit (loss) for the current period (+/-)	60	(1,685,623)	(1,246,314)
B.+C.	Liabilities	61	11,341,328	11,446,153
B.	Provisions	62	2,523,402	1,045,080
B.4.	Other provisions	63	2,523,402	1,045,080
C.	Liabilities	64	8,817,926	10,401,073
C.I.	Long-term liabilities	65	2,679,231	3,115,338
C.I.2.	Bank loan payables	66	0	0
C.I.4.	Trade payables	67	67,896	68,708
C.I.8.	Deferred tax liability	68	2,611,331	3,046,626
C.I.9.	Liabilities – other	69	4	4
C.I.9.3.	Other payables	70	4	4
C.II.	Short-term liabilities	71	6,138,695	7,285,735
C.II.3.	Short-term advances received	72	230,660	316,484
C.II.4.	Trade payables	73	3,261,679	3,383,273
C.II.8.	Liabilities – other	74	2,646,356	3,585,978
C.II.8.3.	Payables to employees	75	805,801	678,356
C.II.8.4.	Social security and health insurance liabilities	76	418,394	379,345
C.II.8.5.	Tax liabilities and subsidies	77	1,002,686	845,122
C.II.8.6.	Estimated payables	78	369,466	371,059
C.II.8.7.	Other payables	79	50,009	1,312,096
D.	Accruals	80	293,107	110,918
D.1.	Accrued expenses	81	276,897	94,393
D.2.	Deferred revenues	82	16,210	16,525

Income statement

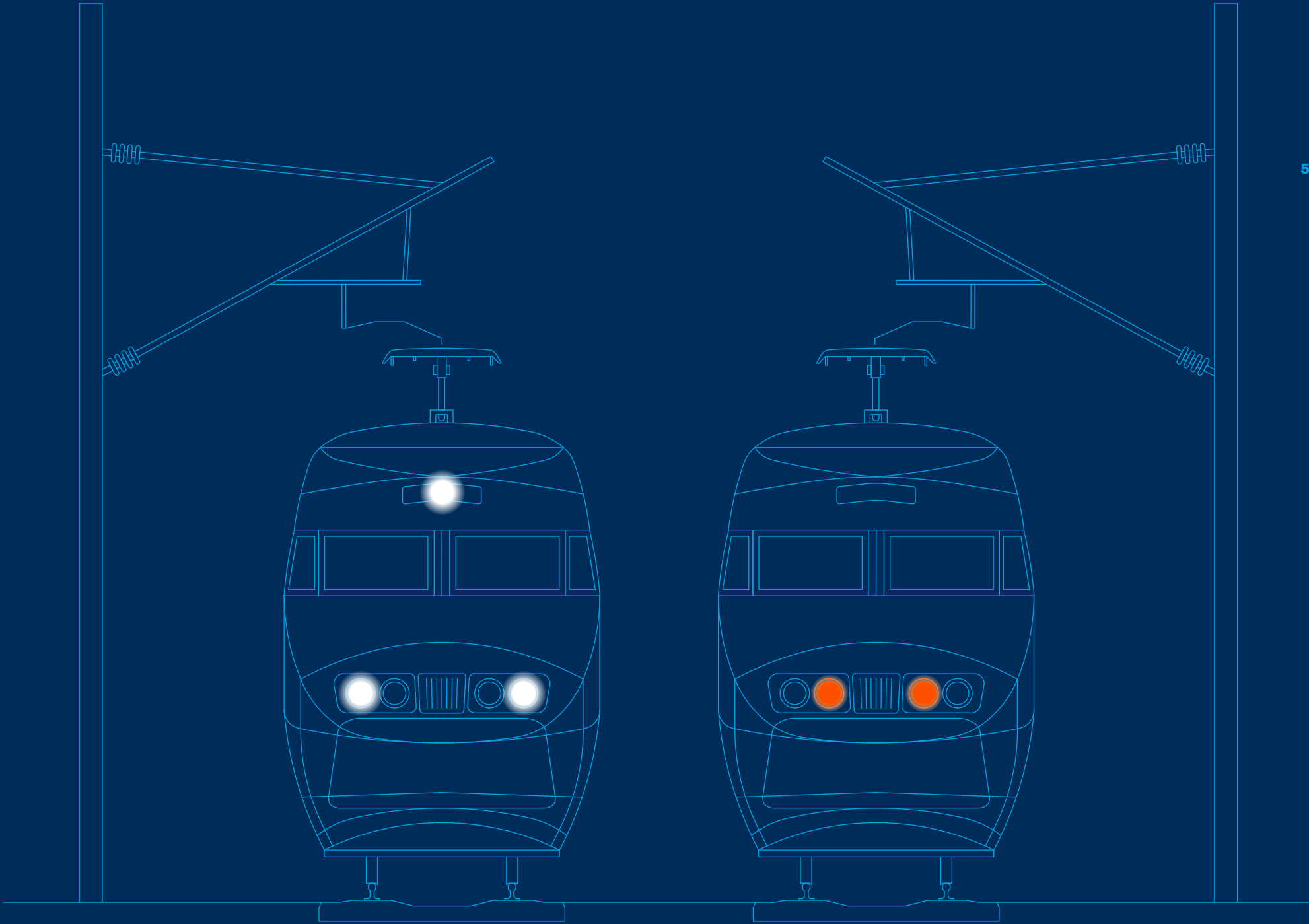
classification by nature for the year ended 31 December 2021
(in thousands of Czech crowns) Translated from the Czech original

Ident.	INCOME STATEMENT	line	Current period	Prior period
I.	Revenue from products and services	1	7,942,274	7,546,587
II.	Revenue from goods	2	1	2
A.	Cost of sales	3	17,332,018	21,165,951
A.1.	Cost of goods sold	4	0	0
A.2.	Materials and consumables	5	5,764,339	6,625,601
A.3.	Services	6	11,567,679	14,540,350
B.	Change in inventory of own production (+/-)	7	0	1,000
C.	Own work capitalised (-)	8	(1,198,420)	(1,302,552)
D.	Personnel expenses	9	12,955,119	12,225,115
D.1.	Wages and salaries	10	9,288,420	8,739,689
D.2.	Social security, health insurance and other expenses	11	3,666,699	3,485,426
D.2.1.	Social security and health insurance expenses	12	3,114,173	2,934,599
D.2.2.	Other expenses	13	552,526	550,827
E.	Adjustments relating to operating activities	14	3,755,712	4,016,892
E.1.	Adjustments to intangible and tangible fixed assets	15	3,785,910	4,007,240
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	16	3,841,803	4,023,685
E.1.2.	Impairment of intangible and tangible fixed assets	17	(55,893)	(16,445)
E.2.	Adjustments to inventories	18	(360)	(886)
E.3.	Adjustments to receivables	19	(29,838)	10,538
III.	Other operating revenues	20	25,054,884	27,682,506
III.1.	Proceeds from disposals of fixed assets	21	43,661	38,665
III.2.	Proceeds from disposals of raw materials	22	304,502	223,372
III.3.	Miscellaneous operating revenues	23	24,706,721	27,420,469
F.	Other operating expenses	24	2,273,122	748,814
F.1.	Net book value of fixed assets sold	25	7,840	7,042
F.2.	Net book value of raw materials sold	26	304,363	223,081
F.3.	Taxes and charges	27	36,423	31,404
F.4.	Provisions relating to operating activity and complex prepaid expenses	28	1,478,322	26,109
F.5.	Miscellaneous operating expenses	29	446,174	461,178
*	Operating profit (loss) (+/-)	30	(2,120 392)	(1,626,125)
VI.	Interest revenue and similar revenue	31	0	0
VI.2.	Other interest revenue and similar revenue	32	0	0
J.	Interest expense and similar expense	33	0	10,132
J.2.	Other interest expense and similar expense	34	0	10,132
VII.	Other financial revenues	35	975	15,917
K.	Other financial expenses	36	1,501	30,675
*	Profit (loss) from financial operations	37	(526)	(24,890)
**	Profit (loss) before tax (+/-)	38	(2,120,918)	(1,651,015)
L	Income tax	39	(435,295)	(404,701)
L.2.	Deferred tax (+/-)	40	(435,295)	(404,701)
**	Profit (loss) after tax (+/-)	41	(1,685,623)	(1,246,314)
***	Profit (loss) for the accounting period (+/-)	42	(1,685,623)	(1,246,314)
*	Net turnover for the accounting period × I. + II. + III. + IV. + V. + VI. + VII.	43	32,998,134	35,245,012

So your ears don't pop...

