

Annual report 2018

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Foreword

Ladies and gentlemen, dear business partners

Správa železniční dopravní cesty (SŽDC) witnessed another extraordinary year filled with intensive work, events and changes. In 2018, the priority was the utilisation of allocated subsidies from the Operational Programme Transport. This goal was fulfilled to the full. The Company belongs among the biggest final beneficiaries of EU funds; the approved allocation as at 31 December 2018 was 99.5% of the total amount allocated to SŽDC. Solely the modernisation of railway infrastructure and mechanisation required an investment of CZK 19 billion. A major achievement was recorded in terms of cooperation with carriers and customer service enhancement. This brief account only illustrates the importance of SŽDC as state organisation and employer in its 15 years of existence.

The volume of on-going and prepared construction works can be best illustrated with the following figures. In 2018, a total of 60 constructions with investment cost exceeding CZK 30 million were in preparation. A further 450 smaller constructions were either in preparation or ongoing, focusing on the safety at railway crossings, line building-up, reconstruction and modernisation IT systems. The major construction completed was the longest railway tunnel in the Czech Republic between Rokycany and Pilsen. Two constructions in the Transit corridor IV were launched,

in particular in the Sudoměřice u Tábora – Votice section and in Prague where the high-capacity four-track line is being built. The modernisation of other stations, including Beroun and Cheb, was launched, and the necessary reconstruction of control facility in Brno.

In 2018, the SŽDC's long-term strategy for 2018 – 2025 was drafted, and individual goals set out in the short-term 2018-2020 action plan began to be fulfilled. The action plan comprises key tasks across all sectors of our activities. This requires a sufficient amount of funds, including the utilisation of new subsidies, which is one of SŽDC's priority in the long run. Improving the maintenance of certain line sections became another priority. This task was fulfilled successfully, which can be illustrated by comparing the expenses incurred on maintenance and repairs in 2017 and 2018. In 2018, total expenses on maintenance amounted to CZK 9 billion, which is CZK 2 billion more compared to 2017. The carriers benefited from a long-term closure plan for 2020 and 2021 approved in 2018. The new tariff for the use of railway infrastructure has been implemented smoothly.

To speed up the preparations and the development of the high-speed connection, pilot line sections were selected in 2018. These included Prague-Běchovice – Poříčany

(‘POLABÍ’), Přerov – Ostrava (‘MORAVSKÁ BRÁNA’) and Brno – Vranovice (‘JIŽNÍ MORAVA’). The joint project team of SŽDC and German DB Netz for the preparation of the new railway connection between Dresden and Prague launched an intensive collaboration. Significant progress was also achieved in the feasibility study for the Prague – Brno – Břeclav and Prague – Beroun/Hořovice lines. In order to select the feasibility study supplier for the high-speed (Brno) – Přerov – Ostrava line, the new Best Value Approach/Best Value Procurement (BVA/BVP) method has been applied for the first time. The objective is to ensure that the supplier creative ability can be fully exploited while providing the contractor with the possibility to distinguish supplier experience and quality.

The investments into the refurbishment of the train station buildings acquired by SŽDC in mid-2016 continued. The first reconstructions of large buildings, for instance in Sokolov, Kuřim, Turnov, Litoměřice upper station or Příbram, were completed. At the same time, first public authority offices, such as for instance the Czech post office in Turnov or the Czech Police at the Děčín mail station and in Žďár nad Sázavou. Great progress has been achieved in the reconstruction of large dispatch buildings in Havířov, Prague-Smíchov, Beroun and the reconstruc-

tion of facade and roof of the historic Fanta building at the Prague main stations.

Network services and IT revision were also not neglected. The HR development was also a priority. Last but not least, SŽDC underwent a major overhaul of organisational structure in order to ensure future efficient cooperation between individual sections and units, thus facilitating quality environment for another successful period.

Prague, 3 May 2019



Jiří Svoboda
Director General



Organisation's Profile

Basic information

Who we are

Pursuant to applicable legal regulations, Správa železniční dopravní cesty, státní organizace (SŽDC) acts as a rail owner and operator.

Legal status

The state organisation was incorporated on 1 January 2003 pursuant to Act No. 77/2002 Coll., on Czech Railways, a joint-stock company (České dráhy, a. s.), the Rail Infrastructure Administration, a state organisation, and on the 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 Czech Railways, a state organisation (ČD, s. o.). The state organisation was incorporated without being founded; the Ministry of Transport (MT) of the Czech Republic is the establishing entity on behalf of the Czech Republic.

Business activity

- Operation of the rail infrastructure;
- Ensuring the operability of the rail infrastructure;
- Maintenance and repairs of the rail infrastructure;
- Development and modernisation of the rail infrastructure;
- Preparation of documents to fulfil public service obligations;
- Supervision over the use of the rail infrastructure, rail operation and its operability.

SŽDC Manages

- the rail 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 activity

- SŽDC carries out its business activities in accordance with the Trade Licensing Act.

Our strategic goals

- reliable, safe, smooth and environmentally friendly operation of the rail transport;
- steady increase in the speed and capacity of the rail infrastructure;
- greater efficiency of the rail infrastructure administration, supervision, maintenance and repairs;
- interoperability – introducing modern interoperable systems and technologies;
- strengthening of the pro-client focus and active communication;
- increase in our market share in rail transport;
- strengthening of the position of SŽDC as a significant and attractive employer.

SŽDC does not carry out any significant activities in the area of research and development.

Management

Statutory body (as at 3 May 2019)

Director General

Jiří Svoboda

(aged 48 years, graduated from the European Polytechnic Institute, s. r. o. in Kunovice and Institute of Law and Law Science o.p.s., in Prague, holding the post since 23 March 2018)

Statutory Deputy Director General

Mojmír Nejezchleb

(aged 56, graduated from the Faculty of Civil Engineering at the Brno University of Technology, representing the Director General in his absence since 23 March 2018)

SŽDC Management (as at 3 May 2019)

Deputy Director General for Economics

Aleš Krejčí

(aged 59, graduated from the Faculty of Production and Economy of the University of Economics, Prague, holding the post since 1 June 2012)

Corporate governance

Statutory body

As at 31 December 2018

Director General

Jiří Svoboda

Statutory Deputy Director General

Mojmír Nejezchleb

As at 3 May 2019

Director General

Jiří Svoboda

Statutory Deputy Director General

Mojmír Nejezchleb

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 Management Board or the MT.

Changes in 2018 and 2019

Director General

until 28 February 2018 Pavel Surý

since 01 March 2018 Jiří Svoboda – in charge of the management

since 23 March 2018 Jiří Svoboda

Statutory Deputy Director General

until 22 February 2018 Jiří Svoboda

since 23 March 2018 Mojmír Nejezchleb

Deputy Director General for Infrastructure Modernisation

Mojmír Nejezchleb

(aged 56, graduated from the Faculty of Civil Engineering at the Brno University of Technology, holding the post since 1 July 2013)

Deputy Director General for Rail Operability

Marcela Pernicová

(aged 46, graduated from the Faculty of Civil Engineering at the Brno University of Technology, holding the post since 1 May 2018)

Deputy Director General for Traffic Control

Miroslav Jasenčák

(aged 56, graduated from the absolvent University of Transport in Žilina, holding the post 1 November 2018)

Corporate governance

SŽDC Management

As at 31 December 2018

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 Control

Miroslav Jasenčák

As at 3 May 2019

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 Control

Miroslav Jasenčák

Changes in 2018 and 2019

Deputy Director General for Rail Operability

until 22 March 2018

Jiří Svoboda

from 26 March 2018
to 30 April 2018

Marcela Pernicová
- in charge of management

since 01 May 2018

Marcela Pernicová

Deputy Director General for Traffic Control

until 31 October 2018

Josef Hendrych

since 01 November 2018

Miroslav Jasenčák

Deputy Director General for Asset Management

until 31 October 2018

Tomáš Drmola

since 01 November 2018

Post and job position
abolished

Management Board

As at 31 December 2018

Chairman

Pavel Hrubeš

Vice-chairman

Martin Kolovratník

Members

Tomáš Čoček

Ladislav Němec

Jaroslav Foldyna

Ivo Drahotský

Vít Janoš

The Management Board supervises the execution of the powers of the Director General, the performance of the organisation's activities and the compliance of its activities with legal regulations. The Management Board, upon proposals submitted by the Director General, approves key organisational policies. It also

As at 3 May 2019

Chairman

Pavel Hrubeš

Vice-chairman

Martin Kolovratník

Members

Tomáš Čoček

Ladislav Němec

Jaroslav Foldyna

Ivo Drahotský

Vít Janoš

debates the annual report, the financial performance and approves the annual budget.

Changes in 2018 and 2019

Chairman

until 31 October 2018 Vladimír Novotný

since 01 November 2018 Pavel Hrubeš

Vice-chairman

until 31 October 2018 Milan Feranec

since 01 December 2018 Martin Kolovratník

Members

since 01 January 2018 Ladislav Němec

until 31 October 2018 Karel Korytář

until 31 October 2018 Jan Volný

since 01 November 2018 Martin Kolovratník

since 01 November 2018 Ivo Drahotský

since 01 November 2018 Vít Janoš

Corporate governance

Audit Committee

As at 31 December 2018

Chairman

position unoccupied

Members

Tomáš Čoček

Pavel Hrubeš

Lenka Hlubučková

Eva Janoušková

As at 3 May 2019

Chairman

Eva Janoušková

Members

Tomáš Čoček

Pavel Hrubeš

Lenka Hlubučková

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

Changes in 2018 and 2019

Chairman

until 30 November 2018

Milan Feranec

from 01 December 2018
to 10 January 2019

position unoccupied

since 11 January 2019

Eva Janoušková

Members

until 31 January 2018

Václav Horák

since 01 February 2018

Tomáš Čoček

until 30 November 2018

Vladimír Novotný

since 01 December 2018

Pavel Hrubeš

since 01 December 2018

Lenka Hlubučková

Strategy and Development Committee

As at 31 December 2018

Chairman

Ladislav Němec

Members

Tomáš Čoček

Martin Kolovratník

Ivo Drahotský

Vít Janoš

As at 3 May 2019

Chairman

Ladislav Němec

Members

Tomáš Čoček

Martin Kolovratník

Ivo Drahotský

Vít Janoš

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

Changes in 2018 and 2019

Chairman

until 31 January 2018 Václav Horák

since 01 February 2018 Ladislav Němec

Members

until 30 November 2018 Karel Korytář

until 30 November 2018 Jan Volný

since 01 December 2018 Tomáš Čoček

since 01 December 2018 Martin Kolovratník

since 01 December 2018 Ivo Drahotský

since 01 December 2018 Vít Janoš

Strategy

The strategic objectives of SŽDC reflect the Czech Republic's and EU's transport policies and Organisation's objectives and mission. The key objective is the modernisation of the railway network and the interconnection of the Czech railway network to the European high-speed rail network. As regards the rail operability, the priority is to ensure the reliable, safe, smooth and environmentally friendly operation of the railway transport.

We take an active part in EU programmes and projects and cooperate with our partner organisations, EU institutions and bodies and international organisations. We strive to ensure the rail is viewed as a system of strategic importance on which key areas of the Czech Republic's national economy depend.

Single European Railway Area

The Railway has its irreplaceable position in transport industry. The EU endeavours to enhance the efficiency of railway functioning while respecting general priorities. In order to do so and to enhance the efficiency of the railway system as such, the Single European Railway Area has been established. Basic conditions and principles for the functioning of all stakeholders including the rail infrastructure administrators have been set. Accordingly, SŽDC's activities are directed towards fulfilling the obligations prescribed by the Directive 2012/34/EU of the European Parliament and of the Council in respect of the conditions and principles. SŽDC has been actively involved in the Rail Freight Corridors (RFC), the objective of which is to facilitate the planning and control of and the actual performance of freight train traffic on important European routes, and to establish the principles of technical harmonisation. The interoperability of the European rail system remains a major issue. In order to ensure

interoperability, SŽDC has adopted an active approach towards infrastructure parameter harmonisation and new technology implementation for instance as regards ERTMS and telematic applications.

Preparations for the construction of high-speed rail system

In 2018, SŽDC made further progress in preparations for the construction of high-speed rail system in the Czech Republic. One of the strategic goals is to launch the construction of the first section of the high-speed line by 2025. Thus, besides assigning the feasibility studies and their performance, SŽDC also carried out an analysis into speeding up the development of the high-speed rail system. This enabled identifying the pilot sections of the high-speed rail system. Subsequently, SŽDC requested the Central Committee of the MT to grant an exception from Guideline no. V-2/2012, allowing for contracting the pre-project documentation simultaneously with the feasibility studies. This would be applicable to the sections in which the planned high-speed lines only have a single possible scenario and the development of which would mean significant benefits for the rail operation. In autumn 2018, SŽDC, as the eligible investor, requested the Moravian-Silesian and the Olomouc regions to update the guidelines for the area development and to designate the pilot high-speed line as publicly beneficial construction project. Another significant achievement was the formation of the joint project team with DB Netz for the preparation of the new Dresden – Prague railway connection. This cross-border section is designed for the mixed traffic with a long tunnel under the Ore mountains. On the Czech territory, this links directly to the new high-speed line Prague – Lovosice/Litoměřice – Ústí nad Labem.

Support to regions

Besides enhancing the quality of the infrastructure through larger projects, we are involved in minor projects in individual regions which are funded primarily by national funding. These include the lifting of speed limits and also increasing the speed limits in the current path. An important step is the rationalisation of the operation on selected regional railways while respecting the transport requirements of regional authorities.

New projects

When performing strategic activities, SŽDC puts forward the role of the project management. The implantation of Building Information Modelling (BIM) into SŽDC's environment is a new key project. BIM includes the collation and management of information relating to the construction projects, which are mostly interpreted via the BIM model. This is a comprehensive process which accompanies the entire lifecycle of the construction process across the professions of individual constructions from buildings to railway infrastructure. In implementing and optimising the process, SŽDC closely cooperates with the State Fund of Transport Infrastructure (SFTI), which is responsible for the Implementation of BIM lead by the Ministry of Industry and Trade. SŽDC is also involved in a pan-European project C-Roads, the aim of which is to test the implementation of a Cooperative Intelligent Transport System C ITS (i.e. data exchanges between the vehicle and the infrastructure) at several railway crossings in real operation to enhance transport safety. Another major project is the creation of SŽDC's new visual style and new public website.



Important construction works in preparation and realisation on corridors



Organisation's activities

Line section anniversaries

Launch of railway transportation

30. 09. 1828	Horse-drawn railway České Budějovice – Linz	190
01. 09. 1848	Bohumín – Bohumín (state border)	170
21. 05. 1858	Ústí nad Labem hl. n. – Teplice v Čechách	160
21. 05. 1858	Ostrava main station – Ostrava centre	160
01. 06. 1858	Jaroměř – Horka u Staré Paky	160
01. 12. 1858	Horka u Staré Paky – Stará Paka – Železný Brod – Turnov	160
27. 04. 1868	Prague-Bubny – Prague-Dejvice	150
01. 08. 1868	Malé Svatoňovice – Trutnov-Poříčí – Královec	150
01. 09. 1868	Pilsen main station – České Budějovice main station	150
15. 10. 1878	Valšov – Rýmařov	140
26. 02. 1888	Lipová Lázně – Mikulovice – Glucholazy	130
01. 06. 1888	Kojetín – Hulín	130
01. 06. 1888	Frýdek-Místek – Český Těšín – Český Těšín state border	130
01. 06. 1888	Frýdlant nad Ostravicí – Valašské Meziříčí	130
02. 10. 1888	Hanušovice – Lipová Lázně	130
10. 10. 1888	Horažďovice – Klatovy, Janovice nad Úhlavou – Domažlice	130
28. 10. 1888	Uherský Brod – Bylnice – Vlárský průsmyk state border	130
26. 11. 1888	Liberec – Jablonec nad Nisou	130
17. 12. 1888	Horní Cerekev – Obrataň – Tábor	130
13. 08. 1898	Telč – Kostelec u Jihlavy	120
18. 10. 1898	Lovosice – Žalhostice – Litoměřice upper station, Žalhostice – Velké Žernoseky	120
01. 09. 1898	Petrovice u Karviné – Karviná town – Karviná old station	120
20. 11. 1898	Žlutice – Bečov nad Teplou	120
28. 11. 1898	Nejdek – Horní Blatná	120
14. 12. 1898	Třemešná ve Slezsku – Osoblaha	120

Launch of railway transportation

17. 12. 1898	Vlkovice – Bečov nad Teplou – Karlovy Vary lower station	120
19. 12. 1898	Čížkovice – Obrnice	120
23. 10. 1898	Čičenice – Týn nad Vltavou	120
29. 12. 1898	Litoměřice horní nádraží – Česká Lípa hl. n.	120
31. 12. 1898	Moravský Beroun – Dvorce	120
18. 05. 1908	Velké Opatovice – Skalice nad Svitavou	110
01. 08. 1908	Frýdlant nad Ostravicí – Ostravice	110
06. 08. 1908	Ostravice – Bílá	110
01. 11. 1908	Opočno pod Orlickými horami – Dobruška	110
21. 12. 1908	Vsetín – Velké Karlovice	110
22. 12. 1908	Žďár nad Sázavou – Pohledští Dvořáci – Havlíčkův Brod	110
21. 10. 1928	Vsetín – Horní Lideč – Bylnice	90

Railway electrification

15. 05. 1928	Prague Masarykovo nádraží Hrabovka – Prague Libeň, shunting loop Prague-Vítkov – Prague Libeň, Prague main station – Prague Vršovice, Prague main station – Prague Smíchov and Prague Masarykovo nádraží Hrabovka – Prague main station (1500 V)	90
29. 09. 1958	Nymburk shunting yard – Nymburk main station – Velký Osek – Kolín (3000 V)	60
29. 12. 1958	Nymburk main station – Ústí nad Labem-Střekov – Ústí nad Labem west (3000 V)	60
09. 06. 1968	Svojšín – Cheb – Tršnice (25 000 V)	50
01. 08. 1968	Sokolov – Tršnice (25 000 V)	50
29. 11. 1968	Strakonice – Hluboká nad Vltavou (25 000 V)	50
03. 12. 1968	Hluboká nad Vltavou – České Budějovice (25 000 V)	50
29. 05. 1988	Benešov u Prahy – Tábor (25 000 V)	30

2018 highlights

January

SŽDC concluded a memorandum of cooperation in respect of the reconstruction of the dispatching building with the town hall in Havířov.

February

The overhaul reconstruction of rails of the Jaroměř railway station and the restoration of the dispatching building in Břeclav to its original appearance were launched.

March

The Management Board of SŽDC appointed Jiří Svoboda as new Director General.

Three construction projects on the Fourth Corridor were launched, namely in Prague, between Hostivař and the main station, in the Sudoměřice u Tábora – Votice and Ševětín – Dynín line sections.

April

The revitalisation works on the Lovosice – Louny line section were launched.

The reconstruction of the dispatch building in Příbram was completed.

May

The reconstructed premises at the Kutná Hora town station were put in use.

June

The second stage of the reconstruction of the Nymburk - Mladá Boleslav line section to increase its capacity was launched.

The construction works at the upper station building in Litoměřice were completed. Subsequently, the building was awarded in the most beautiful train station competition.

July

SŽDC selected the traction energy supplier to be supplied to railway carriers as of 2019.

Railway firemen received first ten custom-made tanks as a part of the overall modernisation of their vehicle fleet.

The repaired dispatching buildings in Loket and Kynšperk nad Ohří were put in use.

August

The revitalisation of the Karlovy Vary – Mariánské Lázně regional line was completed.

The works on one of the first completely reconstructed building in Kuřim were completed.

September

The new bridge Oskar on the Břeclav – Hohenau line was awarded as the best steel structure in Europe.

SŽDC put in use the reconstructed dispatching building in Turnov. At the same time, the Czech post office was opened in it.

October

A book about the history of railway in the last 100 years was published on the anniversary of the Czechoslovakia.

For the first time, the SŽDC firemen awarded medals to their employees.

November

The trains between Dubí and Moldava in the Ore Mountains started to run again after 18 month reconstruction of the track.

The reconstruction of the station building in Sokolov, serving both train and bus passengers, was completed.

December

The regular operation in both tubes of the longest railway tunnel Ejpovice at the Rokycany – Pilsen line relay was launched.

The one-year closure at the Brno main station started. During this time, modern control command and signalling facility shall be installed.

Operability of the rail infrastructure

One of the main duties of SŽDC is to ensure the operability of the railway, i.e. such a technical condition of the rail infrastructure ("RI") that guarantees safe and smooth operation.

Operability of the rail infrastructure also includes the administration of surface constructions SŽDC – comprising the dispatching buildings at passenger station as well as operation and administration facilities. As a result of the phased process performed in 2018, the incorporation of passenger station management units into the structures of individual regional directorates was performed; subsequently a similar change was performed at the level of the Headquarters.

These organisational changes enable maximising the synergic benefits of the streamlining of the RI administration, maintenance and repairs and newly also adjacent land structures. In 2018, the process integration following upon the mid-2016 acquisition of a portion of the Železniční stanice entity acquired by SŽDC by a transfer for consideration from České dráhy, a. s. was completed.

SŽDC is responsible for the operability of the state-owned national and regional rail network, diagnoses the condition of the railways, ensures the timely removal of defects and records any factors inhibiting the operation of RI. It also lays down principles to ensure the due technical condition, development and adjustments of rail infrastructure facilities and

to approve the use of new products and equipment related to line administration, control command and signalling equipment, electronics and power supply. Surveying activities prescribed by legislation in force are being ensured by means of railway geodesy.

The operability of the RI is facilitated primarily by the managing activities of the individual regional headquarters' technical administration centres, which diagnose the technical condition of the operated RI through their operating centres. Diagnostic rail vehicles operated by the Technical Centre of Infrastructure perform the diagnostic work. In 2018, new diagnostic unit for the railway review DUNDT was put in operation. Based on an analysis of outputs, the repair and maintenance plans are prepared with the aim to fulfil all rail operator duties in this area.

One of the indicators of the RI operability is the number of limited speed sections, aka "slow rides". For 2018, the limit for assessed slow rides in the whole network as at 31 December 2018 was set at 7 km. The actual length of assessed slow rides as at that date was only 0.511 km. Assessed slow rides are those rides that have been introduced due to the unsuitable technical condition of the infrastructure or as a result of inadequate views at level crossings. Most importantly, the adverse implications of speed restrictions in Prague suburban transport have been significantly reduced, in tens of percent.

Another activity towards maintaining and enhancing the RI parameters was the preparation and implementation of complex repairs of certain line

sections. This concerned for instance Lysá nad Labem – Kostomlaty nad Labem, Žďár nad Sázavou – Nové Město na Moravě, Třebovice v Čechách – Moravská Třebová, Karlovy Vary lower station – Karlovy Vary or Zruč nad Sázavou – Kácov – Ledebčko (this construction is to continue in 2019) line sections. At the same time, the preparations for the construction funded from the investment loan provided by the European Investment Bank ('EIB') and the Central European Fund ('CEF') continued. In 2018, the RI operability department finalised the processing of project intents approved by the Central Committee of the MT in June and July 2018. Civil Engineering Administration in the railway modernisation departments shall be responsible for the preparation and subsequent implementation of the projects under the CEF's Blending Call. These projects should be realised in the 2019–2024 period. This concerns Velim – Poříčany, Choceň – Uhersko, Ústí nad Orlicí – Brandýs nad Orlicí (in original trail), Adamov – Blansko, Brno-Maloměřice – Adamov, Lipník nad Bečvou – Drahotuše, Polom – Suchdol nad Odrou and Dětmorovice – Petrovice u Karviné state border line sections.

In 2018, SŽDC digitalised public tenders, even outside the statutory requirements defined in the public procurement act. These measures further increased the transparency of tender procedures.

In 2018, 117 construction projects for dispatch buildings were launched and completed. Further 67 projects were launched in 2018 to be completed in 2019. In addition, 64 construction projects to be launched in 2019 were prepared.

In cooperation with the MT, SŽDC contributes towards increasing the public awareness about the Operational programme Transport 2014-2020 by installing charging stations for mobile devices. In June 2018, 12 charging stations were installed in 10 train stations. Between 1 June 2018 and 31 December 2018, 80 653 passengers, i.e. 330 passengers per day on average, charged their mobile devices in these stations.

In 2018, SŽDC also joined the digitalised nation-wide lost and found system. In close cooperation between employees of SŽDC and České dráhy, a. s., over 300 items lost in train stations and surroundings were returned to their owners between March and December 2018.

To further enhance the environment and the passenger well-being, the internal web application 'Register of cleaning suggestions' was expanded to enable notifying about technical problems at the passenger stations in 2018.

Expenses incurred on ensuring operability

SŽDC ensures the repairs and maintenance of the national and regional rail infrastructure, comprising the following sectors: railroad lines (superstructure and substructure), rail substructures, bridges and tunnels, buildings and structures, electrical and energy equipment, and communication and control-command and signalling units under its management. In addition, SŽDC 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. These suppliers are selected by means of public procurement. In 2018, these activities were financed from the SFTI budget, which provides SŽDC 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.

Table 1 – Selected activities

Indicator	Unit of measurement	Amount
GP modification - rails	km	1 816
GP modification - switches	s.u.	1 515
Track bed cleaning – rails	km	185
Track bed cleaning – switches	s.u.	461
CFT, welding – rails	km	416
CFT, welding – switches	s.u.	780
Replacement of rails	km	746
Replacement of railroad tiles	pcs	292 311

The total expenses incurred in ensuring the operability of the RI, including the cost of asset management and an allocation of centrally recorded expenses, amounted to CZK 17 213 million in 2018.

Table 2 – Basic description of railway network

Indicator	Unit of measurement	Amount
Total length of lines	km	9 406
Length of electrified lines	km	3 216
- traction system 3 kV DC	km	1 797
- traction system 25 kV AC 50 Hz	km	1 381
- traction system 1.5 kV DC	km	24
- traction system 15 kV AC	km	14
Length of standard-gauge lines	km	9 384
Length of narrow-gauge lines	km	23
Length of single-track lines	km	7 392
Length of double- and more-track lines	km	2 014
Total construction length of tracks	km	15 317
Number of switch units	s.u.	22 751
Bridges	pcs	6 740
Tunnels	pcs	166
Total length of bridges	m	153 290
Total length of tunnels	m	54 065
Level crossings	pcs	7 858

Table 3 – Overview of buildings managed by SŽDC

Indicator	Number of buildings	Built-up area (m ²)	Built-up space (m ³)
buildings	8 127	1 722 540	12 839 157

Modernisation and development of the rail infrastructure

In terms of modernising and developing the rail infrastructure, SŽDC'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 rail infrastructure to support the development of suburban transport and integrated transport systems;
- buildings on the personal train stations;
- high-speed connections.

Modernisation of railway transit corridors

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

The Third Corridor passes via Mosty u Jablunkova, the Slovak/Czech state border – Dětmarovice – Ostrava – Přerov – Česká Třebová – Prague – Pilsen – Cheb, the Czech/German state border. The Česká Třebová –

Table 4 – Overview of works on the Third Corridor

Project description	Length (km)	Stage of completion	Project launch	Project completion
Modernisation of the Rokycany – Pilsen line section	20.2	ongoing	7/2013	6/2019
Optimisation of the Beroun – Králův Dvůr line section	4.9	ongoing	11/2016	9/2019
Optimisation of the Český Těšín – Dětmarovice line section	20.9	ongoing	8/2017	12/2019
Optimisation of the Prague Smíchov – Černošice line section	8.8	in preparation	2019	2021
Optimisation of the Černošice – Odb. Berounka line section	5.9	in preparation	2022	2027
Optimisation of the Odb. Berounka – Karlštejn line section	15.5	in preparation	2022	2028
Optimisation of the Karlštejn – Beroun line section	5.7	in preparation	2023	2027

Table 5 – Overview of works on the Fourth Corridor

Project description	Length (km)	Stage of completion	Project launch	Project completion
Modernisation of the Sudoměřice – Votice line section	17.0	ongoing	3/2018	1/2022
Modernisation of the Nemanice I – Ševětín, line section, 1st construction, ETCS adjustments, Part 2	4.3	ongoing	3/2018	1/2020
Modernisation of the Veselí n. L. – Tábor line section, Part 2, Veselí n. L. – Doubí u Tábora line section, Stage 2 Soběslav – Doubí	8.6	in preparation	2019	2023

Prague line section was completed as part of the First Corridor, and the Přerov – Dětmarovice line section as part of the Second Corridor. Table 4 contains the incomplete line sections of the Third Corridor, which are in ongoing or design preparation stages.

The Fourth corridor consists of the Horní Dvořiště – České Budějovice – Prague – Děčín – German state border lines. The Prague – Děčín – German state border line section was realised within the works on

the First corridor. The following projects are ongoing or in design preparation stages in the Fourth Corridor, which concerns the Horní Dvořiště – České Budějovice – Prague line section.

In 2019, SŽDC plans to reconstruct eight busiest corridor sections, aiming at preventing the line speed reduction, ensuring operability parameters and enhancing the reliability and safety of operation. These

projects shall be co-funded from EIB funds. The first line sections to be reconstructed include Velim – Poříčany and Dětmárovice – Petrovice u Karviné.

Modernisation of railway junctions

In connection with the modernisation of corridor lines, significant railway junctions are being modernised in their line sections. Thoroughfares through the railway junctions of Děčín, Ústí nad Labem, Kolín, Choceň, Ústí nad Orlicí, Břeclav, Přerov (first construction project), Olomouc, Bohumín and certain sections of the thoroughfares through the Pilsen junctions. The Prague-Běchovice – Prague-Libeň and Prague-Holešovice – Prague-Bubeneč line sections have been completed, thus completing the First Corridor's thoroughfare at the Prague junction. The construction of the Prague-Hostivař station has also been completed. The construction in the Prague Hostivař – Prague Vršovice line section, ensuring the admission of the Fourth Corridor to the Prague junction, and the reconstruction of the Negrelli's viaduct, have been launched. The modernisation of the main station in Brno and the overhaul of the Pilsen junction continue. The second part of the Přerov junction is about to be launched. Preparatory work continues on the construction project Prague Main Station – Prague-Smíchov, which will connect the Third Corridor to the Prague junction. Preparatory project work also continues on the thoroughfares through the junctions of Brno, Ostrava, Pardubice and Česká Třebová.