When two high-speed trains pass each other in opposite directions, it creates a pressure wave. Their combined speed can reach 640 km/h. Trains must be constructed to withstand this speed and also protect passengers from their ears popping. There are similar changes in pressure when a train enters a tunnel. The train's pressure tightness ensures passenger safety and comfort.

High-speed window



Statement of changes in equity

for the year ended 31 December 2021 (in thousands of Czech crowns)
Translated from the Czech original

	Registered capital	Other capital contributions	Other reserve funds	Culture and social needs funds	Retained profits or accumulated losses (+/-)	Other retained earnings	Profit (loss) for the current period	Total
Balance as at 1. 1. 2021	57,384,330	860,821	--	70,909	(5,855,789)	(162,369)	(1,246,314)	51,051,588
Property inventory findings and other transfers	--	--	--	--	--	--	--	--
Free-of-charge transfers of assets and other transfers	3,930	13,517	--	--	--	--	--	17,447
Privatised assets	(92)	--	--	--	--	--	--	(92)
Use of the culture and social needs funds	--	--	--	(128,400)	--	--	--	(128,400)
Creation of the culture and social needs fund	--	(182,296)	--	182,296	--	--	--	--
Transfer of the profit (loss) of prior year period	--	--	--	--	(1,246,314)	--	1,246,314	--
Other Profit (loss)	--	--	--	--	--	--	--	--
Rounding	--	--	--	--	--	--	--	--
Profit (loss) for the current period	--	--	--	--	--	--	(1,685,623)	(1,685,623)
Balance as at 31. 12. 2021	57,388,168	692,042	--	124,805	(7,102,103)	(162,369)	(1,685,623)	49,254,920
Balance as at 1. 1. 2020	57,367,174	1,013,355	--	2,724	(4,777,299)	(162,369)	(1,078,489)	52,365,096
Property inventory findings 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)
Use of the culture and social needs funds	--	--	--	(103,267)	--	--	--	(103,267)
Creation of the culture and social needs fund	--	(171,453)	--	171,453	--	--	--	--
Transfer of the profit (loss) of prior year period	--	--	--	--	(1,078,489)	--	1,078,489	--
Other Profit (loss)	--	--	--	--	--	--	--	--
Rounding	--	--	--	(1)	(1)	--	--	(2)
Profit (loss) for the current period	--	--	--	--	--	--	(1,246,314)	(1,246,314)
Balance as at 31. 12. 2020	57,384,330	860,821	--	70,909	(5,855,789)	(162,369)	(1,246,314)	51,051,588

Cash flow statement

for the year ended 31 December 2021 (in thousands of Czech crowns)
Translated from the Czech original

Name and registered office of the organisation:
Správa železnic, státní organizace
Dlážděná 1003/7, 110 00 Praha 1, Czech Republic

Identification number
709 94 234

		Current period	Prior period
P.	Cash and cash equivalents, beginning of period	5,129,489	3,789,930
	Net operating cash flow		
Z:	Accounting profit (loss) from ordinary activities	(2,120,918)	(1,651,015)
A.1.	Non-cash transactions adjustments	(18,986,640)	(20,184,743)
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	3,841,803	4,023,685
A.1.2.	Change in:	(22,828,443)	(24,208,428)
A.1.2.1.	Change in adjustments and provisions	1,392,230	19,316
A.1.3.	Profit(-) Loss(+) on sale of fixed assets	(35,821)	(31,624)
A.1.4.	Expense and revenue interests accounted for	0	10,132
A.1.5.	Use of operating grants	(22,853,782)	(23,754,819)
A.1.6.	Debt remission by state	(1,262,168)	(583,822)
A.1.7.	Other non-cash transactions adjustments	(68,902)	132,389
A.*	Net operating cash flow before financial items, tax, changes in working capital and extraordinary items	(21,107,558)	(21,835,758)
A.2.	Changes in working capital	329,389	783,475
A.2.1.	Change in receivables from operating activities, estimated receivables and deferrals	349,582	(125,280)
A.2.2.	Change in short-term liabilities from operating activities, estimated payables and accruals	105,615	990,173
A.2.3.	Change in inventories	(125,808)	(81,418)
A.**	Net operating cash flow before financial balances, tax and extraordinary items	(20,778,169)	(21,052,283)
A.5.	Operating grants received	22,853,716	23,749,566
A.***	Net operating cash flow	2,075,547	2,697,283
	Investment activity		
B.1.	Acquisition of fixed assets	(33,986,469)	(29,271,756)
B.1.1.	Acquisition of tangible fixed assets	(781,369)	(1,454,207)
B.1.2.	Acquisition of intangible fixed assets	(146,795)	(101,284)
B.1.3.	Acquisition of tangible fixed assets from investment grants	(33,058,305)	(27,716,265)
B.2.	Proceeds from sales of fixed assets	43,661	38,665
B.2.1.	Proceeds from sales of tangible and intangible fixed assets	43,661	38,665
B.3.	Investment grants received	33,249,183	27,978,634
B.***	Net cash flow from investment activity	(693,625)	(1,254,457)
	Financial activity		
C.2.	Increase and decrease in equity from cash transactions	(128,400)	(103,267)
C.2.1.	Payments from funds created from net profit	(128,400)	(103,267)
C.***	Net cash flow from financing activities	(128,400)	(103,267)
F.	Net increase or decrease in cash balance	1,253,522	1,339,559
R.	Cash and cash equivalents, end of period	6,383,011	5,129,489

Notes to the financial statements

What trains will run on the lines...

Most lines will be designated only for passenger trains up to 320 km/h. The Krušnohorský and Středohorský tunnels are exceptions where freight trains also have a rationale.

High-speed window

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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. 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.

The address of Správa železnic's registered office is Dlážděná 1003/7, Prague 1 – Nové Město, post-code 110 00.

The founder of Správa železnic is the Czech Republic. The Ministry of Transport of the Czech Republic (MT) is 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 founder 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 organisation is the beneficiary of a significant funding from the Státní fond dopravní infrastruktury (State Fund for Transport Infrastructure – SFTI). In accordance with the view of Správa železnic, ČD, ČD Cargo, and SFTI are considered as related parties.

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 2021 have been prepared as at 31 December 2021.

These notes have been prepared for the period starting 1 January 2021 and ending 31 December 2021 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 2021, the operating 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, (refer to note 7.3).

Správa železnic generates additional major funding from grants, which are used to cover expenditure related to modernisation, development and maintenance (refer to note 3.10).

Správa železnic also administers the assets and liabilities set out in Sections 20 and 38a of the Trans-

formation 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 nationwide railway infrastructure and regional railway infrastructure owned by the state, including certain activities related to the operating 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.

The members of the Správa železnic's management as at 31 December 2021 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 Jaseňák	Deputy Director General for Traffic Management	Since 1 November 2018

The members of the Supervisory Board as at 31 December 2021 were:

Name	Position	Date
Pavel Hrubeš	Chairperson	Since 1 November 2018
Martin Kolovratník	Vice-chairperson	Since 1 December 2018
Ivo Drahotský	Member	Since 1 November 2018
Jaroslav Foldyna	Member	Since 25 March 2014
Vít Janoš	Member	Since 1 November 2018
Ladislav Němec	Member	Since 1 January 2018
Dan Ťok	Member	Since 30 March 2021

The members of the Audit Committee as at 31 December 2021 were:

Name	Position	Date
Eva Janoušková	Chairperson	Since 11 January 2019
Pavel Hrubeš	Member	Since 1 December 2018
Lenka Hlubučková	Member	Since 1 December 2018
Dan Ťok	Member	Since 16 April 2021

The members of the Strategy and Development Committee as at 31 December 2021 were:

Name	Position	Date
Ladislav Němec	Chairperson	Since 1 February 2018
Martin Kolovratník	Member	Since 1 December 2018
Ivo Drahotský	Member	Since 1 December 2018
Vít Janoš	Member	Since 1 December 2018
Dan Ťok	Member	Since 16 April 2021

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

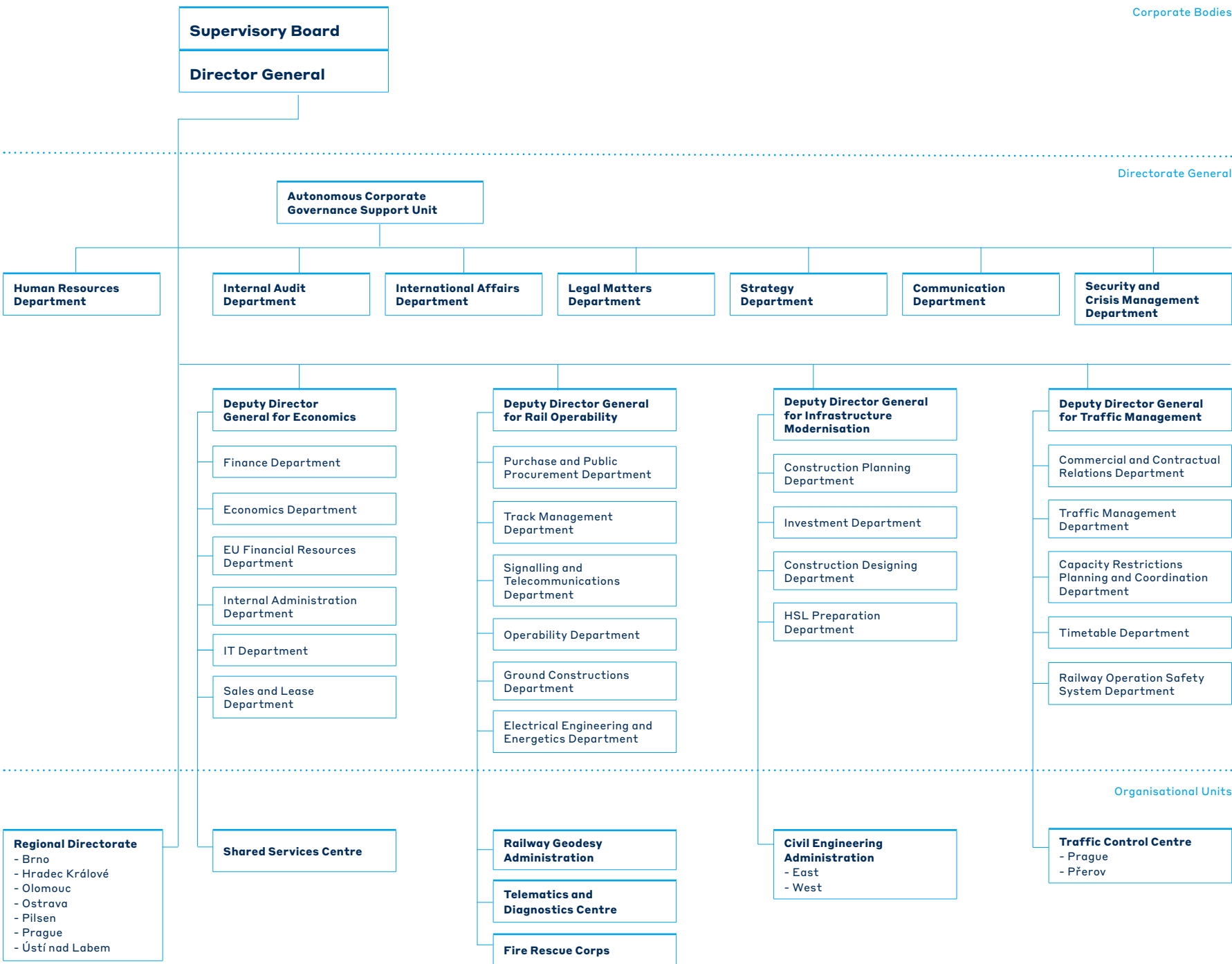
Správa železnic is a standalone state organisation and does not hold equity investments in any other entity. Správa železnic's bodies include the Supervisory Board and the Director General.

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

The Director General, Jiří Svoboda, is the statutory representative of Správa železnic, managing its activities and acting on its behalf. The Statutory Deputy Director General, Mojmír Nejezchleb, authorised to act in the absence of the Director General, is recorded in the Commercial Register.

SPRÁVA ŽELEZNIC'S ORGANISATIONAL STRUCTURE AS AT 31 DECEMBER 2021

Správa železnic's organisational structure as at 31 December 2021:



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 complementary consolidated statements overview as at the balance sheet date. The overview as at 31 December 2021 will be submitted

by 31 July 2022 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 of the Czech Republic (MF). 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
Buildings	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 material 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. Gifts received are measured at replacement acquisition 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.

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 stocktaking. 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 (now Správa železnic) was registered (refer to 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 Czech Office For Surveying, Mapping and 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.; unpaid payroll expenses and other personnel expenses; invoices of ČD for offsetting and damages.

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.

The provision for invoices of ČD for offsetting using land (refer to note 7.9) is based on an expert assessment.

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 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 damages is established based on a legal opinion on recognised damages.

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 LONG-TERM LIABILITIES

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

Long-term liabilities are reported with maturity exceeding one year, and liabilities are reported with no fixed maturity dates (e.g. bid-bonds, sureties, security deposits).

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 CNB 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 converted to Czech crowns at the CNB 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 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 Energetický regulační úřad (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 2021.

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 railway 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 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 2021, 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 (refer to 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	Intellectual property rights	Total
Acquisition cost						
Balance at 1 January 2021	4,686	57,308	130	1,186,999	1,890	1,251,013
Additions	0	12,853	0	133,942	0	146,795
Disposals	0	0	0	0	0	0
Transfers to off-balance sheet	0	(798)	0	0	0	(798)
Transfers	0	(366)	0	366	0	0
Balance at 31 December 2021	4,686	69,997	130	1,321,307	1,890	1,397,010
Accumulated amortisation						
Balance at 1 January 2021	4,686	0	0	1,043,300	446	1,048,432
Adjustments to additions	0	0	0	122,697	315	123,012
Adjustments to disposals	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Balance at 31 December 2021	4,686	0	0	1,165,997	761	1,171,444
Net book value 1 January 2021	0	57,308	130	143,699	1,444	202,581
Net book value at 31 December 2021 (balance sheet, line B.I.)	0	68,997	130	155,310	1,129	225,566

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	Buildings	Machinery and equipment*)	Motor vehicles	Adjustments to acquired fixed assets	Tangible fixed assets under construction	Other tangible fixed assets	Advances paid	Total
Acquisition cost									
Balance at 1 January 2021	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
Additions	5,372	62,295	23,417	48,484	0	33,696,881	3,225	244,879	34,084,553
Disposals	(14,637)	(1,184,340)	(182,479)	(26,705)	0	(7,820)	0	0	(1,415,981)
Transfers to off-balance sheet	0	0	0	0	0	(32,922,897)	0	0	(32,922,897)
Transfers	0	297,618	28,872	18,601	0	(345,478)	387	0	0
Balance at 31 December 2021	6,776,137	134,712,078	18,242,752	1,741,730	8,443,268	4,106,863	8,080	631,979	174,662,887
Accumulated amortisation									
Balance at 1 January 2021	0	96,199,878	16,379,766	855,947	6,907,526	0	1,607	0	120,344,724
Adjustments to additions	0	2,558,194	451,372	143,785	562,885	0	396	0	3,716,632
Other additions	0	0	0	0	0	0	0	0	0
Adjustments to disposals	0	(909,875)	(178,613)	(24,371)	0	0	0	0	(1,112,859)
Transfers	0	365	336	(701)	0	0	0	0	0
Balance at 31 December 2021	0	97,848,562	16,652,861	974,660	7,470,411	0	2,003	0	122,948,497
Adjustments									
Balance at 1 January 2021	23,146	125,184	0	0	0	61,984	0	0	210,314
Change in adjustments	(13,106)	(42,787)	0	0	0	0	0	0	(55,893)
Balance at 31 December 2021	10,040	82,397	0	0	0	61,984	0	0	154,421
Net book value 1 January 2021	6,762,256	39,211,443	1,993,176	845,403	1,535,742	3,624,193	2,861	387,100	54,362,174
Net book value at 31 December 2021 (balance sheet, line B.II.)	6,766,097	36,781,119	1,589,891	767,070	972,857	4,044,879	6,077	631,979	51,559,969

*) The item Machinery and equipment also includes low-value assets.

Major additions to tangible fixed assets put into use in 2021 include the renewal of the car fleet of TCZK 48,484.

Major disposals of tangible fixed assets in 2021 include the liquidation of assets as a result of new constructions with an acquisition cost of TCZK 1,230,653, and net book value of TCZK 269,317.