Modernisation of other lines integrated into the European railway system

The reconstruction and modernisation of the Kolín – Havlíčkův Brod – Křižanov – Brno line is being carried

out gradually, with certain sections already completed and put in used. Modernisation of Lysá nad Labem – Čelákovice – Prague-Vysočany, Kolín – Nymburk – Všetaty – Ústí nad Labem – Děčín, Hranice na Moravě – Horní Lideč and Pilsen – Domažlice line sections are in preparatory stages. Further, construction projects in Ústí nad Labem – Most – Cheb a České Budějovice – Pilsen line sections are also being prepared. The projects are being drafted for the construction of new rail lines in Ústí nad Orlicí – Choceň and Brno – Přerov sections.

Ensuring the interoperability of selected lines

Other significant investments include construction projects ensuring the interoperability of the railway network in the area of communication and control-command and signalling units. With the exception of the Votice – České Budějovice line section in the Fourth Corridor, in which the modernisation has not yet been completed, all transit corridors were covered with GSM-R. Kolín – Všetaty – Děčín, Kolín – Havlíčkův Brod – Křižanov – Brno and Ústí nad Orlicí – Lichkov line section were also completed. The installation of GSM-R in České Velenice – České Budějovice – Horní Dvořiště and Pilsen – České Budějovice line section is underway; other line sections are being prepared. After the completion of the ETCS (European Train Control System) pilot project in the Poříčany – Kolín line section, installation of the ETCS has also been completed and put in use in the Kolín – Břeclav – Austrian/Slovak state border line section. Further, the installation continues in the Petrovice u Karviné – Ostrava – Přerov – Břeclav, Přerov – Česká Třebová, Kralupy nad Vltavou – Prague – Kolín, Prague-Uhřetíněves – Votice and Pilsen – Cheb line sections. Other line section will follow up.

Investment in rail infrastructure to support the development of suburban transport and integrated transport systems

In order to enhance the quality of suburban transport in the Prague junction, the modernisation, electrification and installation of second rails on the Prague – Kladno line with a connection to the Václav Havel Airport in Ruzyně. The modernisation is subdivided into several separate construction projects. The first project - the reconstruction of the Negrelli's viaduct – was launched in 2017. The reconstruction of the section Prague Smíchov – Hostivice which should enhance this line's throughput, was also completed.

The planned optimisation projects of the Prague Vysočany – Lysá nad Labem and Prague main station – Prague Smíchov – Beroun and the enlargement of the underground corridors at the Prague main station should enhance the quality of the suburban transport. Further projects underway include the preparations for the installation of second rails on the Brno – Zastávka u Brna line section including its electrification; and the modernisation of the Hradec Králové – Pardubice line section (the second rails in the Stěblová – Opatovice nad Labem line section had already been installed).

Investment into passenger station assets

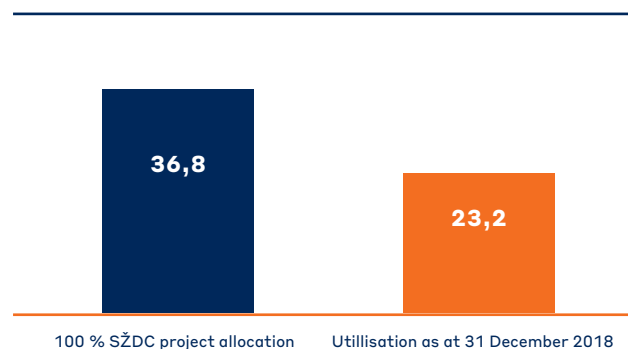
The investments into passenger station assets are a priority for SŽDC activities. In realising them, the efficient and economic use of individual structures on one hand and enhanced passenger comfort and enlarged offer of services offered is accentuated. In 2018, reconstruction of buildings in Turnov, Sokolov

or Kuřim was completed, and the launch of a number of major investments in 2019 was prepared, including costly projects such as the reconstruction of dispatch buildings in Prague-Smíchov, Beroun, Havířov, Bohumín or the renovation of the facade and roof of the Fanta building at the Prague main station.

Investment in high-speed connection preparation

In 2018, the testing of high-speed connection pilot projects continued. The pre-project preparatory works on the Prague – Dresden line are being performed in cooperation with DB Netz. Towards the end of 2018, the funding of the joint project was agreed with SFTI. With the works on the feasibility study in the Prague – Brno – Břeclav line section ongoing, the tender procedure for the feasibility study for the (Brno) – Přerov – Ostrava line section was opened, and the new Best Value method was applied.

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



Utilisation of Operational Programme Transport 2 (“OPT2”) (budget period from 2014 to 2020)

In 2018, SŽDC continued drawing EU subsidies from the current programming period 2014–2020 (OPT2) successfully. In 2018, the highest amount of co-funding, CZK 1.075 billion, was drawn from the OPT2 for the optimisation of Český Těšín – Dětmárovice line section. A total of 45 projects realised by SŽDC received co-funding from the 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 determined by the MT during 2018 to amount to CZK 36.8 billion. An important fact is that SŽDC projects totalling this amount were fully approved at the end of 2018. As the allocated amount had been fully distributed on approved projects, the managing body of MT issued a restriction on the approval of projects which do not concern the principal TEN-T railway network. The actual drawing of the OPT2 funds is envisaged for 2020.

CEF (Connecting Europe Facility)

Within the CEF programme, it will be only possible to finance projects on the main European rail network (the Core network). Apart from modernising lines, funds will also be directed at modernising selected junctions and ETCS implementation constructions projects, including their preparations. In 2018, the utilisation of these funds exceeded twice the amount utilised in 2017. As at 31 December 2018, the total amount of funds utilised in the current programming period was CZK 3,7 billion. In 2018, a total of 24 projects were funded, with the highest amount of CZK 449 million utilised on the completion of the optimisation of Lysá

Table 6 – Investment grants received for 2018 (in millions of CZK)

Investment grant	2018
SFTI for construction and modernisation, nat. share, OPT, CEF, subsidy of MT	19 000
EU funds (pre-financing)	3
Contributions from cities, municipalities, regions and other entities	9
Total investment grants	19 012

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

nad Labem – Prague Vysočany, 2nd construction – Stage I. Čelákovice station.

Investment grants

Funding for the investment projects came mostly from the public sources (Table 6). In 2018, the most significant investment subsidies were the national funds provided through the SFTI budget. In addition, the subsidies from OPT2 and from the CEF infrastructure fund were used to fund the construction and modernisation of RI. With respect to the railway infrastructure, SŽDC is acting as the final beneficiary and investor, and the main entity responsible for EU fund utilisation in the Czech Republic.

National SFTI funds incl. the sources to cover national contribution towards the European projects (CZK (total CZK 8 443 million) accounted for the largest share of funding in 2018; and similar amount of funds was utilised from the OPT2 (CZK 8 017 million). The utilisation of CEF funds amounted to CZK 2 540 million. The utilisation of main subsidies increased year-on-

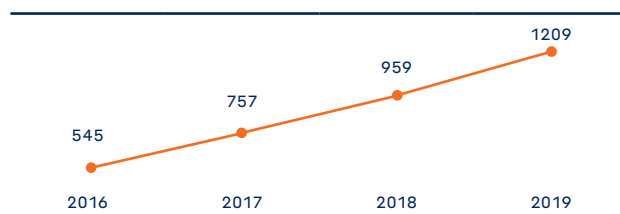
year by CZK 4 122 million. Small contributions were also received from regions, cities and municipalities. The volume of investment subsidies received in 2018 for the preparation and implementation of investment projects relating to the railway infrastructure totalled CZK 19 012 million.

Further development

The utilisation of subsidies from OPT2 and CEF within the current 2014-2020 programming period continued in 2018. The outlook for 2019 and onwards is to continue utilising these subsidies, with new sources, for instance EIB loans, of funding complementing them in the middle and long-term to ensure continuous construction funding after the OPD2 funds had been exploited. Marginal utilisation of EU subsidies from other programmes (IROP, Operational Programme Environment, etc.) is also envisaged.

In 2018, the utilisation of OPD2 subsidies for the so called phased constructions' funding continued. These

Chart 2 – Utilisation of funds for construction preparations in the 2016–2019 period (in millions of CZK)



Note: The expected utilisation for 2019 is taken from the overview of global preparation items approved by MT.

constructions were launched before 2016 using subsidies from OPT1; and the subsequent works performed in 2016 and 2017 were financed from OPT2. In 2019, mostly non-phased projects shall be financed from OPT2. As the OPT managing body, the MT shall, despite the OPT2 allocation threshold met, continue to approve further projects selectively, with the assumption that once the OPT2 funds have been utilised, these projects shall be funded from national sources. The number of new projects approved for the OPT2 co-funding shall be restricted, and accordingly, the number of projects outside the principal TEN-T network supported solely from national funds shall increase. In 2019, the increase in volume of investment funds for dispatching buildings and enhancement of security at railway crossings is expected. These shall be entirely covered from national sources. The chart below illustrates the expected increase in funds spent on the preparation of new construction projects, to which the preparation of the high-speed connection projects contributed with an allocation exceeding CZK 100 million.

CEF – Blending Call

In the upcoming years, SŽDC is to utilise a new subsidy, so called CEF Blending Call, which is a combined funding consisting of CEF subsidies, EIB loans and national sources. The funds shall be utilised for the investment projects on selected sections of the trans-European transport network TEN-T in the Czech Republic, including for instance:

- Velim – Poříčany
- Dětmárovice – Petrovice u Karviné – state border
- Choceň – Uhersko
- Ústí nad Orlicí – Brandýs nad Orlicí – original line

- Adamov – Blansko
- Brno-Maloměřice St. 6 – Adamov
- Lipník nad Bečvou – Drahotuše
- Polom – Suchdol nad Odrou

In 2018, the preparations for all projects went according to the schedule. The Velim – Poříčany project is currently closest to the implementation phase, as the drafting of the building permit documentation was contracted in 2018, and with the launch of the tender procedure for construction works expected in 2019.

The modernisation of the rail infrastructure also includes technological construction projects resulting from European standards. These primarily relate to implementing the GSM-R and ETCS under the amended ERTMS National Implementation Plan.

In the following years, the modernisation of the rail infrastructure forming the main TEN-T network will continue in accordance with TSI performance parameters. Attention will also be devoted to applying Energy TSI standards and meeting the European Deployment Plan with respect to the control-command and signalling unit.

Compliance with the above standards is paramount in developing so-called 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, SŽDC will focus on building related structures and putting the corridors into operation. As part of its future international activities, SŽDC expects to actively sup-

port the new structure of the TEN-T network and to participate in the general revision of all TSIs as part of the EU's new approach.

Operating the rail infrastructure

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

In 2018, emphasis was placed on accommodating carriers as much as possible when organising closures necessitated by the restoration, maintenance or modernisation of the rail infrastructure.

The scope of rail networks operated by SŽDC is currently stabilised at 9 406 km of line. Changing the categorisation of a rail network from national to regional does not affect its operation.

Based on lease contracts, several regional rail networks are operated by third parties. These include the Trutnov Main Station – Svoboda nad Úpou and Sokolov – Kraslice lines (a total of 37 km), which are operated by PDV RAILWAY, a. s.; and the Milotice nad Opavou – Vrbno pod Pradědem line (a total of 20 km), which is operated by Advanced World Transport, a. s.

SŽDC also operates state-owned sidings (e.g. Oldřichov u Duchcova – Duchcov, Vranovice –

Pohořelice, sidings owned by the Administration of State Material Reserves) and certain other sidings owned by private persons. As at 31 December 2018, SŽDC operates a total of 56 sidings. SŽDC also operates the regional line Sednice – Mošnov, Ostrava Airport owned by the Moravian-Silesian Region.

GSM-R radio network

On 1 March 2018, the full operation of the interoperable GSM-R digital radio system was launched on further line sections of the national railway, in particular Beroun passenger station – Rokycany, Pilsen-Křimice – Cheb, Cheb – Cheb state border, Cheb – Františkovy Lázně and Františkovy Lázně – Vojtanov.

At the same time, the add-on to the mandatory EMERGENCY – the Radio block in the GSM-R network - was put in full operation on 1 March 2018. This increases rail traffic safety and reduces the risk of subsequent extraordinary events, namely that the train drivers drive through the signalling in the STOP position. The terms and conditions of the carriers to activate this feature on their engine vehicles have been published at the Railway operation portal in the technical specification TS 3/2014, as amended by 1st amendment effective as of 23 April 2018.

On 1 October 2018, approximately 110 basic analogous radio stations of the LRS Tesla railway radio system was deactivated in relation to the installation for the GSM-R radio network. This is another step towards fulfilling the conditions for the implementation for the ERTMS rail command control system in the network operated by SŽDC and for the simplification of the mutual communi-

cation between train dispatchers and engine drivers. In construction projects, SŽDC respects and adheres by the conclusions and requirements set by the Commission Regulation (EU) 2016/919 in the field of radio traffic on railways owned by the states.

TCC Prague

In 2018, everyday operation of 4 line sections with remote command control managed by the TCC Prague had been installed in 2016 and 2017, was ensured. At the same time, the preparation for the installation of the TCC Prague remote command control was underway on, namely Prague-Smíchov (excl.) – Hostivice (excl.), Prague-Smíchov (excl.) – Rudná u Prahy – Beroun (excl.), Ejovice (incl.) – Pilsen main station (excl.) and Pilsen main station (excl.) – Cheb (excl.)

TCC Přešov

In 2018, the Brno (excl.) – Lanžhot state border and Břeclav station line switched to the remote control system. The reconstruction of the Veselí nad Moravou station was completed and its control system was incorporated into the remote control system of the Veselí nad Moravou – Vlárský průsmyk. The 1st stage of the remote control system implementation was completed on the Ostrava-Svinov – Petrovice u Karviné line section, including the switch-over of the Ostrava-Svinov, Dětmárovice and Petrovice u Karviné stations. Further, the preparatory works for the remote control system implementation were performed on the Dětmárovice (excl.) – Mosty u Jablunkova state border line section, and also for the Modernisation and electrification project on the Otrokovice – Vizovice line section and its inclusion in the remote control system of TCC Přešov.

Expenses incurred in ensuring the operational control

SŽDC employees perform the operational control of railway traffic, dispatcher's traffic control, operation of control-command and signalling units and information systems for passengers, preparation of timetables, and path capacity allocation to carriers. In 2018, the expenses related to these activities are mainly covered by non-investment subsidy from SFTI for the railway operation, complemented by SŽDC's own resources. The overall cost less amortisation incurred to operate RI comprise in particular the line administration ensured by regional directorates and traffic control centres and amounted to CZK 6 013 million in 2018, including the relevant portion of centrally recorded expenses of the DG department for traffic control.

Utilisation of the rail infrastructure by carriers

In 2018, the total number of carriers that have concluded a contract with SŽDC for the operation of rail transport using the state-owned national and regional rail infrastructure increased to 103.