As at 31 December 2021, the organisation records tangible fixed assets under construction with acquisition cost of TCZK 4,106,863. The balance of tangible assets under construction mainly represents the construction of railway corridors, (refer to note 6.4), and the construction works to modernise and renovate the railway infrastructure incomplete as at 31 December 2021. This concerns for example modernisation of the Sudoměřice – Votice line section; modernisation of the Veselí nad Lužnicí – Tábor line (section II); Soběslav – Doubí line (2nd stage); renovation of the Přerov railway station (2nd construction); optimisation of the Praha Smíchov (excl.) – Černošice line; optimisation of the Praha-Hostivař – Praha hl. n. (Prague Main Station) line section, part II – Praha-Hostivař – Praha hl. n.; modernisation of the Pardubice junction; optimisation of the Mstětice (excl.) – Praha-Vysočany line section. 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 2021, where the grant used to finance the constructions has not been accounted for before 31 December 2021. Transfers to off-balance sheet are made once the investment grant that decreases the asset's acquisition cost is recorded. In 2021, subsidised tangible and intangible assets totalling TCZK 32,923,695 (2020 – TCZK 27,662,714) 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 2022. Advances created this way which were utilised in 2021 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 2021 totalled TCZK 631,979 (2020 – TCZK 387,100). The advances will be accounted for in 2022.

4.2.2 INVESTMENT GRANTS

Investment grants for construction and modernisation primarily include state funds from the SFTI and

funds from the Recovery and Resilience Facility (RRF), as well as subsequent funds from the Operational Programme Transport (OPT2), the CEF infrastructure fund, funds from the European Investment Bank (EIB) provided through the MF. SFTI ensures the payment of European subsidies and at the same time, it partly participates in co-financing. In 2021, funds of TCZK 15,112,659 were drawn from SFTI from national sources, including sources to cover national shares of European investment projects; funding from RRF totalled TCZK 9,717,816. In 2021, funds totalling TCZK 4,832,855 were provided from OPT2, TCZK 5,518,334 from CEF, and a loan of TCZK 1,926,220 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 2021 was TCZK 322,711,096. As at 31 December 2020, the acquisition cost was TCZK 290,364,862.

The aggregate amount of low-value tangible assets not reported in the balance sheet was TCZK 1,182,069 and TCZK 1,143,879 as at 31 December 2021 and 31 December 2020, 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.

4.2.4 CONTINUITY SCHEDULE IN ASSETS FINANCED FROM GRANTS AND REPORTED IN THE SUB-LEDGER 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.

In 2021, major additions to tangible assets under construction comprised modernisation of the Sudoměřice – Votice line section; modernisation of the Veselí nad Lužnicí – Tábor line (section II);

Soběslav – Doubí line (2nd stage); optimisation of the Praha-Smíchov (excl.) – Černošice line; optimisation of the Praha-Hostivař – Praha hl. n. line section, part II – Praha-Hostivař – Praha hl. n.; electrification of the line Uničov – Olomouc, Velim – Poříčany, Dětmarovice – Petrovice u K. – state border, and electrification of the line incl. PEÚ Brno – Zastávka u Brna, 1st stage.

In 2021, 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 2021 and 31 December 2020.

4.2.6 ASSETS HELD UNDER FINANCE AND OPERATING LEASES

As at 31 December 2021, Správa železnic reported fixed assets acquired on a leaseback basis in the aggregate acquisition cost of TCZK 376,530 (2020 – TCZK 376,530). Leaseback arrangements are used for leasing low-value rolling stock (a multi-purpose motor trolley, a vehicle for overhead line work) used to repair and maintain the railway infrastructure.

4.2.7 ASSETS ACQUIRED FREE OF CHARGE

In 2021, Správa železnic acquired free of charge tangible fixed assets at the replacement cost of TCZK 13,517 (2020 – TCZK 18,856), and in form of delimitations of TCZK 5,230 (2020 – TCZK 32,541). In total, in 2021, Správa železnic acquired free of charge assets of TCZK 18,747 (2020 – TCZK 51,397). 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 towns and municipalities where the assets are part of the railway infrastructure and are managed – pursuant to the law – by Správa železnic.

Table of 4.2.2 – Investment grants

	2020	2021
SFTI for construction and modernisation, state share, OPT, CEF, EIB, RRF	29,637,370	37,107,884
Total investment grants from SFTI	29,637,370	37,107,884
EU funds	0	2,717
Contributions from cities, municipalities, regions and other entities	1,604	32,128
Total	29,638,974	37,142,729

Table of 4.2.4 – Continuity schedule in assets financed from grants and reported in the sub-ledger accounts

	Software	Other intangible assets	Intangible fixed assets under construction	Land	Buildings	Machinery, equipment and other tangible assets	Motor vehicles	Tangible assets under construction	Total
Acquisition cost									
Balance at 1 January 2021	112,703	2,641	1,336	1,182,363	158,022,347	53,107,689	1,392,737	76,543,046	290,364,862
Additions (Transfers from the balance sheet)	0	0	798	14,555	49,983	201,323	227,889	32,429,147	32,923,695
Disposals	0	0	0	(9,939)	(273,630)	(280,451)	(776)	(12,665)	(577,461)
Transfers (including assets put into use)	1,652	0	(10)	12,389	16,646,308	5,272,372	25,109	(21,957,820)	0
Balance at 31 December 2021	114,355	2,641	2,124	1,199,368	174,445,008	58,300,933	1,644,959	87,001,708	322,711,096

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 spare parts for TEN-T switches, corridor switches and safety stock of other types of switches to ensure seamless operation of lines and elimination of slow rides. Adjustments of TCZK 11,188 primarily 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 325,193 (2020 – TCZK 355,407) was set up at 31 December 2021, for doubtful receivables.

A significant amount of receivables before and past their due date includes, similarly to previous years, receivables from ČD, RegioJet, a. s., and PKP CARGO INTERNATIONAL, a. s., for use of the infrastructure and electricity.

Payment schedules agreed with some customers at the beginning of 2021 have been met.

Total receivables more than five years overdue as at the balance sheet date are TCZK 297,767 (2020 – 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 90,077 (2020 – TCZK 116,709). 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.

4.5 ESTIMATED RECEIVABLES

In 2021, estimated receivables totalled TCZK 385,322 (2020 – TCZK 329,325).

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 262,334 (2020 – TCZK 240,606) 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 13,816 (2020 – TCZK 16,368) and damages claimed from the guilty persons of TCZK 29,875 (2020 – TCZK 19,226).

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4.6 CASH

Total cash as at 31 December 2021 totalled TCZK 6,383,011 (2020 – TCZK 5,129,489), of which the most significant item is the balance of bank accounts of TCZK 6,380,537 (2020 – TCZK 5,126,673). The balance of cash as at 31 December 2021 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 92 (2020 – TCZK 14,121) in 2021.

In 2021, the registered capital was influenced by delimitation where the net book value of assets handed over free-of-charge totalled TCZK 3,930 (2020 – TCZK 31,277).

Based on the physical counts, no assets with a replacement cost were included in other capital contributions (2020 – TCZK 63).

Table of 4.3

	Balance at 31 December 2020	Balance at 31 December 2021
Material in stock	641,131	763,238
Material in transit	419	13
Work in progress	0	0
Goods in stock	1	1
Advances paid for inventory	0	4,107
Adjustment to inventories	(11,548)	(11,188)
Total (balance sheet, line C.I.)	630,003	756,171

Table of 4.4.1

	Balance at 31 December 2020	Balance at 31 December 2021
Short-term receivables before due date	1,017,954	865,535
Short-term receivables past due date	667,887	428,376
Total (balance sheet, line C.II.2.1.)	1,685,841	1,293,911

Table of 4.9

	Balance at 31 December 2020	Additions	Utilisation / Release	Balance at 31 December 2021
Provision for litigations with ČEZ	825,543	793,913	0	1,619,456
Provision for other litigations	32,414	0	397	32,017
Provision for compensation for job-related accidents and occupational diseases	20,528	15,271	20,528	15,271
Provision for extra pension payments	6,595	4,747	6,595	4,747
Provision for unpaid payroll and other expenses	160,000	80,500	160,000	80,500
Provision for invoices issued by ČD for offsetting the use of land	0	771,411	0	771,411
Total (balance sheet, line B.)	1,045,080	1,665,842	187,520	2,523,402

Other retained earnings from previous years were unchanged in the current reporting period, as in the previous year.

The organisation 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 litigations is established on the basis of the status of new or pending litigations and their current underlying court or out-of-court proceedings. A significant portion of the provision for litigations 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 2010 and 2011.

As at 31 December 2021, this provision was increased in relation to an expert legal assessment of potential development in those two litigations (refer to note 6.2.1).

The provision for invoices issued by ČD for offsetting the use of land has been established for invoices issued in 2019–2021 (refer to note 7.9).

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

4.10.2 DEFERRED TAX

Správa železnic reports tax losses of TCZK 4,620,693 for the period of 2019–2021 (the information for 2021 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 (2020 – 19%).

4.11 SHORT-TERM LIABILITIES

4.11.1 SHORT-TERM ADVANCES RECEIVED

As at 31 December 2021, short-term advances received total TCZK 230,660 (2020 – TCZK 316,484). Short-term advances received were influenced principally by prepayments for services related to lease, and 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 EUROVIA CS, a. s., STRABAG Rail, a. s., and OHLA ŽS, a. s., regarding their construction works.

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

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 2022, when the amount will be settled with the MF in the form of purchase price transfer for the sale of the Brno-Štýřice health centre and neighbouring land to the Statutory City of Brno.

Thus, the remaining portion of the payable is reported in other short-term liabilities.

In 2005, the Czech Government adopted Resolution No. 1553 on the remission of these payables (refer to note 3.14). In 2021, payables totalling TCZK 1,262,168 (2020 – TCZK 583,822) were remitted.

4.11.4 TAX LIABILITIES AND SUBSIDIES

The balance of unrecognised non-investment subsidies as at 31 December 2021 represents a liability

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Table of 4.10.1

	Balance at 31 December 2020	Balance at 31 December 2021
Retention	9,171	9,849
Bid-bonds, security deposits, sureties	2,997	2,990
Cash deposits received from customers	56,540	55,057
Total (balance sheet, line C.I.4.)	68,708	67,896

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

	Balance at 31 December 2020	Balance at 31 December 2021
Tangible and intangible fixed assets	(4,134,590)	(4,018,023)
Adjustments to fixed assets	35,562	27,432
Adjustments to inventories	2,194	2,126
Trade receivables	24,965	19,756
Provisions	198,565	479,446
Tax losses	826,678	877,932
Total asset +, liability - (balance sheet, line C.I.8.)	(3,046,626)	(2,611,331)

Table of 4.11.2

	Balance at 31 December 2020	Balance at 31 December 2021
Payables before due date	3,364,170	3,227,740
Payables past due date	19,103	33,939
Total (balance sheet, line C.II.4.)	3,383,273	3,261,679

Table of 4.11.3

	Balance at 31 December 2020	Balance at 31 December 2021
MF – payment under the state guarantee for loan interest, after the remission	60,339	49,610
MF – payment under the state guarantee for loan principal, after the remission	1,251,439	0
Other	318	399
Total (balance sheet, line C.II.8.7.)	1,312,096	50,009

Table of 4.11.4

	Balance at 31 December 2020	Balance at 31 December 2021
Undrawn investment subsidies from SFTI	713,669	874,360
Investment contributions of cities, municipalities, regions and other entities	1,943	32,128
Undrawn non-investment subsidies from CEF	1,554	1,488
Income tax withheld on behalf of employees	127,395	94,404
Other taxes	561	306
Total (balance sheet, line C.II.8.5.)	845,122	1,002,686

from drawn subsidies from SFTI of TCZK 874,360 (of which TCZK 164,584 relates to undrawn investment subsidy from RRF). The main reasons for not recognising investment subsidies to the full limit amount for 2021 are primarily ex-ante advance payments that will be paid and accounted for in 2022.

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

4.11.5 ESTIMATED PAYABLES

As at 31 December 2021, estimated payables total TCZK 369,466 (2020 – TCZK 371,059) and represent primarily an estimate for fees refunded for the use of railway infrastructure of TCZK 116,000 (2020 – TCZK 116,000), an estimate for payment of rail replacement bus service to carriers in accordance with the Network Statement totalling TCZK 50,000

(2020 – TCZK 50,000), and uninvoiced supplies of electricity, heat, water and gas of TCZK 117,132 (2020 –TCZK 156,068).

4.12 ACCRUED EXPENSES

Accrued expenses total TCZK 276,897 (2020 – TCZK 94,393) and represent primarily tax documents received after being able to claim the entitlement to VAT deduction of TCZK 210,312 (2020 – TCZK 51,562), of which TCZK 119,979 relates to a tax document relating to partial financial settlement for contractor’s claim for the optimisation of the Beroun (incl.) – Králův Dvůr line section, and expenses for replacement bus transportation from ČD, a. s. totalling TCZK 51,868 (2020 – TCZK 42,831).

4.13 TOTAL REVENUE FROM OWN PRODUCTS AND SERVICES

All revenues were generated in the Czech Republic.

Revenues from the use of railway infrastructure for passengers and freight transport have slightly increased year-on-year for both freight and passenger transport. Due to the impact of the ongoing covid-19 pandemic, revenues have not recovered to the pre-covid levels for carriers in both freight and passenger transport.

Similar volumes were shown 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.

4.14 CONSUMPTION OF MATERIALS AND ENERGIES

The decrease in the costs of material consumption relates primarily to the decrease in material consumption for repair and maintenance activities.

In 2021, the costs of electricity purchase related to the supplies of traction electricity for the needs of all carriers were comparable to 2020 due to the ongoing covid-19 pandemic.

4.15 PURCHASE OF SERVICES

The major portion in the cost of services are the regular costs of repairs and maintenance activities reflecting the intensity of repairs and maintenance while ensuring the operability of nationwide and regional railways. Repair and maintenance activities 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.

4.16 OTHER OPERATING REVENUES

The decrease in revenues is impacted principally by the absence of the remission of payment and penalty for budget discipline violations during investment projects' implementation. All remissions of payment and penalty for budget discipline violations were settled in 2020.

Pursuant to Government Decree No. 1553 dated 30 November 2005, a remission of liabilities of TCZK 1,262,168 was recognised in other operating revenues in 2021 (refer to notes 3.14 and 4.11.3).

4.17 OTHER OPERATING EXPENSES

In 2021, 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 2021 was TCZK 202,895 (2020 – TCZK 241,701). The decrease in expenses was principally due to the decrease in the carriers' volumes in Správa železnic's network due to the pandemic.

Table of 4.13

	2020	2021
Revenue from use of the railway infrastructure by ČD group – freight transport	770,084	773,800
Revenue from use of the railway infrastructure by ČD group – passenger transport*)	1,601,187	1,774,949
Revenue from use of the railway infrastructure outside the ČD group – freight transport	655,793	707,360
Revenue from use of the railway infrastructure outside the ČD group – passenger transport*)	254,447	313,855
Revenues from allocated capacity	126,259	134,000
Rental income	548,555	556,275
Income from the sales of electricity	3,144,852	3,203,226
Income from third-party carriers for provided services (special loads, etc.)	3,543	3,744
Income from other external services	441,867	475,065
Total (income statement, line I.)	7,546,587	7,942,274

*) This also includes revenues from the use of approach roads

Table of 4.14

	2020	2021
Costs of material consumption	2,920,837	2,009,798
of which repair and maintenance activities	1,409,974	745,510
Costs of energy consumption	502,276	535,333
Costs of water consumption	13,128	13,883
Costs of heat consumption	58,773	59,194
Costs of gas consumption	63,100	55,819
Costs of electricity purchase	2,958,582	2,964,608
Costs of fuel consumption	92,826	109,218
Other	16,079	16,486
Total (income statement, line A.2.)	6,625,601	5,764,339

Table of 4.15

	2020	2021
Costs of construction-related repairs and maintenance excluding repair and maintenance activities	86,511	120,590
Costs of repair of apartments excluding repair and maintenance activities	41,057	69,130
Costs of services provided by the statutory auditor	2,005	1,965
of which: - statutory audit of the annual financial statements	1,125	1,125
- other non-audit services	880	840
Repair and maintenance activities	12,206,330	8,914,285
of which: - repair and construction maintenance	10,584,640	7,287,808
- other services	1,621,690	1,626,477
Other	2,204,447	2,461,709
of which: - repair and maintenance	830,494	881,700
- services (rent, SW operation, servicing and maintenance, platform cleaning, security services, environmental services, etc.)	1,373,953	1,580,009
Total (income statement, line A.3.)	14,540,350	11,567,679