The total volume of outputs in **passenger transport** continued to increase steadily. Compared to 2017, train kilometres (trkm) increased by 3.1% and gross tonne-kilometres (gtkm) by 3.6%, with České dráhy, a. s. accounting for the majority of the total outputs. GW Train Regio a. s. RegioJet a. s. also reported a significant increase in the volume of passenger transport outputs.

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

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of carriers	62	68	75	79	84	89	94	96	99	103

Table 8 – Percentage share of carriers on passenger transport output (comparison 2017 and 2018)

Carrier/indicator, year	trkm 2017	gtkm 2017	trkm 2018	gtkm 2018
České dráhy, a. s.	93,73	90,04	91,76	88,80
RegioJet a. s.	3,06	8,07	3,90	9,00
LEO Express	1,50	1,29	1,44	1,22
GW Train Regio a. s.	0,67	0,22	1,83	0,55
Die Länderbahn GmbH DLB	0,37	0,15	0,28	0,11
Other carriers	0,67	0,23	0,79	0,32

Table 9 – Percentage share of carriers on freight transport output (comparison 2017 and 2018)

Carrier/indicator, year	trkm 2017	gtkm 2017	trkm 2018	gtkm 2018
ČD Cargo, a. s.	63,01	63,21	67,11	64,96
Advanced World Transport a. s.	6,78	7,93	6,76	7,62
METRANS Rail s. r. o.	4,75	7,15	5,14	7,51
UNIPETROL DOPRAVA, s. r. o.	3,42	4,05	3,28	3,63
IDS CARGO a. s.	3,14	3,37	3,31	3,07
Rail Cargo Carrier - Czech Republic s. r. o.	2,04	2,98	2,10	2,88
PKP CARGO SPÓŁKA AKCYJNA	1,69	2,01	1,30	1,39
SD – Kolejová doprava a. s.	1,28	1,84	1,17	1,62
Other carriers	13,89	7,46	9,83	7,32

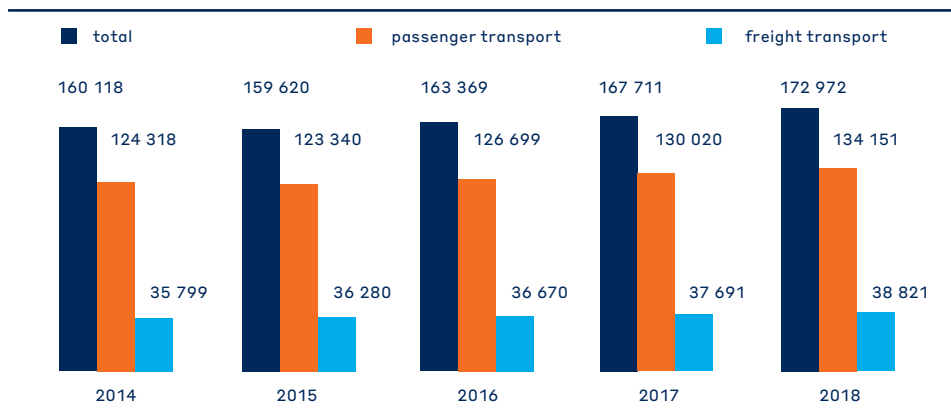
In **freight transport**, total outputs reported a year-on-year increase, with trkm increased by 2.9% and gtkm by 3.8%. ČD Cargo, a. s. has retained the majority share on the outputs while recording the biggest increase in outputs overall. METRANS Rail s. r. o. also achieved a significant increase in volume freight transport outputs.

In 2018, new price model for the determination of the price tariffs for the utilisation of the railway was applied. The increase in volume of outputs of both passenger and freight transport has confirmed the correct setting of the new price model, thus contributing to carriers' economic stability.

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

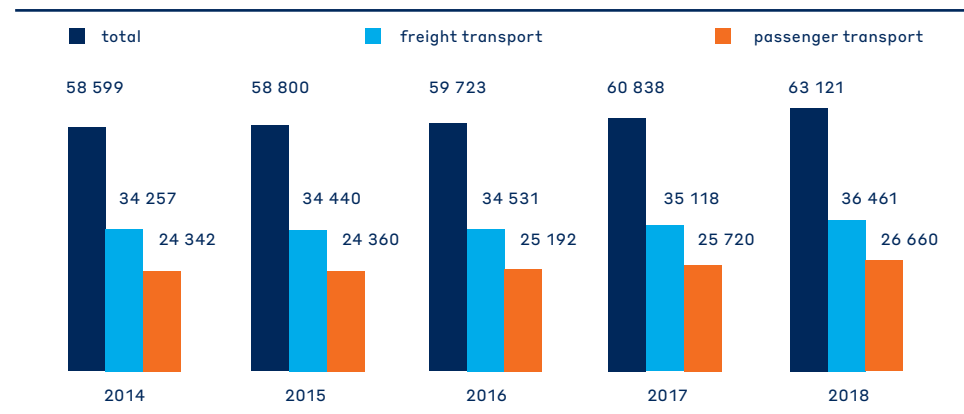
Indicator	2017	2018
Passenger trains (Os)	8 282	8 597
Limited-stop trains (Sp)	471	462
Express trains (Ex)	451	505
Higher-quality trains (EC, EN, Ex, IC, LE, SC, railjet, RegioJet, Arriva express)	222	262
Express freight trains (Nex)	319	460
Through freight trains (Pn)	627	835
Slow goods and work-siding trains (Mn, Vleč)	809	1221
Train sets (Sv)	573	1135
Locomotive trains (Lv)	404	668
SŽDC catalogue (offer) routes	1 963	862

Chart 3 – Output of carriers on network operated by SŽDC (thousands of trkm) between 2014–2018



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

Chart 4 – Output of carriers on network operated by SŽDC (millions of gtkm) between 2014–2018



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

International cooperation

In terms of international cooperation, SŽDC focused on promoting the interests of the Czech rail infrastructure, in particular by influencing crucial technical and technological parameters and relevant legislation aiming at supporting the efficient development of rail business in the Czech Republic. The Czech railway network should not stand isolated and should continue to be incorporated into the key European backbone networks, jointly offering a reliable alternative to overloaded roads passenger and freight transport. The incorporation of the Czech paths into the main European routes and European corridors remains a necessary condition for the development of Czech railways. Meeting this objective is conditional on intensive Europe-wide cooperation across all levels of management.

In 2018, SŽDC continued to negotiate effectively with its international partners, both bilaterally and within international railway organisations and through direct involvement in European Commission's Committees for railway interoperability and safety. In the framework of the activities of CEN/CENELEC, the SŽDC experts participated in the preparation and amendment of European standards. Certain framework contracts on infrastructure interconnection and cross-border agreements with Polish and Slovak railways have been revised. New contracts were concluded between SŽDC and ÖBB-INFRA AG incorporating the amendments governing the enhanced rail transport organisation on border lines. In 2018, the negotiations of the representatives of the Czech Republic and Germany about the investments into the Prague – Munich, Prague – Nurnberg and the planned high-speed connection Prague – Dresden lines continued. Moreover,

negotiations between the Czech Republic, Germany and Poland in respect of the privileged line section between the border stations Hrádek nad Nisou – Zittau leading through the Polish territory were held.

RFC – Rail freight corridors

In accordance with the Regulation no. 913/2010 of the European Parliament and of the Council concerning a European rail network for competitive freight and related legislation, SŽDC continued to actively participate in the bodies of the four national rail freight corridors. The corridors concerned are: Baltic–Adriatic, Orient and east Mediterranean (RFC 7), North Sea –Baltic and Czech-Slovak corridors which by 2020 should be integrated into the Rhine–Danube corridor. During 2018, SŽDC participated actively on the preparations of the transformation of the Czech-Slovak corridor into the Rhine-Danube corridor.

PRIME - Platform of Rail Infrastructure Managers

As of January 2018, SŽDC has become a full-fledged member of this platform, participating actively in the working group for the definition of indicators describing the efficiency of individual infrastructure managers. Under the auspices of the European Commission, the activities of this platform are subdivided into several areas, including for instance digitalisation, funding, key performance and benchmarking indicators, implementation of EU law into national legislation, safety and security, infrastructure charges, etc.

UIC – International Union of Railways

SŽDC continues to strive for the harmonisation of the technical standards for railways, which has been the main

role of UIC since its inception. SŽDC's experts participated in transposing UIC regulations into the International Railway Standards (IRS), continued taking an active part in various working groups, both permanent and ad hoc. SŽDC's experts actively participated in various working groups and particular projects, primarily within the Rail System Forum. In 2018, SŽDC's comments continued to be successfully incorporated, thus influencing both new and revised guidelines. Sharing of experience related to railway superstructure and substructure, artificial structures, communication and control-command and signalling units, energy systems, electric traction, implementation of ERTMS and ETCS. SŽDC has actively participated on the activities of the FRMCS working group, addressing the definition of technical parameters and operation and users system conditions. SŽDC also participated in projects under the UIC Environment Platform, in particular in reducing noise burden and weed killing. Ensuring safety operation and the issue of migration waves were discussed at a number of meetings of the UIC Security Platform. Cyber security issues were at the forefront of the debates. SŽDC continued to preside the UIC New Technologies' working group in 2018.

CER – Community of European Railway and Infrastructure Companies

Within this organisation, SŽDC cooperates on the preparation of position papers on EU draft legislation affecting rail transport. SŽDC experts cooperated with CER in the working groups focused on infrastructure, European corridors, safety, human resources, ERTMS and other issues.

RNE – RailNetEurope

SŽDC actively participated in the activities of the international organisation RNE, which is a major non-profit association of European infrastructure managers and allocation bodies. All RFCs became associated members in 2016. In 2018, the organisation continued to provide support to carriers with respect to their cross-border activities and on improving the efficiency of processes of infrastructure managers and RFCs, primarily by cooperating in harmonising the conditions for cross-border rail transport, developing and managing cross-border IS, coordinating the preparation of timetables across Europe and ensured the unification of the marketing and sale of international paths (including the Statement on railway and Corridor information documents). Of particular note was the cooperation of infrastructure managers with regard to railway operation and RFC development.

OCR – Organisation for Cooperation between Railways

In 2018, a conference on line monitoring and diagnosis was held in the Czech Republic. Experts from Europe, Russia, Kazakhstan and other countries met in Ostrava. The representatives of SŽDC continued to participate in projects of OSuD's Commission V – Infrastructure and Rolling Stock, in particular in working groups dealing with railway superstructure (catalogue of rail defects), substructure and line diagnostics.

RISC – Railway Interoperability and Safety Committee

In 2018, SŽDC's strategy director and a representative of the MT participated in the RISC meetings. Thanks to its membership, SŽDC has access into the communication

platform in which the European Railway Agency (ERA) publishes all legislation proposals relating to the implementation of the 4th railway package. In 2018, these included in particular proposals for the technical specifications for interoperability (TSI). Through suggestions, the Czech experts try to negotiate the best possible terms for the Czech Republic.

ETSI – European Telecommunications Standards Institute

SŽDC is a member of ETSI which focuses on European telecommunications standards with worldwide impact. As a member, SŽDC has unrestricted access to all published standards and specifications in this field. In 2018, the experts participated in the meetings of the Railway Telecommunications working group.

Important construction works in stations and junctions on corridors



Financial performance

Financial performance of SŽDC

The EBITDA amounted to CZK 2 669 million. EBITDA indicates the difference between the SŽDC's revenues and expenses, excluding taxation, interest and depreciation. At the same time, EBITDA is net of non-financial transactions related to provisions for payments to a specialised tax office.

Revenue from use of RI represents payments for railway infrastructure by carriers. In 2018, this was a significant source of income for SŽDC, used to cover expenses incurred on operation management.

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

Subsidies from SFTI for repairs and maintenance of national and regional lines constitute revenue and are used to cover expenses relating to the operability of RI. Based on a contract, SFTI non-investment funds to finance repairs and maintenance of national and regional lines owned by the state and administered by SŽDC.

Subsidies from SFTI for repairs and maintenance of passenger stations are provided based on a contract concluded to finance non-investment repairs and maintenance of service facilities (passenger stations).

Table 11 – Financial performance of SŽDC in 2018

Indicator	2018 (In millions of CZK)
Revenues from use of RI	3 653
Revenues from allocated RI capacity	115
Subsidies from SFTI for repairs and maintenance of national and regional lines	15 692
Subsidies from SFTI for repairs and maintenance of passenger station premises	1 099
Subsidies from SFTI for the operation of RI	6 317
Other subsidies	32
Purchase and sale of energy and distribution services	394
Materials, energy consumption and services	-13 432
Personnel expenses	-10 535
Accounting depreciation	-4 112
Other operating revenues and expenses	578
Operating loss/profit	-200
Interest income and expense	-41
Exchange rate differences	-8
Other financial revenues and expenses	x
Profit/loss from financial operation	-50
Profit/loss before tax	-250
Deferred tax	-280
Profit/loss after tax	-529
EBITDA	2 669

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

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

Purchase and sale of energy and distribution services includes expenses relating to the purchase of distribution services and electricity (low- and high-voltage transfer points outside electric traction to cover SŽDC's internal consumption and to supply electricity to external customers connected to the local distribution network of the railways) and expenses relating to the purchase of distribution services and electricity for the supply and transfer points of electric traction. The item also includes revenue from the sale of distribution services and electricity as well as revenue from the sale of distribution services 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 RI, passenger station asset management, and expenses incurred in connection with repairs and maintenance provided by external suppliers.

SŽDC's **personnel expenses** include wages and salaries, social security expenses and social expenses.

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

SŽDC's **other operating revenues and expenses** include other revenue and expense items, e.g. payment of rail replacement bus service to carriers due to a planned limitation of rail operation in accordance with the Network Statement, revenue from the sale of fixed assets and materials less their net book value. They also include changes in other provisions and adjustments, revenue from external production and leases, own work capitalised, revenue from salvaged materials, expenses incurred on property and liability insurance, a contribution for personal protective equipment to be used at work or membership fees paid to organisations, taxes and other fees.

Interest expense primarily results from bank loans relating to capital expenditures that were taken over from the former state organisation ČD, s. o. As stated in the notes to the financial statements, interest owed to the banks is paid by the Ministry of Finance of the Czech Republic on behalf of SŽDC. Only in the case of the loan provided by Česká spořitelna, a. s. for rail infrastructure improvement projects does SŽDC use its own resources to pay all expenses related to the loan agreement, (including interest).

Exchange rate differences arise in particular from the translation of foreign currency liabilities, loans and interest at the exchange rate valid as at 31 December 2018. The loans taken over from the former state organisation ČD, s. o. are now denominated only in euro.

The 2018 result also comprises deferred tax of CZK 280 million. The individual items of the deferred tax are described in the notes to the financial statements.

Financial outlook for 2019

SŽDC'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 SŽDC's requirements for state budget funds.

SŽDC'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 subsidy allocated from SFTI for ensuring the operability of the RI, repairs and maintenance of passenger stations and the pricing policy applied to the use of the RI. The aim of SŽDC is to stabilised cash inflows and outflows as to achieve a balanced cash flow sum.