Table of 4.16

	2020	2021
Subsidies from SFTI for repairs and maintenance of nationwide and regional railways	20,751,758	18,509,103
Non-investment subsidies from SFTI – operating purpose	37,626	34,897
Non-investment subsidies from the state budget	324,001	0
Subsidies from SFTI for the operating of the railway	2,631,446	4,300,000
Other subsidies	9,988	9,782
Proceeds from recovered material	289,554	360,884
Received contractual penalties and default interest	41,817	31,826
Claims for compensation of shortages and damage	61,039	120,600
Revenues relating to remission of debt of Správa železnic	583,822	1,262,168
Remission of payment and penalty for budget discipline violations	2,631,860	0
Other	57,558	77,461
Total (income statement, line III.3.)	27,420,469	24,706,721

Table of 4.17

	2020	2021
Fines and penalties, default interest	1,998	743
Write-off of receivables	3,523	9,476
Write-off of failed investments	366	497
Retirement pension	5,016	4,043
Costs arising from the failure to employ the disabled	41,513	39,490
Insurance of assets and liability insurance	94,850	108,980
Membership contributions	15,708	9,226
Shortages and damage	2,956	906
Liability for damage to third party assets	19,522	23,387
Expenses arising from the Network Statement	241,701	202,895
Other	34,025	46,531
Total (income statement, line F.5.)	461,178	446,174

4.18 OTHER FINANCIAL REVENUES

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

4.19 OTHER FINANCIAL EXPENSES

Financial expenses predominantly include foreign exchange losses from the conversion of foreign currency transactions and bank charges.

5. Employees, executives and statutory bodies

5.1 PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

As at 1 January 2021, Správa železnic had 17,232 employees, divided into a total of 16 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.

In 2021, continued the process of changes in the organisational structure of Správa železnic, státní organizace, approved by the Supervisory Board in the second half of 2019, with the objective of optimising and enhancing the effectiveness of internal processes both at the level of the Directorate General and individual organisational units. Activities were strengthened in ETCS (as at 1 January 2021, an ETCS traffic control room was established at the Traffic Control Centres in Přerov and Prague, and, as at 1 April 2021, a new ETCS and Modern Technologies Unit was established at the Signalling and

Telecommunications Department of the Directorate General of Správa železnic), as well as in external funding and grant opportunities (as at 1 March 2021, EU Financial Resources Department was established at the Directorate General). Within the completion of the process of centralisation of economic activities into the Shared Services Centre, as at 1 July 2021, an Investment Accounting Unit and Central Filing Room and Data Verification Support Unit were established.

As at 1 April 2021, the organisational structure of Regional Directorates changed, and Sales and Administrative Section was established. The Regional Directorates in Hradec Králové, Prague and Ústí nad Labem changed their districts. Following instructions of the Supervisory Board, a consolidation of the Olomouc and Ostrava Regional Directorates into one organisational unit has been prepared with effective date 1 January 2022.

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 management decreased by 84 (i.e. by 1.1%).

During 2021, severance pay was provided to 220 employees.

As at 31 December 2021, Správa železnic had 17,282 employees (at 31 December 2020 – 17,276 employees), i.e. six more than as at 31 December 2020.

5.2 LOANS, CREDITS OR OTHER BENEFITS

In 2020 and 2021, 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.

In 2021, bonuses totalling TCZK 2,991 were paid to members of the Supervisory Board and members of its committees (2020 – TCZK 3,081).

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 2020 and 2021:

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
Total	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 totalled TCZK 11,995.

2021	Average headcount	Wages and salaries	Social security and health insurance	Other expenses	Total personnel expenses
Employees	17,210	9,255,149	3,108,314	552,452	12,915,915
Executives *)	5	30,280	4,849	74	35,203
Supervisory Board and its committees	--	2,991	1,010	--	4,001
Total	17,215	9,288,420	3,114,173	552,526	12,955,119

*) 2021 personnel expenses (including expenses in respect of former executives) utilised in 2021 from the provision established in 2020 for personnel expenses incurred in this year totalled TCZK 11,995.

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 in compliance with 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 caused by incidents and accidents). The actually incurred costs for the prevention of environmental damage (including potential environmental damage) are recognised as operating expenses as part of ensuring 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 noise-protection barriers or other compensatory measures) are part of the acquisition cost of a new investment construction.

In 2021, total non-capital expenditure related to environment were approx. MCZK 503 (2020 – MCZK 529). Capital expenditure related to noise-protection when modernising lines were MCZK 223 (2020 – MCZK 49).

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 73 in 2021 (2020 – MCZK 59).

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., based on a tender. Given the changed legislative conditions, Správa železnic discontinued supplying traction electricity to carriers on 1 January 2010 and accordingly decreased the purchase from ČEZ. Even though Správa železnic believes that it proceeded in accordance with the concluded contract, ČEZ has filed an action to seek damages from Správa železnic equalling the difference between expected and realised complementary sales in 2010 and 2011. The issue is currently being dealt with through the courts. As concerns the damages equalling the difference

between expected and realised complementary sales for 2010, on 19 March 2015, the High Court in Prague satisfied the action filed by ČEZ, and Správa železnic was ordered to settle the damage claimed totalling TCZK 1,131,262. Based on an 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 upon final judgement on 2 August 2018, confirmed by the decision of the High Court in Prague of 20 May 2019. In response, ČEZ filed an application for appellate review of this judgement on 27 August 2019. On 29 April 2021, the Supreme Court of the Czech Republic ruled by revoking the judgement of the Municipal Court in Prague and the judgement of the High Court in Prague and returned the matter back to the Municipal Court in Prague for further consideration. On 16 October 2019, ČEZ filed a constitutional petition with the Constitutional Court against the judgement of the High Court in Prague dated 20 May 2019. The Supreme Court subsequently found as follows: revoking the part of the contested judgement, which rules on the ineffectiveness of the withdrawal of the petition by ČEZ, and returning it to the Municipal Court in Prague. The remaining part of the constitutional petition was rejected. Based on the above finding, the Municipal Court in Prague decided that the withdrawal of the petition was ineffective. Thus, the proceedings continue, presently before the Municipal Court in Prague and the next hearing has been ordered on 28 June 2022.

As a result of the revocation of the High Court's judgement, initially imposing on Správa železnic the obligation to pay TCZK 1,131,262, 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 for 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. In response, ČEZ filed an application for appellate review of the Municipal Court in Prague's decision with the Supreme Court on 9 December 2019, and on 11 August 2021, filed a petition to renew the proceedings with the District Court in Prague 4. These proceedings have not been concluded yet. Under the appellate review, the Supreme Court by its judgement dated 31 January 2022 revoked the judgement of the Municipal Court of 18 September 2019 and referred the matter back to the Municipal Court in Prague.

Concerning damage compensation equalling the difference between the contracted and realised complementary sales for 2011, the proceedings were stayed until the appellate review proceedings concerning damages for 2010 are concluded. Správa železnic filed an application for appellate review of the decision to stay the proceeding which was upheld by the Supreme Court and the matter was returned to the Municipal Court in Prague for further proceedings. On 25 January 2022, the Municipal Court in Prague returned a judgement which upheld in full the ČEZ application and imposed on Správa železnic the obligation to pay TCZK 857,942 plus appurtenances. From the date of delivery of the original of the

judgment, Správa železnic will have 15 days to file an appeal. The proceedings will probably continue before the High Court in Prague as the appellate court.

Due to the above and the total exposition of those litigations totalling approx. CZK 3 billion, the organisation decided to increase the provision for litigations as at 31 December 2021 (refer to note 4.9).

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

In connection with the purchase of a part of a facility, a lease contract concluded with Grandi Stazioni Česká republika, s. r. o., (GS) was transferred to Správa železnic, which concerned the lease of the station Praha hl. n. (Prague Main Station). This contract expired on 15 October 2016. Under the provisions of this contract, GS calculated the value of leasehold improvements on assets 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 District Court in Prague 1 for the payment of the above amount including appurtenances (contractual penalty of 0.5% per day from the outstanding amount and the statutory default interest). On 5 April 2019, the Prague 1 District Court issued a judgement dismissing GS 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 involving 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 part of the Municipal Court in Prague's decision dated 3 December 2019, which upheld the first instance ruling related to the dismissal of the title to a portion of the contractual fine and part of the default interest subject to the litigation. The Czech Supreme Court decided on the application for appellate review in its ruling dated 14 December 2020 published on 23 December 2020. The ruling revoked part of the judgement of the Municipal Court in Prague affirming the dismissing judgement of the District Court of Prague 1 on the claim for the payment of the statutory default interest of 8.05% per annum from TCZK 565,684 for the period from 21 October 2016 until 25 November 2016, and the claim for the payment of contractual penalty of 0.5% per day from TCZK 742,077 for the period from 24 October 2016 until 25 November 2016, and from TCZK 176,393 for the period from 26 November 2016 until 18 January 2017, stating that with regard to 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 conclusion of the Supreme Court on partially incorrect and partially insufficient and therefore non-reviewable justification of the mentioned part of the judgement of the Municipal Court in Prague. Subsequently, the Municipal Court in Prague also revoked the dismissive judgement of the District Court in Prague 1 and referred the matter back to the District Court for further consideration.

The last hearing before the District Court in Prague 1 was on 9 February 2022. During this hearing, experts

and counterparty employee in charge of accounting documents were interrogated.

Based on the current developments in this matter, the organisation has not created a provision for this litigation, as the future cash outflow is considered not probable.

6.3 PROPERTY RELATIONS

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

Table of 6.4

Balance at 31 December 2021	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	53,413,235	14,567,482	67,980,717
Corridor IV	32,442,837	3,643,079	36,085,916
Total	165,631,931	18,210,561	183,842,492

Corridor was completed in 2004 and the construction of the second Railway Corridor was completed in 2007. Construction of the third and fourth Railway Corridor is currently in progress.

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

Implementation of the fourth Transit Railway Corridor 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. Other information

7.1 FORMATION AND INCORPORATION OF SPRÁVA ŽELEZNIC

On 1 March 2002, Act No. 77/2002 Coll., on České dráhy, a. s., Správa železnic, státní organizace, and on an amendment to Railway Act No. 266/1994 Coll., as amended (the "Railway Act"), and Act No. 77/1997 Coll., on State Enterprise, as amended (the "Transformation Act"), took effect. 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. 266/1994 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 ensuring 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 railway operating 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 comprised 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.

7.3 TRANSACTIONS WITH MAJOR CUSTOMERS ČD AND ČD CARGO

As at 31 December 2021, Správa železnic recorded amounts due from and to ČD at the net amount resulting in a receivable of TCZK 189,781 (2020 – TCZK 355,822). The amount that is reported in the balance sheet as part of trade receivables and advances paid by ČD is TCZK 300,237 (2020 – TCZK 486,605). Trade payables including received prepayments totalled TCZK 110,456 (2020 – TCZK 130,783).

As at 31 December 2021, Správa železnic recorded amounts due from and to ČD Cargo, a. s. at the net amount resulting in a receivable of TCZK 202,114 (2020 – TCZK 174,347). The amount that is reported in the balance sheet as part of trade receivables

from ČD Cargo, a. s. is TCZK 209,148 (2020 – TCZK 221,503). Trade payables including received prepayments amount to TCZK 7,034 (2020 – TCZK 47,156).

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 2021, Správa železnic completed four privatisation projects for assets within the MOZ accounting circle in the aggregate amount of TCZK 92 (2020 – TCZK 14,113), comprising projects related to the complete privatisation of land following the privatisation of the residential living fund.

As at 31 December 2021, Správa železníc recorded fixed assets intended for the settlement of payables assumed from ČD, s. o., listed in the Appendix to the Transformation Act in the net book value of TCZK 463,095. As at 31 December 2020, the net book value of these assets was TCZK 464,506.

7.5 SALE OF FIXED ASSETS

Sale of redundant immovable assets – the Railway Infrastructure Assets circle

In 2021, revenues from the sales of immovable assets approved by the Czech Government within the Railway Infrastructure Assets circle totalled TCZK 31,814 (2020 – TCZK 33,569).

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

In 2021 and 2020, 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 Assets for Remission of Debts circle

As at 31 December 2021, Správa železníc reported 70 contracts for the lease of apartments. Revenues from these leases were TCZK 2,221 (2020 – TCZK 2,090).

With respect to immovable assets not included in the residential living fund, Správa železníc records 127 lease contracts with total revenues of TCZK 12,788 (2020 – TCZK 12,598).

Total revenues from the lease of real estate were TCZK 15,009 (2020 – TCZK 14,688).

Lease of assets kept within the Railway Infrastructure Assets circle

As at 31 December 2021, Správa železníc reported 2,241 contracts for the lease of apartments. Revenues from these leases totalled TCZK 84,858 (2020 – TCZK 84,635).

With respect to other immovable assets not included in the residential living fund, Správa železníc records 6,900 lease contracts with total revenues, including movable assets, of TCZK 438,656 (2020 – TCZK 431,307).

Total rental revenues were TCZK 523,514 (2020 – TCZK 515,942).

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

	2020	2021
Sales from use of the railway infrastructure – passenger transport*)	1,601,187	1,774,949
Sales from use of the railway infrastructure – freight transport	4,661	4,586
Revenues from allocated capacity	57,932	58,476
Income from the sales of electricity	1,643,616	1,626,574
Fire Rescue Corps services	671	690
Telecommunication network operation services	53,971	53,327
Total	3,362,038	3,518,602
*) This also includes revenues from the use of approach roads		

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

	2020	2021
Sales from use of the railway infrastructure – freight transport	765,423	769,214
Revenues from allocated capacity	27,471	30,912
Income from the sales of electricity	683,233	638,433
Fire Rescue Corps services	995	580
Telecommunication network operation services	39,701	38,703
Total	1,516,823	1,477,842

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 IMPACT OF THE COVID-19 PANDEMIC

Although the development of the covid-19 pandemic cannot be predicted, in 2022, Správa železníc does not expect any significant negative impact on its business results in relation to the covid-related restrictions.

7.9 PROJECT IMPLEMENTING CHANGES IN REGULATION OF PROPERTY RELATIONS IN RAILWAY STATIONS

The project implementing changes in regulation of property relations in railway stations refers primarily to the transfer of over four thousand land units under the railways, with a total area of 44 million square metres in approx. 1,000 localities across the Czech Republic. The transaction has been prepared in cooperation with ČD, the MT, and the Office for the Protection of Competition (ÚOHS), and is subject to pre-notification by the European Commission and approval of the Government authorities of the Czech Republic.

In October 2020, Grant Thornton Appraisal services, a. s., and TPA Valuation & Advisory, s. r. o., prepared the methodologies for the valuation of the transferred property and for the calculation of the compensation for the current use of the land subject to transfer as required by ČD. Based on the

methodology, TPA and Grant Thornton Appraisal services, a. s. prepared an introductory letter dated 12 November 2020, presenting an indicative assessment of the value of the transaction.

Following a mutual agreement of Správa železníc and ČD, a tender procedure selected PricewaterhouseCoopers as the expert for the project. Currently, initial available data for the preparation of the valuation in line with the methodologies prepared by TPA and Grant Thornton Appraisal services, a. s., are being provided to PricewaterhouseCoopers Česká republika, s. r. o. However, in some cases, the approval process for the property's specifications between Správa železníc and ČD is still ongoing.

At the same time, the pre-notification process with the European Commission is under way. The European Commission was presented with the methodologies to assess the transaction from the point of view of illegal state aid. The last set of answers to additional questions by the European Commission was sent by the Office for the Protection of Competition on 1 December 2021 to the European Commission.

On 30 November 2021, Správa železníc received four tax documents from ČD relating to compensation for the use of the land at issue for the period from 1 March 2017 until 31 December 2020. The total invoiced amount is TCZK 2,189,811, VAT included.

On 21 December 2021, Správa železníc submitted a corrective VAT return for November 2021, which in addition to the information already included in the regular VAT return also included tax documents provided by ČD, received by Správa železníc on 30 November 2021, and relating to the compensation for the use of land.

As the amounts are significant, Správa železníc provided a written explanation to the tax adminis-

trator, including a specification of the regulation of property relations in railway stations project under way. At the same time, the tax administrator was asked to initiate a proceeding to remove doubt in accordance with the Tax Procedure Code before imposing VAT for November 2021, should there be specific doubts as to the correctness of the procedure and the inclusion of the tax documents from ČD in the corrective VAT return. Správa železníc does not request the payment of the excess VAT deduction of TCZK 314,377 resulting from the above tax documents.

On 12 January 2022, Správa železníc received an invoice for compensation for the use of land from ČD for 2021 totalling TCZK 644,154, VAT included. On 13 January 2022, ČD requested of Správa železníc to return this invoice. This request was fulfilled on 14 January 2022 through a data mailbox. Subsequently, on 19 January 2022, Správa železníc received a new tax document from ČD relating to compensation for 2021. Správa železníc submitted another corrective VAT return for January 2022 and did not request the payment of a portion of the excess VAT deduction of TCZK 111,795 relating to this invoice.