SŽDC's financial performance is regularly assessed and analysed in order to maintain its business and financial stability. The mandatory KPIs of all organisational units of SŽDC will be thoroughly examined so as not to exceed the total budgeted expenses.

SŽDC's objective is to operate efficiently and to provide a rail infrastructure enabling reliable and safe passenger and freight rail transport, and to ensure that the stations are in good technical, operation and aesthetic condition, thus meeting the standards of modern transport.



Internal audit and risk management

Internal audit

SŽDC has been using the services of the internal audit as an independent, objective, assuring and advisory activity aimed at adding value, enhancing the processes within the organisation and the efficiency of the risk management system, the control processes and corporate management and administration. The SŽDC Audit Committee supervises the independency and the efficiency of the internal audit activities.

The 2018 Annual Audit Plan approved by the Management Board was drafted based on the top management's evaluation of risk areas. For the first time, the Annual Plan includes separately defined follow-up audits aiming at verifying the implementation of remedial measures by the audited entities in respect of the 2017 audit findings. A total of 21 audit engagements were envisaged for 2018, including:

- 10 regular internal audits. Based on the internal audit findings, 50 recommendations were drafted. These recommendations were subsequently fully endorsed by the top management of the audited entities. The efficiency of the remedial measures adopted in respect of the 2018 internal audit findings shall be reviewed by means of follow-up audits in 2019.
- 11 follow-up internal audits to assess the efficiency of 117 measures adopted in respect of the 2017 internal audit findings. The measures adopted were fulfilled and proved useful.

SŽDC also performed regular activities relating to the update and regular assessment of the tasks defined by the SŽDC Internal Anti-Corruption Programme and the national Anti-Corruption Action plan.

Risk management

As regards the risk management, the strategic objective of SŽDC is to reduce the identifiable risks to an acceptable level, to address the issues arisen timely and to inhibit the impact of risks on the fulfilment of a SŽDC's goals, results of operations and on health and human lives.

At SŽDC, risk management is a continuous, systematic and methodical activity within the established internal control system organised at respective levels of company management and specific areas. The prerequisite for risk management is an analysis performed by the experts in charge of individual processes. In the framework of the management process, the risks are monitored continuously, and remedial action is taken in order to reduce the adverse impact. The internal audit plays a major role in this process, as its independent activities initiate the enhancement of the efficiency of the systems under review.

With the aim of ensuring a more comprehensive approach and enhancing the risk management quality, the SŽDC management decided to introduce a centralised risk management system in 2018. The Risk Management Department was responsible for the coordination of activities. Fundamental internal guidelines defining the framework, key tasks and obligations were issued during the pre-implementation phase.

At the same time, the Risk Management Committee was established. In 2019, the risk identification shall be performed across the organisation, with emphasis on

the achievement of the strategic goals and the actual management of the key risks.

In 2018, SŽDC identified and managed the following risk areas:

Operational risks

The primary objective of operational risk management is to ensure the safe and failure-free operation of RI. With regard to traffic control 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 rail infrastructure as well as the correct procedures for performing activities related to RI. In addition, regular inspections and measurements are carried out to assess the technical condition of the rail infrastructure.

In the event of accidents, the cause and circumstances of their occurrence are investigated, and corrective measures to prevent such accidents, including implementation deadlines, are proposed. The implementation of corrective measures is subsequently monitored and documented. Where an accident is proven to have been caused by an employee, relevant penalties and compensation of damage are applied. Damage caused to third parties is covered by liability insurance.

Financial risks

In terms of finance, SŽDC is exposed to liquidity risk, interest rate risk, currency risk and credit risk. As SŽDC's activities related to modernisation, ensuring the operability and operation of RI are financed in particular from subsidies. Liquidity in these areas is managed in relation to the respective grants for the relevant fiscal period, with 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 2018 comprised the continuous monitoring and management of cash flows.

The interest rate and currency risks are connected primarily with long-term loans for the construction and reconstruction of rail corridors denominated both in euro and Czech crowns taken over from ČD, s. o. With one exception, all loans are guaranteed by the state, which eliminates any potential risk. As at 31 December 2018, non-guaranteed loan denominated in Czech crowns had been repaid. The credit risk which follows from the debtors' inability to pay their liabilities to SŽDC 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. SŽDC eliminates these risks by applying various measures, primarily a controlled administration of applications, servers and networks. A regular backup of all vital centrally stored data is performed, and the antivirus protection is ensured by repeated checks and regular updates. Regular OS upgrades and gradual limitation of individual users' access rights are also performed.

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, activities in accordance with the Risk Management Plan were performed in 2018. At the same time, the risks were reviewed and reassessed to reflect the current situation, and appropriate measures were adopted.

HR risks

SŽDC's interests regarding the requirements on future employees have been secured through cooperation with secondary (high) schools and universities, which includes the 'Nádražák' student programme, as well as through the organisation's participation in the transportation sector council's activities regarding the preparation of the national qualifications system. In accordance with the implemented concept of human resources management, the age structure of the key professions is analysed and selected employees undergo special training process in order to ensure the succession of key positions.

Observing both external and internal legislation as well as the Collective Agreement ensures the conditions

for social consensus and a low employee turnover level, which is supported by a funding guarantee for rail operation and operability by the MT.

Risk of corruption

In order to minimise corruption risks and ensure prevention of and response to detected corruption allegations, SŽDC had introduced the Anti-Corruption Programme with a regular annual assessment of the efficiency. The programme includes the Employee Code of Conduct, the Corruption Risk Catalogue and an e-learning course addressing internal anti-corruption measures. The Corruption Risk Catalogue was updated in 2018.

Human resources

Employees

As at 1 January 2018, SŽDC had 17 434 employees working in 172 professions across its 24 organisational units which operate in individual regions of the Czech Republic.

Since its inception 15 years ago, when SŽDC launched its operation on 1 January 2003 with only 61 employees, SŽDC has become a major employer in the Czech Republic and the largest employer in the rail transport sector.

As of 1 April 2018, a major alteration of the SŽDC's organisational structure was adopted, following which six organisational units of passenger station administration (Olomouc, Brno, Hradec Králové, Prague, Ústí nad Labem and Pilsen) were incorporated under the respective regional directorate. As a result, the number of organisational units within SŽDC decreased from 23 to 17. Starting in April 2018, the organisational structure optimisation was being performed at individual units, with the aim of reducing the number of systemised managerial positions. At the same time, the optimisation and streamlining process in respect of the put-in-use of investment constructions continued. As a result, the number of operational employees of traffic control dropped by 180 (i.e. by 2.3%). As at 31 December 2018, the number of employees dropped by 236 compared to 2017 to 17 234 (see Chart 5). In 2018, 199 employees received severance pay.

In the 2nd half of 2018, the preparations for the change of SŽDC's Organisational structure as of 1 January 2019 were launched. They relate in particular to the

centralisation of accounting operations into the Centre of Shared Services and to the merger of administration units under the Regional Directorate Asset Management Department. At the same time, the changes in the organisational structure of the Traffic Control Department were prepared, in particular the operation divisions of regional directorates.

In 2018, the average recalculated number of full-time employees amounted to 17 306.66 (year-on-year decrease by 115.64 employees, i.e. by 0.66%).

The age structure of employees did not change significantly year-on-year (Chart 7). As at 31 December 2018, the average age of SŽDC's employees was 48.12 years (year-on-year increase by 0.8%).

Rail transport is a male-dominated industry. This is confirmed by the prevailing share of male employees, which remained at 73 % as at 31 December 2018 (Chart 8).

In comparison with 2017, the structure of SŽDC employees by educational attainment did not change significantly in 2018 (Chart 9). The share of employees with incomplete, primary or secondary education without exam amounted to 31% while the share of employees with secondary education with exam remained at 55%. The share of employees with higher professional education and a university degree accounted for 14%.

Remuneration and employee benefits

Since no agreement was reached in respect of the wage increase at the end of 2017, the remuneration, boarding and granting of reconditioning treatment

stays in January 2018 was governed by the Decree of the Director General governing the employer procedure in case no Collective Agreement was agreed for the period after 31 December 2017. New remuneration principles and the extent of employee benefits provided were negotiated in the SŽDC' Collective agreement for the period from 1 February 2018 to 31 December 2019, concluded on 11 January 2018.

A uniform payroll system continued to be applied. The tariff and motivational wage component was increased and new rules were set for certain bonuses, determination of tariff wage; new wage component 'personal bonus' was introduced. In addition, certain other benefits and bonuses were adjusted. In 2018, SŽDC met all of the obligations towards its employees in terms of remuneration and employee benefits.

The range of employee benefits, which are provided to stabilise and motivate employees, did not change in. In addition to benefits relating to working hours and holidays, SŽDC continued to provide, among other things, contributions towards its employees' supplementary pension insurance and life insurance schemes. At total of 2 465 employees performed selected professions deemed as particularly demanding attended a reconditioning treatment programme at one of the six designated spa facilities (Jeseník Priessnitz Spa, Niva Luhačovice Spa, Darkov Spa, Lúčky Spa and Číž Spa and Rajecké Teplice Spa).

In accordance with the financial principles and the approved budget negotiated with the trade union organisations, the Cultural and Social Needs Fund was used to

Chart 5 – Number of SŽDC’s employees from 2003 to 2018

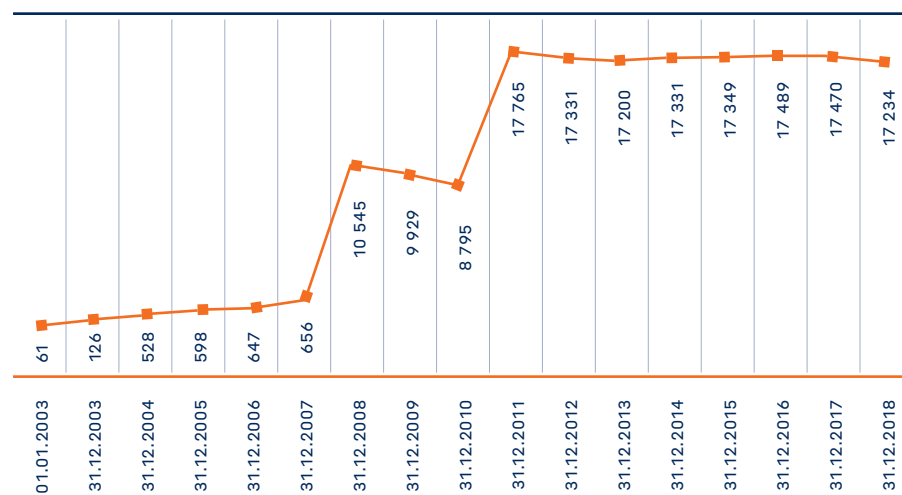


Chart 7 – Age structure of employees as at 31 December 2018

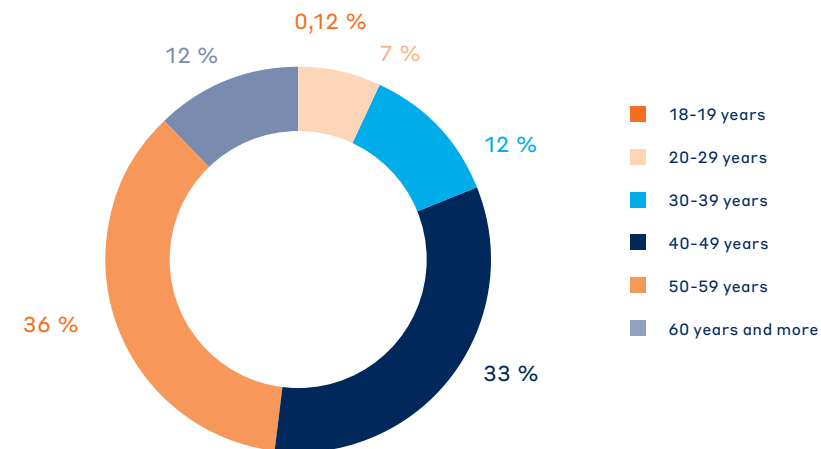


Chart 6 – Number of employees by organisational units as at 31 December 2018

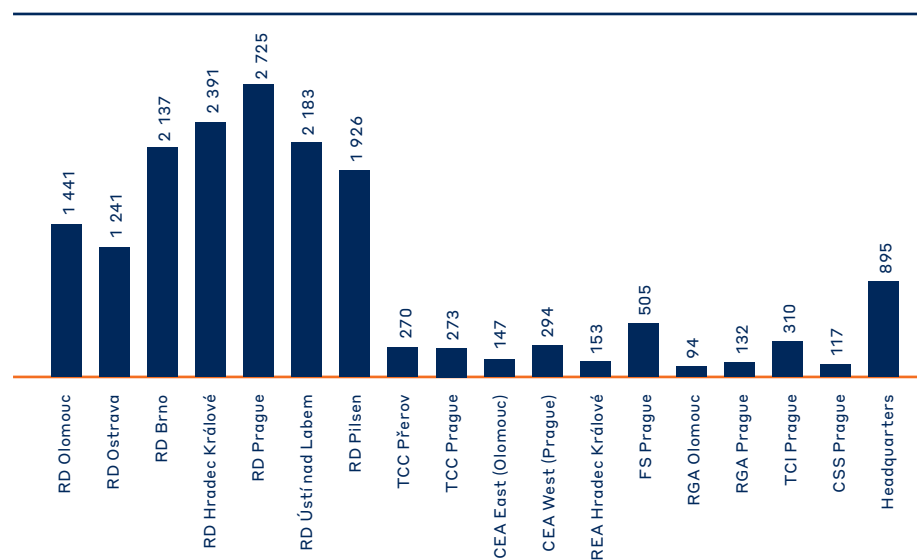
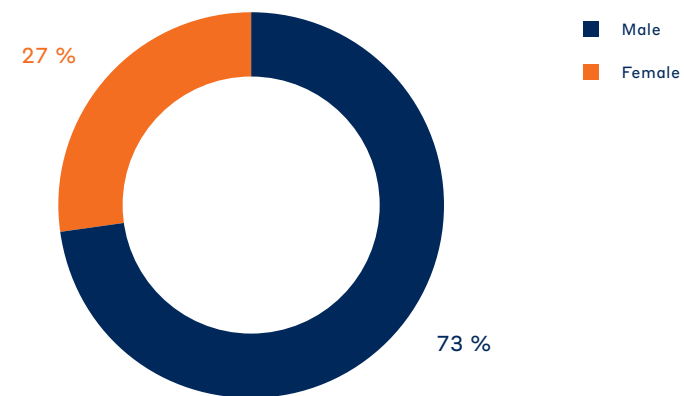


Chart 8 – Gender structure of employees as at 31 December 2018



(RD – Regional Directorate, TCC – Central Traffic Control, CEA – Civil Engineering Administration, REA – Railway Energy Administration, FS – Fire Service, RGA – Railway Geodesy Administration, TCI – Technical Centre of Infrastructure, CSS – Centre of Shared Services.)

provide funds for meal vouchers and cultural and sports activities, including participation in international railway events and regional and national qualifiers. The employees were given monetary gifts on the occasion of a life or working anniversary and upon the first termination of employment in case the entitlement to pension or disability pension arises. In serious cases, the employer provided employees with social aid or interest-free social loan. Employees and their family members could also use employer-contributed holiday packages.

In accordance with the new SŽDC's Collective Agreement, and in order to fulfil certain long-term vacancies (positions of electrical engineer of fixed traction and heavy-current facilities, signalling technician, train dispatcher and licensed engine driver) the payment of a recruitment allowance was approved as of 1 February 2018.

Cooperation with trade union organisations

As keeping social peace is the priority of its social policy, SŽDC places great emphasis on cooperation with trade union organisations. As at 31 December 2018 nine trade union organisations – both multi-profession organisations as well as organisations representing a single profession – continued to operate at SŽDC. In 2018, representatives of the employer and the trade unions held regular joint meetings, where information was provided and discussed with the social partners in accordance with the Labour Code and SŽDC's Collective Agreement in force. From 15 October 2018, collective agreement bargaining in respect of the new SŽDC's Collective Agreement for the period from 1 February 2018 to 31 December 2019 was held. On 6 December 2018,

1st amendment to the Collective Agreement was concluded, in force as of 31 December 2018. Four days later, 2nd amendment was concluded. This amendment included Appendix 2 - the new Principles for the SŽDC employee remuneration valid from 1 January 2019 to 31 December 2019, Appendix 3 – Boarding and expense refunds, Appendix 4 – Reconditioning stays for SŽDC employees and Appendix 5 – Principles for the granting of a recruitment allowance.

Training

The area of education is in compliance with the approved objectives of the updated SŽDC's Human resources management policy.

Medical care at work

Occupational medical care was provided to SŽDC employees through a contractual healthcare provider. In addition to the prescribed types of medical examinations (entry, regular, extraordinary and exit check-ups), it also focused on workplace monitoring as part of occupational safety and health inspections. Job applicants and SŽDC employees used these occupational medical care services throughout the Czech Republic, with approximately 100 physicians providing labour-related professional services to SŽDC through contractual provider.

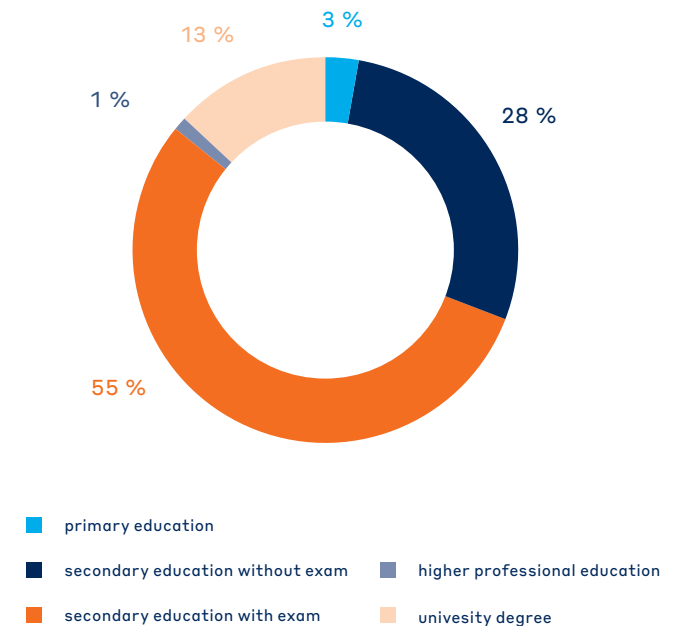
Occupational safety and health

Health and safety activities primarily focused on eliminating the deficiencies detected during inspections or ordinary activities. The parameters for the new warning signalling device with a single flash light to mark the working place along the line were defined.

Fifteen lights to be tested in a pilot operation were purchased in a public tender.

In 2018, we recorded a total of 405 work injuries, none of them being fatal. A total of 9 work injuries required hospitalisation for more than 5 days; 135 work injuries were classified as other work injuries with a subsequent sick leave of up to three calendar days, and the remaining 261 work injuries without any subsequent sick leave.

Chart 9 – Employee structure by educational attainment as at 31 December 2018





Corporate responsibility

SŽDC is one of the largest employers in the Czech Republic. Due to this, SŽDC is committed to corporate social responsibility (CSR) vis-à-vis its employees and the general public. It develops its activities in social, economic and environmental areas. As part of its internal programmes, SŽDC creates conditions for the personal and professional development of its employees, and cooperates with partner entities from the transportation sector as well as with secondary schools and universities specialising in subjects relating to transportation.

Cooperation with schools

In 2018, SŽDC continued its cooperation with selected technical secondary schools and universities, whose graduates may find employment with SŽDC in the future. Students have the opportunity of on-the-job training under the supervision of experienced professionals. In addition, SŽDC's employees give lectures and teach certain technical subjects, provide insight in creating their syllabus, define topics for students' theses, and attend professional conferences organised by partner schools. A number of excursions for the students, not only from the partner schools, are held. The students were offered the possibility to take selected SŽDC professional exams. Recently, the Faculty of Transport Engineering, University of Pardubice, started offering the Vocation training in railway transportation, enabling to take the D-03 and D-07 exams. The manager of rail infrastructure was actively involved in recruiting students for the schools by means of School Atlas, the in-house bulletin 'My Railways' or by means of the www.szdc.cz/studenti website.

Student programme Nádražák

In 2018, the support the professional education and the recruiting at SŽDC's contractual schools by means of the 'Nádražák' student programme intensified. The programme provides the students with a monthly study allowance and ensures them a secure job after the graduation. The programme title 'Nádražák' (RailPupil) reflects not only the railway tradition but also the life-long education which can involve anyone – pupils, students and employees alike.

Train of prevention on a safe railway

The long-term joint project of České dráhy, a. s. and SŽDC aims at primary and secondary school students, raising their awareness of the main risks of inappropriate railway and train behaviour. The programme includes for instance debates with police forces and professionals dealing with railway-related extraordinary events on railways, the projection of prevention safety spot 'To nedáš!' and discussions with professionals dealing with the railway accidents. Railway fire fighters present their work and teach the pupils the first aid. In the spring, the special 'Train of Prevention' visited the following stations: Most, Chomutov, Ústí nad Labem and Děčín.

Student Cup

In 2018, the sixth year of the project, which focuses mainly on 8th and 9th grade primary school pupils, was held in three cities - traditionally in Prague, and this year for the first time in Nové Město na Moravě and Česká Třebová. At these events, SŽDC presented selected railway professions and presented job opportunities in SŽDC. In addition, partner schools

from the particular region and their programmes related to SŽDC's activities were presented to the pupils. The objective of the project is not only to present the Company as a modern employer while at the same time helping the secondary schools to recruit students for the technical subjects.

Student conference

Prague hosted another interactive conference aimed at secondary school and university students specialising in technical subjects who wish to get actively involved in the development of Czech railways. The purpose of this year's event was to present the opportunities for a professional career at SŽDC and other partner organisations. Professional lectures were supplemented with discussions that students could join actively via a web interfaces. Other applicants could watch the live broadcasting of the entire programme. The significance of the conference was supported by the participation of both Czech and foreign railway traffic experts.

The SŽDC team

In 2018, SŽDC continued in an internal communication project, entitled the SŽDC Team, whose purpose is to increase employee engagement, connect individual employees and professions, and develop the ability to communicate and cooperate within the organisation beyond the call of duty. It helps the employees to be proud of the SŽDC brand. People voluntarily participate in a knowledge quiz and internal communication via discussions with members of management or colleagues. By posting messages, comments, pictures or videos, they motivate their

colleagues to get involved and share their own story as well. An electronic version of the in-house bulletin My Railways (Moježeleznice) can also be found here. Two Roadshows of the SŽDC's team were held in Prague and Ostrava, the Employee of the Year was also awarded in 2018.

Rail safety film 'To nedáš! 2'

The SŽDC's Safe railway campaign includes the finalisation of a sequel to a successful rail safety film 'To nedáš!' produced in cooperation with České dráhy, a. s. within the framework of a joint project 'Train of prevention on a safe railway'. In order to reach to the younger age groups, the film was made available to the wide public. The aim of the film is to reduce the number of needless casualties on the railway. Every single young life saved matters!

Environment

The environment and its protection are rather strictly regulated by both European and national legislation. It is obvious that adverse impacts on the environment are mitigated in complying with legal requirements. Besides environment, landscape and air protection and waste and water management, this area also includes the plant and medical care is included (with regards to the application of biocide), so is the public health protection in relation to noise and vibrations.

From the point of view of environmental protection, railway transportation, or the railways as such, is considered as highly competitive means of transport. Nonetheless, it is necessary to continue to further mitigate the impacts on environment, including noise,

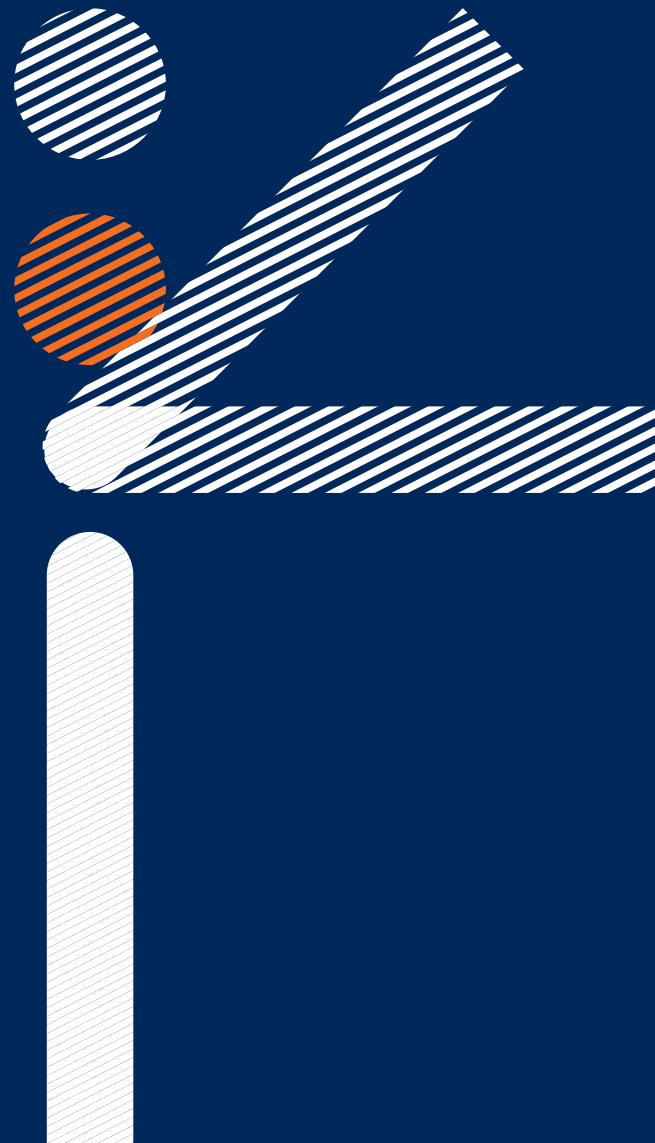
vibrations, dustiness and air pollution, and to scale down the amount of waste created.

In 2018, the activities regarding the vegetation management continued. These include a regular removal of non-indigenous species of low environmental and aesthetical value, which could, in case they fall, threaten the safety of rail transport and impede traffic. The objective of SŽDC is to prevent any emergencies arisen thereof.

Thanks to the amended version of s. 8 of Act no. 114/1992 Coll., on Nature and landscape protection, in effect as of April 2017, it is now possible to notify the nature preservation authorities no less than 15 days prior to the removal of woody species in the surroundings of and in the railway buffer zone in order to ensure rail operability and safety.

In 2018, the pilot programme – a study addressing the methodology for and the effective approach to accompanying greenery - was launched.

Financial section



Independent auditor's report



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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 železniční dopravní cesty, státní organizace

Opinion

We have audited the accompanying financial statements of Správa železniční dopravní cesty, státní organizace ("the Organisation"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, 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.

KPMG Česká republika Audit, s. r. o., a Czech limited liability Organisation and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organisation as at 31 December 2018, 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) as 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.

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

Emphasis of matter – Settlement of bank liabilities and debt remission

As stated in note 7.1 to the financial statements, most liabilities of České dráhy, státní organizace were transferred to the Organisation as of 1 January 2003. As further stated in notes 3.14 and 4.13.2 to the financial statements, the long-term payables to banks are paid by the Ministry of Finance according to instalment plans.

Once settled, they are transferred to long-term payables to the state and are subject to debt remission. Net financial income from the operations of the Organisation is insufficient to cover these long-term payables and therefore the solution for their payment is subject to Resolution of the Government of the Czech Republic, in which the government determined the manner of waiver of the payables of the Organisation until the moment of their redemption. Our opinion is not modified in respect of this matter.

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



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 materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

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

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

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

Responsibilities of the Statutory Body and Audit Committee for the Financial Statements

The statutory body 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 statutory body is responsible for assessing the Organisati-

on'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.

Audit Committee is responsible for the oversight of 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 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.

Statutory Auditor Responsible for the Engagement

Karel Charvát is the statutory auditor responsible for the audit of the financial statements of Správa železniční dopravní cesty, státní organizace as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague, 3 May 2019

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

Karel Charvát, Partner
Registration number 2032

Balance sheet

Name and regist. office of the Company:

Správa železniční dopravní cesty, státní organizace

Dlážděná 1003/7, 110 00 Prague 1, Czech Republic

in full format as at 31 December 2018 (in thousands of Czech crowns)

Translated from the Czech original.