On 21 January 2022, Správa železníc received a statement of the Specialised Tax Authority in relation to the submitted tax documents relating to the compensation from the regulation of property relations in railway stations project. Based on the documents submitted, the Specialised Tax Authority stated that this presented a specific situation in which both parties were unsure what the tax amount

should be as they were not certain about the exact extent of the provided performance. A clear assessment and quantification of the transaction depends on the methodology approval by the European Commission. Správa železníc employs the prudence principle and considers the transaction a taxable performance. Hence the Special Tax Authority sees no reason to authoritatively interfere in the prudent behaviour of both subjects when the approach of both organisations does not infringe on the tax neutrality principle, and the tax administrator at this moment cannot assess whether the tax regime applied is correct. The Special Tax Authority set the tax at the amount stated by Správa železníc in its tax return for November 2021 while at the same time referred to the option to apply Section 155 b of Act No. 208/2009 Coll., the Tax Procedure Code which allows Správa železníc not to pay a portion of the excess VAT deduction of TCZK 111,795 for 2021. This portion of the excess VAT deduction is then reported as overpayment on a personal tax account.

On 25 January 2022, Správa železníc applied to the Special Tax Authority to not return the portion of the excess VAT deduction for November 2021 in accordance with Section 155 b, paragraph 6 of the Tax procedure Code. The amount of the excess VAT deduction is TCZK 314,377, and the overpayment was reported in the personal tax account of the tax entity – Správa železníc. On 17 February 2022, Správa železníc informed the Special Tax Authority not to return the overpayment of the excess VAT deduction of TCZK 111,795 for 2021 and again recorded it on the personal tax account of Správa železníc.

Assessed legally as at the date of the financial statements, the receivables related to unjust enrichment originating in 2017 and 2018 would be statute-barred. Thus, Správa železníc did not create provisions for 2017 and 2018. In the financial statements, a provision was created for 2019 to 2021 totalling TCZK 771,411, i.e. of 50% of the volume of the invoices received, as the cash outflow is probable, but the amount cannot be measured reliably as the approval of the methodology by the European Commission and relevant Government authorities is not available. However, no agreement has been concluded for this project between Správa železníc and ČD.

Until the valuation methodology is approved by the European Commission, the price and subject of the transaction is approved by the MT, and an agreement is concluded with ČD, Správa železníc will continue to appeal against the documents for compensation for the use of land.

8. Subsequent events

The organisation management is not aware of any material subsequent events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2021.

Prague, 18 March 2022


Jiří Šyaboda
Director General

Persons responsible for the annual report

Affirmation

We hereby affirm that the information stated in the annual report for 2021 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 18 March 2022.


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

Annual report on the provision of information in compliance with Section 18 of Act No. 106/1999 Coll., on Free Access to Information for 2021

File No. 3016/2022-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 2021.

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	165
Number of issued decisions to dismiss the request	29
Number of issued decisions to dismiss a part of the request	42
b) Number of submitted appeals against the decisions	19
c) Number of closed court proceedings	1
d) Number of exclusive licences provided	0
e) Number of complaints filed under Section 16a	3
Number of complaints filed under Section 16a (a)	0
Number of complaints filed under Section 16a (b)	1
Number of complaints filed under Section 16a (c)	2
Number of complaints filed under Section 16a (d)	0

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. 14 A 38/2021-59 – request for information: to publish the contract dated 24 June 2016 regulating legal relationships between information system carriers concluded between České dráhy, a.s., and Správa železnic.

The court dismissed the action against the decision on the action against the defendant's decision of 11 December 2020, file No. UOOU-02189/20-8.

To point c) of the annual report

Správa železnic reports that the cost of the legal representation in court proceedings amounted to CZK 0. Other cost related to the court litigations amounted to CZK 0.

Prague, 14 February 2022


JUDr. 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 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 "Corporate 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

ADIF	Administrador de Infraestructuras Ferroviarias (railway infrastructure manager)	FRC	Fire Rescue Corps (organisational unit)	RRF	Recovery and Resilience Facility
BIM	building information modelling / management	FRMCS	Future Railway Mobile Communication System	SERAC	Single European Railway Area Committee
CEA	Civil Engineering Administration (organisational unit)	FS	feasibility study	SFTI	Státní fond dopravní infrastruktury (State Fund for Transport Infrastructure)
CEDEX	Centro de Estudios y Experimentación de Obras Públicas	GS	Grandi Stazioni Česká republika, s. r. o.	Shift2Rail	initiative for focused research and innovation under the EU Horizon programme
CEE	Connecting Europe Express	GSM-R	Global System for Mobile Communication Railway	SNFC	Société nationale des chemins de fer français
CEF	Connecting Europe Facility	gtkm	gross tonne-kilometres	Sp	regional fast passenger train
CEN	European Committee for Standardisation	HSL	high-speed line	SSC	Shared Services Centre (organisational unit)
CENELEC	European Committee for Electrotechnical Standardisation	HSR	high-speed railway	Sv	train set
CER	Community of European Railway and Infrastructure Companies	IRP	Platform on International Rail Passenger Transport	SW	software
CNB	Czech National Bank	IRS	International Railway Standards	TCC	Traffic Control Centre (organisational unit)
COVID-19	a highly infectious disease caused by SARS-CoV-2 coronavirus identified in 2019	ITS	intelligent transportation system	TCZK	thousand Czech crowns
CSNF	Cultural and Social Needs Fund	KPI	key performance indicators	TDC	Telematics and Diagnostics Centre (organisational unit)
CTU	Czech Technical University	LIF	Laboratorio de Interoperabilidad Ferroviaria (Laboratory for railway interoperability)	TEE 2.0	Trans Europe Express 2.0
ČD	České dráhy, a. s.	Lv	locomotive train	TEN-T	Trans-European Network Transport
ČD Cargo	ČD Cargo, a. s.	MAFEX	Asociación Ferroviaria Española	trkm	train-kilometres
ČD, s. o.	České dráhy, státní organizace (Czech major railway carrier)	MCZK	million Czech crowns	TSI	technical specification for interoperability
ČEZ	ČEZ Prodej, s. r. o.	MF	Ministry of Finance of the Czech Republic	TTR	TimeTable Redesign for Smart Capacity Management
DB	Deutsche Bahn	Mn	handling train	UIC	International Union of Railways
DG	Director General of Správa železnic / Directorate General of Správa železnic	MOZ	accounting circle "Assets for Remission of Debts"	UN	United Nations
DG MOVE	EC's Directorate General for Mobility and Transport	MS Teams	communication software (Microsoft Teams)	UNECE	United Nations Economic Commission for Europe
DTM	digital technical map	MT	Ministry of Transport of the Czech Republic	ÚOHS	Úřad pro ochranu hospodářské soutěže (Office for the Protection of Competition)
DTMR	digital technical map of railways	NRZP	Národní rada osob se zdravotním postižením ČR (Czech National Disability Council)	ZDC	accounting circle "railway infrastructure"
D3	Správa železnic's Regulation on Simplified Railway Traffic Control	ÖBB	Österreichische Bundesbahnen		
EC	European Commission	OPE	Operational Programme Environment		
EIA	environmental impact assessment (process, study)	OP EIC	Operational Programme Enterprise and Innovation for Competitiveness		
EIB	European Investment Bank	OPT2	Operational Programme Transport within EU		
ERA	European Union Agency for Railways	OHS	occupational health & safety		
ERJU	Europe's Rail Joint Undertaking	Os	ordinary passenger train		
ERMTS	European Rail Traffic Management System	OSŽD	Organisation for Cooperation of Railways		
ETCS	European Train Control System	PKP PLK	PKP Polskie Linie Kolejowe		
ETSI	European Telecommunications Standards Institute	Pn	continual freight train		
EU	European Union	PRIME	Platform of Rail Infrastructure Managers in Europe		
EUG	ERTMS Users Group	R	Express passenger train		
EULYNX	consortium for interface standardisation of ETCS components	RD	Regional Directorate (organisational unit)		
EUROLINK	a concept of a harmonised transport plan in Europe	RFC	Rail Freight Corridor		
		RGA	Railway Geodesy Administration (organisational unit)		
		RISC	Railway Interoperability and Safety Committee		
		RNE	RailNetEurope		



Identification and contact details

Organisation's 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
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