Identification number:

709 94 234

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Nett
	TOTAL ASSETS	1	181 875 998	-116 228 606	65 647 392	67 492 454
B.	Fixed assets	2	176 451 807	-115 864 304	60 587 503	62 673 153
B.I.	Intangible fixed assets	3	1 034 237	-824 039	210 198	137 388
B.I.2.	Intellectual property rights	4	975 081	-819 381	155 700	120 603
B.I.2.1.	Software	5	975 081	-819 381	155 700	120 603
B.I.4.	Other intangible fixed assets	6	4 686	-4 658	28	123
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	7	54 470		54 470	16 662
B.I.5.1.	Advance payments for intangible fixed assets	8	152		152	445
B.I.5.2.	Intangible fixed assets under construction	9	54 318		54 318	16 217
B.II.	Tangible fixed assets	10	175 417 570	-115 040 265	60 377 305	62 535 765
B.II.1.	Land and buildings	11	143 704 442	-92 725 557	50 978 885	53 128 133
B.II.1.1.	Land	12	6 805 100	-23 449	6 781 651	6 784 910
B.II.1.2.	Buildings	13	136 899 342	-92 702 108	44 197 234	46 343 223
B.II.2.	Plant and equipment	14	20 111 961	-16 469 548	3 642 413	4 016 377
B.II.3.	Adjustments to acquired fixed assets	15	8 443 268	-5 781 757	2 661 511	3 216 386
B.II.4.	Other tangible fixed assets	16	3 816	-895	2 921	2 815
B.II.4.3.	Other tangible fixed assets	17	3 816	-895	2 921	2 815
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	18	3 154 083	-62 508	3 091 575	2 172 054
B.II.5.1.	Advance payments for tangible fixed assets	19	417 470		417 470	331 752

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Nett
B.II.5.2.	Tangible fixed assets under construction	20	2 736 613	-62 508	2 674 105	1 840 302
C.	Current assets	21	5 361 947	-364 302	4 997 645	4 759 922
C.I.	Inventories	22	475 180	-13 558	461 622	537 228
C.I.1.	Raw materials	23	475 170	-13 558	461 612	537 224
C.I.3.	Finished goods and goods for resale	24	2		2	3
C.I.3.2.	Goods for resale	25	2		2	3
C.I.5.	Advance payments for inventories	26	8		8	1
C.II.	Receivables	27	2 287 189	-350 744	1 936 445	1 761 993
C.II.1.	Long-term receivables	28	32 404		32 404	107 419
C.II.1.1.	Trade receivables	29	31 359		31 359	106 480
C.II.1.5.	Receivables - other	30	1 045		1 045	939
C.II.1.5.2.	Long-term advances paid	31	1 045		1 045	939
C.II.2.	Short-term receivables	32	2 254 785	-350 744	1 904 041	1 654 574
C.II.2.1.	Trade receivables	33	1 586 151	-328 978	1 257 173	1 160 310
C.II.2.4.	Receivables - other	34	668 634	-21 766	646 868	494 264
C.II.2.4.3.	Tax receivables	35	348 103		348 103	218 344
C.II.2.4.4.	Short-term advances paid	36	106 228		106 228	110 097
C.II.2.4.5.	Estimated receivables	37	152 329		152 329	139 076
C.II.2.4.6.	Other receivables	38	61 974	-21 766	40 208	26 747
C.IV.	Cash	39	2 599 578		2 599 578	2 460 701
C.IV.1.	Cash in hand	40	2 503		2 503	2 629
C.IV.2.	Bank accounts	41	2 597 075		2 597 075	2 458 072
D.	Deferrals	42	62 244		62 244	59 379
D.1.	Prepaid expenses	43	55 817		55 817	22 195
D.3.	Accrued revenues	44	6 427		6 427	37 184

Balance sheet

Name and regist. office of the Company:
Správa železniční dopravní cesty, státní organizace
Dlážděná 1003/7, 110 00 Prague 1, Czech Republic

in full format as at 31 December 2018 (in thousands of Czech crowns)
Translated from the Czech original.

Identification number:
709 94 234

Ident.	LIABILITIES	line	Current period	Prior period
	TOTAL LIABILITIES AND EQUITY	45	65 647 392	67 492 454
A.	Equity	46	53 581 498	54 358 571
A.I.	Registered capital	47	57 362 715	57 355 961
A.I.1.	Registered capital	48	57 362 715	57 355 961
A.II.	Premium and capital contributions	49	1 151 107	1 226 852
A.II.2.	Capital contributions	50	1 151 107	1 226 852
A.II.2.1.	Other capital contributions	51	1 151 107	1 226 852
A.III.	Funds from profit	52		36 899
A.III.1.	Other reserve funds	53		36 899
A.IV.	Retained earnings (+/-)	54	-4 403 169	-3 168 344
A.IV.1.	Retained profits (+/-)	55	-4 248 142	-3 155 345
A.IV.2.	Other retained earnings (+/-)	56	- 155 027	- 12 999
A.V.	Profit (loss) for the current period (+/-)	57	- 529 155	-1 092 797
B.+C.	Liabilities	58	11 869 504	12 980 849
B.	Provisions	59	2 242 423	3 456 331
B.4.	Other provisions	60	2 242 423	3 456 331

Ident.	LIABILITIES	line	Current period	Prior period
C.	Liabilities	61	9 627 081	9 524 518
C.I.	Long-term liabilities	62	5 022 306	4 998 852
C.I.2.	Liabilities to credit institutions	63	588 000	953 980
C.I.4.	Trade payables	64	60 939	365 028
C.I.8.	Deferred tax liability	65	3 106 588	2 827 075
C.I.9.	Liabilities - other	66	1 266 779	852 769
C.I.9.3.	Other payables	67	1 266 779	852 769
C.II.	Short-term liabilities	68	4 604 775	4 525 666
C.II.2.	Liabilities to credit institutions	69		224 995
C.II.3.	Short-term advances received	70	197 727	189 800
C.II.4.	Trade payables	71	2 572 082	1 661 197
C.II.8.	Liabilities - other	72	1 834 966	2 449 674
C.II.8.3.	Payables to employees	73	253 913	562 352
C.II.8.4.	Social security and health insurance liabilities	74	176 724	311 732
C.II.8.5.	Tax liabilities and subsidies	75	1 096 391	1 214 781
C.II.8.6.	Estimated payables	76	307 007	360 317
C.II.8.7.	Other payables	77	931	492
D.	Accruals	78	196 390	153 034
D.1.	Accrued expenses	79	173 699	93 683
D.2.	Deferred revenues	80	22 691	59 351

Income statement

Name and regist. office of the Company:

Správa železniční dopravní cesty, státní organizace
Dlážděná 1003/7, 110 00 Prague 1, Czech Republic

classification by nature for the year ended 31 December 2018 (in thousands of Czech crowns)

Translated from the Czech original.

Identification number:

709 94 234

Ident.	INCOME STATEMENT	line	Current period	Prior period
I.	Revenue from products and services	1	6 480 726	6 899 311
II.	Revenue from goods	2	1	2
A.	Cost of sales	3	14 683 954	12 132 782
A.1.	Cost of goods sold	4	1	1
A.2.	Materials and consumables	5	3 553 430	2 992 879
A.3.	Services	6	11 130 523	9 139 902
B.	Change in inventory of own production (+/-)	7	-170	67
C.	Own work capitalised (-)	8	-703 393	-492 384
D.	Personnel expenses	9	10 534 571	9 794 506
D.1.	Wages and salaries	10	7 522 448	6 986 925
D.2.	Social security, health insurance and other expenses	11	3 012 123	2 807 581
D.2.1.	Social security and health insurance expenses	12	2 529 796	2 348 208
D.2.2.	Other expenses	13	482 327	459 373
E.	Adjustments relating to operating activities	14	3 842 548	4 234 592
E.1.	Adjustments to intangible and tangible fixed assets	15	4 089 769	4 213 634
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	16	4 111 971	4 214 354
E.1.2.	Impairment of intangible and tangible fixed assets	17	-22 202	-720
E.2.	Adjustments to inventories	18	-887	-1 372
E.3.	Adjustments to receivables	19	-246 334	22 330

Ident.	INCOME STATEMENT	line	Current period	Prior period
III.	Other operating revenues	20	23 940 747	20 440 578
III.1.	Proceeds from disposals of fixed assets	21	60 009	54 210
III.2.	Proceeds from disposals of raw materials	22	233 730	261 714
III.3.	Miscellaneous operating revenues	23	23 647 008	20 124 654
F.	Other operating expenses	24	2 263 951	2 965 571
F.1.	Net book value of fixed assets sold	25	19 743	19 308
F.2.	Net book value of raw materials sold	26	233 390	261 825
F.3.	Taxes and charges	27	1 150 227	2 023 811
F.4.	Provisions relating to operating activity and complex prepaid expenses	28	-1 213 908	-1 435 222
F.5.	Miscellaneous operating expenses	29	2 074 499	2 095 849
*	Operating profit (loss) (+/-)	30	- 199 987	-1 295 243
VI.	Interest revenue and similar revenue	31	29	30
VI.2.	Other interest revenue and similar revenue	32	29	30
J.	Interest expense and similar expense	33	41 092	65 022
J.2.	Other interest expense and similar expense	34	41 092	65 022
VII.	Other financial revenues	35	13 858	77 072
K.	Other financial expenses	36	22 450	2 334
*	Profit (loss) from financial operations	37	-49 655	9 746
**	Profit (loss) before tax (+/-)	38	-249 642	-1 285 497
L	Income tax	39	279 513	- 192 700
L.2.	Deferred tax (+/-)	40	279 513	- 192 700
**	Profit (loss) after tax (+/-)	41	-529 155	-1 092 797
***	Profit (loss) for the accounting period (+/-)	42	-529 155	-1 092 797
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.	43	30 435 361	27 416 993

Statement of changes in equity

Name and regist. office of the Company:
Správa železniční dopravní cesty, státní organizace
Dlážděná 1003/7, 110 00 Prague 1, Czech Republic

for the year ended 31 December 2018 (in thousands of Czech crowns)

Translated from the Czech original.

Identification number:

709 94 234

	Registered capital	Other capital contributions	Other reserve funds	Culture and social needs fund	Retained profits (+/-)	Other retained earnings	Profit (loss) for the current period	Total
Balance as at 1. 1. 2018	57 355 961	1 226 852	36 899	–	-3 155 345	-12 999	-1 092 797	54 358 571
Assets identified during stock counts and other transfers	–	602	–	–	–	–	–	602
Free-of-charge transfers of assets and other transfers	10 078	24 032	–	–	–	–	–	34 110
Privatised assets	-3 324	–	–	–	–	–	–	-3 324
Use of the culture and social needs fund	–	–	–	-137 278	–	–	–	-137 278
Creation of the culture and social needs funds	–	-100 379	-36 899	137 278	–	–	–	–
Transfer of the profit (loss) of prior year period	–	–	–	–	-1 092 797	–	1 092 797	–
Other profit or loss	–	–	–	–	–	-142 028	–	-142 028
Profit (loss) for the current period	–	–	–	–	–	–	-529 155	-529 155
Balance as at 31. 12. 2018	57 362 715	1 151 107	–	–	-4 248 142	-155 027	-529 155	53 581 498

	Registered capital	Other capital contributions	Other reserve funds	Culture and social needs fund	Retained profits (+/-)	Other retained earnings	Profit (loss) for the current period	Total
Balance as at 1. 1. 2017	57 347 839	1 179 241	165 797	–	-1 055 783	-11 682	-2 099 562	55 525 850
Assets identified during stock counts and other transfers	–	167	–	–	–	–	–	167
Free-of-charge transfers of assets and other transfers	8 163	47 444	–	-1707	–	–	–	53 900
Privatised assets	-41	–	–	–	–	–	–	-41
Use of the culture and social needs fund	–	–	–	-127 191	–	–	–	-127 191
Creation of the culture and social needs funds	–	–	-128 898	128 898	–	–	–	–
Transfer of the profit (loss) of prior year period	–	–	–	–	-2 099 562	–	2 099 562	–
Other profit or loss	–	–	–	–	–	-1 317	–	-1 317
Profit (loss) for the current period	–	–	–	–	–	–	-1 092 797	-1 092 797
Balance as at 31. 12. 2017	57 355 961	1 226 852	36 899	–	-3 155 345	-12 999	-1 092 797	54 358 571

Cash flow statement

Name and regist. office of the Company:
Správa železniční dopravní cesty, státní organizace
Dlážděná 1003/7, 110 00 Prague 1, Czech Republic

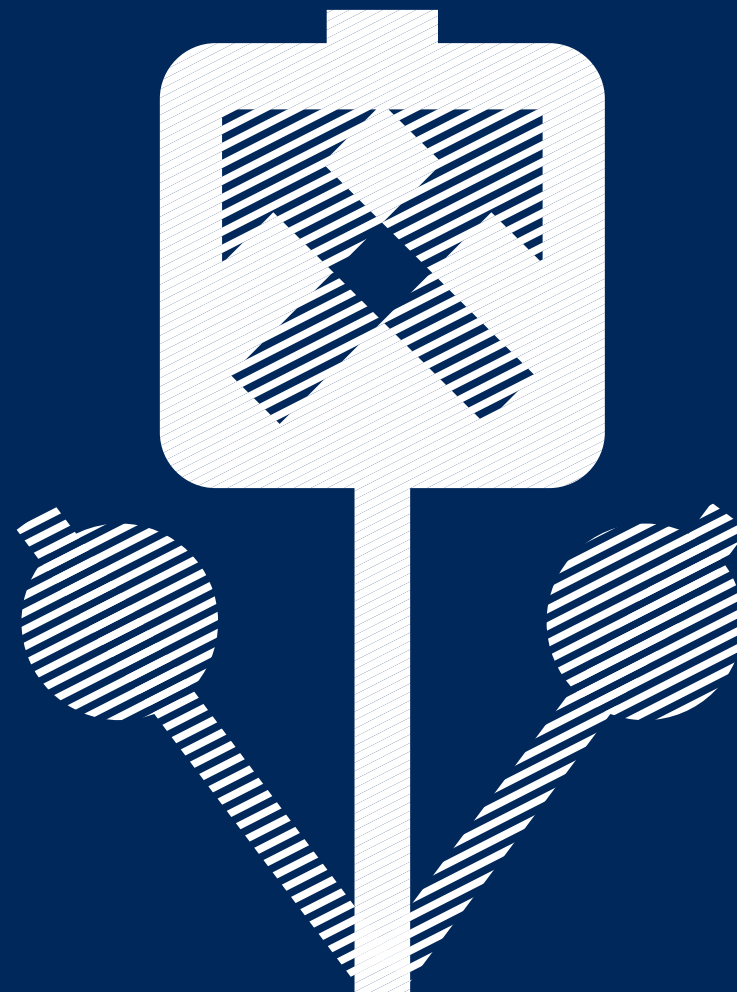
for the year ended 31 December 2018 (in thousands of Czech crowns)
Translated from the Czech original.

Identification number:
709 94 234

	Current period	Prior period
P. Cash and cash equivalents, beginning of period	2 460 701	3 200 313
<i>Net operating cash flow</i>		
Z: Accounting profit (loss) from ordinary activities	-249 642	-1 285 497
A.1. Non-cash transactions	-20 403 359	-16 812 607
A.1.1. Depreciation and amortisation of fixed assets excluding the net book value of fixed assets sold and amortisation of adjustments to acquired assets and goodwill	4 111 971	4 214 354
A.1.2. Change in:	-24 515 330	-21 026 961
A.1.2.1. Change in other adjustments and provisions	-1 483 331	-1 414 984
A.1.3. Profit (-) Loss (+) on sale of fixed assets	-40 266	-34 902
A.1.4. Expense and revenue interests accounted for	41 063	64 992
A.1.5. Use of operating grants	-23 139 770	-18 879 907
A.1.6. Debt remission	0	-705 503
A.1.7. Other non-cash transactions	106 974	-56 657
A.* Net operating cash flow before financial items, changes in working capital and extraordinary items	-20 653 001	-18 098 104
A.2. Changes in working capital	-248 970	226 166
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	-71 005	848 226
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	-101 465	-498 268
A.2.3. Change in inventories	-76 500	-123 792
A.** Net operating cash flow before financial balances, tax and extraordinary items	-20 901 971	-17 871 938
A.3. Interest paid excluding amounts capitalised	-1 415	-1 778
A.4. Interest received	0	30

		Current period	Prior period
A.5.	Operating grants received	23 292 959	18 695 514
A.***	Net operating cash flow	2 389 573	821 828
	<i>Investment activity</i>		
B.1.	Acquisition of fixed assets	-20 960 659	-14 947 897
B.1.1.	Acquisition of tangible fixed assets	-485 621	-5 795
B.1.2.	Acquisition of intangible fixed assets	-166 613	-73 670
B.1.3.	Acquisition of tangible fixed assets from investment grants	-20 308 426	-14 868 432
B.2.	Proceeds from sales of fixed assets	60 009	54 210
B.2.1.	Proceeds from sales of tangible and intangible fixed assets	60 009	54 210
B.3.	Investment grants received	19 012 227	14 877 856
B.***	Net cash flow from investment activity	-1 888 423	-15 831
	<i>Financial activity</i>		
C.1.	Change in long-term resp.short-term liabilities from financing	-224 995	-1 418 418
C.2.	Increase and decrease in equity from cash transactions	-137 278	-127 191
C.2.1.	Payments from funds created from net profit	-137 278	-127 191
C.***	Net cash flow from financing activities	-362 273	-1 545 609
F.	Net increase or decrease in cash balance	138 877	-739 612
R.	Cash and cash equivalents, end of period	2 599 578	2 460 701

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1. General information

1.1. General information

Správa železniční dopravní cesty, státní organizace (“SŽDC” or “the Organisation”) was established as at 1 January 2003 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 SŽDC was recorded in the Commercial Register maintained by the Municipal Court in Prague, section A, file number 48384.

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

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

The reporting period is the calendar year. The information in these notes to the financial statements is presented in thousands of Czech crowns (TCZK), unless stated otherwise.

The financial statements of SŽDC for 2018 have been prepared as at 31 December 2018. These notes have been prepared for the period starting 1 January 2018 and ending 31 December 2018 and include significant events which occurred after this date as well as significant changes as of the date of SŽDC’s registration.

1.2. Principal activities

In accordance with the Transformation Act, the principal activities of SŽDC consist of operating the railway infrastructure including rail servicing and ensuring its ope-

rability, maintenance, modernisation and development, as well as maintenance and modernisation of railway stations.

Throughout 2018 the operation of the railway infrastructure was ensured by SŽDC’s internal capacities.

SŽDC 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. České dráhy, a. s. and ČD Cargo, a. s. (“ČD Cargo”), as discussed in note 7.3.

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

SŽDC also administers the assets and liabilities set out in Sections 20 and 38a of the Transformation Act. These principally involve assumed receivables and liabilities, including the loans of ČD, s. o., and the assets specified in the Appendix to the Act that had been administered by the Czech Ministry of Transport 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, SŽDC was granted a licence for electricity distribution by the Energy Regulatory Office in Jihlava. SŽDC began conducting this activity on 1 July 2007. On 3 December 2007, SŽDC 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 SŽDC assumed, through the purchase of a part of a business, the role of the operator of the national railway infrastructure and regional railway infrastructure owned by the state, including certain activities related to the operation of the railway infrastructure.

Based on a resolution of the Government of the Czech Republic, as at 1 September 2011 activities concerning traffic control at stations and on railway lines were purchased by SŽDC from ČD. In connection with this purchase, SŽDC also took over

9,336 employees. These activities, whose cost was invoiced to SŽDC prior to the above date, are now performed by SŽDC's employees. Based on a resolution of the Government of the Czech Republic and a contract on the purchase of a part of a facility, a part of a facility, designated as "Railway Stations", was transferred from ČD to SŽDC on 1 July 2016.

1.3. SŽDC's organisational structure and bodies

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

The members of SŽDC's management as at 31 December 2018 were:

Name	Position	Date
Jiří Svoboda	Director General	Since 23 March 2018
Aleš Krejčí	Deputy Director General for Finance	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 Control	Since 1 Nov 2018

The members of the Management Board as at 31 December 2018 were:

Name	Position	Date
Pavel Hrubeš	Chairman	Since 1 Nov 2018
Martin Kolovratník	Vice-chairman	Since 1 Dec 2018
Tomáš Čoček	Member	Since 17 March 2015
Ladislav Němec	Member	Since 1 Jan 2018
Jaroslav Foldyna	Member	Since 25 March 2014
Ivo Drahotský	Member	Since 1 Nov 2018
Vít Janoš	Member	Since 1 Nov 2018

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

The Director General, Mr Pavel Surý, was SŽDC's statutory representative until 28 February 2018. The statutory Deputy Director General, Mr Jiří Svoboda, authorised to act in the absence of the Director General, was recorded in the Commercial Register. Mr Jiří Svoboda was authorised to manage the Company until 23 March 2018; on this date, he was appointed the Director General. This was recorded in the Commercial Register on 9 April 2018. In his absence, Mr Mojmír Nejezchleb was appointed his deputy on 21 June 2018, which was recorded in the Commercial Register on 26 June 2018.

The members of the Audit Committee as at 31 December 2018 were:

Name	Position	Date
Unoccupied	Chairman	
Eva Janoušková	Member	Since 1 January 2016
Tomáš Čoček	Member	Since 1 February 2018
Pavel Hrubeš	Member	Since 1 December 2018
Lenka Hlubučková	Member	Since 1 December 2018

The members of the Strategy and Development Committee as at 31 December 2018 were:

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

Any changes to SŽDC's bodies after the balance sheet date are described in note 8.

1.4. SŽDC's organisational structure as at 31 December 2018

The following chart shows the organisational structure of SŽDC as at 31 December 2018:



2. Accounting policies and general accounting principles

The SŽDC's accounts are maintained, and the financial statements have been prepared, in accordance with Act No. 563/1991 Coll., on Accounting, as amended; Decree No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting, for business entities using double-entry bookkeeping, as amended; 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), SZDC has been obligated since 2016 to submit a complementary consolidated statements overview as at 31 December 2018 by 31 July 2019 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

SŽDC administers state assets pursuant to the Transformation Act.

At SŽDC, 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 plus other expenses attributable to their acquisition.

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

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

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

Technical improvements totalling more than TCZK 40 in respect of an asset for the period increases the cost of that fixed asset.

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.

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 estimated useful lives were set as follows:

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

The useful lives of the fixed assets forming the railway infrastructure are dependent upon the availability of funding for their renovation, modernisation and performance improvement. The Company'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 SŽDC'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 SŽDC's inventories consists of inventory related to the railway superstructure, stored primarily in superstructure material centres, including both new superstructure and the superstructure salvaged from investment activities or maintenance. Other inventories include prefabricated components, uniforms, personal protective equipment, solid fuels, fuels, electrical materials, safety installations, and other operating materials.

Purchased inventories are measured at cost, which includes the purchase price and other expenses associated with the acquisition.

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

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

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

3.3. Receivables

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

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

At the reporting date, the Organisation established tax-deductible adjustments to receivables in accordance with Act No. 593/1992 Coll., on Reserves for Determining the Income Tax Base, as amended. Accounting adjustments were recognised in respect of receivables based on an analysis of the credit status of customers and the ageing structure of receivables. In the income statement, the establishment and release of adjustments is presented in "Adjustments to receivables".

3.4. Equity

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

On 1 July 2004, the assets specified in the Appendix to the Transformation Act, which were transferred from the Ministry of Transport of the Czech Republic to SŽDC,

were recorded in the registered capital account. In addition, subsidies granted by the Czech Ministry of Transport for the purchased part of a business and the part of a commercial facility from ČD were also recorded in the registered capital account.

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

SŽDC contributes to the reserve fund when profit is generated.

SŽDC contributes to the cultural and social needs fund in accordance with Decree No. 310/1995 Coll., on the Cultural and Social Needs Fund, as amended, by complying with Section 16 of Decree No. 114/2002 Coll., on the Cultural and Social Needs Fund. Since the reserve fund had been fully utilised, from 2018, SŽDC makes additions to the cultural and social needs fund from other capital contributions. The fund is utilised in compliance with SŽDC's approved policies and the respective collective agreement.

3.5. Provisions

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

A litigation provision is established based on a professional estimate of losses arising from legal disputes, and a detailed analysis of the status of individual disputes. A provision for payments relating to compensation for work injuries and occupational diseases and for extra pension payments to former employees of ČD, s. o. is established at the present value of estimated future payments arising from claims originating as at the reporting date, based on a statistical analysis of available histo-

rical information. The provision has been reviewed as at the reporting date. A similar method is applied in establishing a provision for severance pay associated with a loss of employees' work capability, including statutory deductions.

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

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

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

3.6. Liabilities

Upon origination, liabilities are stated at their nominal value.

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

3.7. Loans and long-term liabilities

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

Any part of long-term loans and liabilities that is due within one year of the reporting date is included in short-term loans and liabilities, except as disclosed in note 4.13.2. Borrowing costs that are attributable to the acquisition and construction of fixed assets and incurred until these assets are available for use are capitalised as part of the cost of the assets.

3.8. Foreign currency transactions

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

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

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

SŽDC 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-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

SŽDC receives grants in accordance with applicable Czech legislation.

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

Investment grants comprise grants intended to cover expenditure related to restoring and modernising the railway infrastructure and train stations. These grants include funds relating to individual infrastructure modernisation projects approved by the Government, as well as funds relating to the development phase of specific projects. These funds are provided by SFTI, EU and the state budget. Investment grants are accounted for as a reduction in the cost of the respective fixed asset(s).

SŽDC does not account for an entitlement to a grant as a receivable from the grant provider. SŽDC 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. 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.

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 SŽDC’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 SŽDC has been engaged since 1 January 2008, based on a licence granted to SŽDC by the Energy Regulatory Office and to rental from leased non-residential premises in railway stations.

3.12. Use of estimates

The presentation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses for the reporting period. The management of SŽDC 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 2018.

3.14. Debt remission

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

All payments of principal and interest made by the Ministry of Finance of the Czech Republic are recognised as long-term liabilities to the state budget in SŽDC's accounts and are presented in long-term liabilities – 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, SŽDC 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 SŽDC's liabilities until they are fully settled. The resolution states that "subject to compliance with the outlined strategy for dealing with SŽDC'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, SŽDC took over from the Ministry of Transport of the Czech Republic 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 Ministry of Finance of the Czech Republic 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 SŽDC's equity. In 2018, the Ministry of Finance of the Czech Republic privatised SŽDC's assets by selling them to third parties. Based on the respective contracts, proceeds from the privatisation are subsequently transferred from the Ministry of Finance to SŽDC. When received, they are recognised as other operating revenues. For details, see note 7.4.

3.16. Sale of assets

In accordance with Section 20 (4) of the Transformation Act, the sale of assets constituting the railway infrastructure is subject to approval by the Czech Government. The sale of assets listed in the Appendix to the Transformation Act must be approved by the Management Board of SŽDC.

3.17. Leased assets

SŽDC 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	Total
Acquisition cost					
Balance at 1 January 2018	5 032	16 217	445	849 481	871 175
Additions	0	39 516	0	127 097	166 613
Disposals	-346	0	-293	-2 673	-3 312
Transfers to off balance sheet	0	-239	0	0	-239
Transfers	0	-1 176	0	1 176	0
Balance at 31 December 2018	4 686	54 318	152	975 081	1 034 237
Accumulated amortisation					
Balance at 1 January 2018	4 909	0	0	728 878	733 787
Amortisation expense	95	0	0	91 236	91 331
Disposals	-346	0	0	-733	-1 079
Transfers	0	0	0	0	0
Balance at 31 December 2018	4 658	0	0	819 381	824 039
Net book value 1 January 2018	123	16 216	446	120 603	137 388
Net book value 31 December 2018 (balance sheet, line B.I)	28	54 318	152	155 700	210 198

Additions to software primarily include the acquisition of technical software applications and central systems.

4.2. Tangible fixed assets

4.2.1. Continuity schedule in tangible fixed assets

	Land	Constructions	Machinery and equipment	Motor vehicles	Adjustments to acquired fixed assets	Tangible fixed assets under constr.	Other tangible fixed assets	Advances paid	Total
Acquisition cost									
Balance at 1 January 2018	6 809 207	136 911 488	18 790 357	1 187 569	8 435 517	1 902 810	3 400	331 752	174 372 100
Additions	4 322	59 495	25 030	167 675	7 751	19 457 028	392	1 072 353	20 794 046
Disposals	-8 429	-741 802	-126 909	-46 346	0	-52	0	-986 635	-1 910 173
Transfers to off balance sheet	0	0	0	0	0	-17 838 403	0	0	-17 838 403
Transfers	0	670 161	-21 057	135 642	0	-784 770	24	0	0
Balance at 31 December 2018	6 805 100	136 899 342	18 667 421	1 444 540	8 443 268	2 736 613	3 816	417 470	175 417 570
Accumulated amortisation									
Balance at 1 January 2018	0	90 441 284	15 276 945	684 532	5 219 131	0	585	0	111 622 477
Depreciation expense ^[1]	0	2 765 873	596 198	87 402	562 626	0	324	0	4 012 423
Other additions	0	291	103	0	0	0	0	0	394
Disposals	0	-620 001	-121 323	-45 361	0	0	0	0	-786 685
Transfers	0	8 962	-13 344	4 396	0	0	-14	0	0
Balance at 31 December 2018	0	92 596 409	15 738 579	730 969	5 781 757	0	895	0	114 848 609
Adjustments									
Balance at 1 January 2018	24 296	126 981	73	0	0	62 508	0	0	213 858
Change in adjustments	-847	-21 282	-73	0	0	0	0	0	-22 202
Balance at 31 December 2018	23 449	105 699	0	0	0	62 508	0	0	191 656
Net book value 1 January 2018	6 784 911	46 343 223	3 513 339	503 037	3 216 386	1 840 302	2 815	331 752	62 535 765
Net book value 31 December 2018 (balance sheet, line B.II.)	6 781 651	44 197 234	2 928 842	713 571	2 661 511	2 674 105	2 921	417 470	60 377 305

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

Major additions to tangible fixed assets put into use in 2018 include the purchase of four Scania rescue vehicles for Fire Service for TCZK 14,460 per vehicle from Kobit, spol. s.r.o. and 34 pieces of the MUV 75 rolling stock for TCZK 10,000 per vehicle from CZ LOKO, a. s.

The most important tangible asset disposals in 2018 include the liquidation of assets as a result of new constructions related to the modernisation of railway corridors with an acquisition cost of TCZK 690,095 and net book value of TCZK 85,273 and the sale of assets with an acquisition cost of TCZK 51,540 and net book value of TCZK 19,743.

As at 31 December 2018 SŽDC records tangible fixed assets under construction with an acquisition cost of TCZK 2,611,387. The balance of tangible assets under construction mainly represents the construction of railway corridors (as described in note 6.4.), and the construction works to modernise and renovate the railway infrastructure incomplete as at 31 December 2018. For example, this concerns the modernisation of the Rokycany – Pilsen line, Pilsen junction, 2nd construction - reconstruction of the passenger railway station; the reconstruction of the signalling system at the Brno hl.n. railway station, and the optimisation of the Český Těšín - Dětmárovice line.

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 2018 where the grant used to finance the constructions has not been accounted for before 31 December 2018. Transfers to off-balance sheet are made once the investment grant that decreases the asset's acquisition cost is recorded. In 2018, subsidised tangible and intangible assets totalling TCZK 17,838,403 (2017 – TCZK 13,964,925) were included in the off balance sheet records.

Based on the Methodological Instruction for Recipients of the Subsidy from the Operational Programme Transport II (2014 – 2020), SŽDC, as the recipient of subsidies, was allowed to use, in respect of payment requests, invoices for advance payment, the amount of which corresponds with the expected invoicing for the payment of expenses that will arise at the beginning of 2019. Advances created this way which were utilised in 2018 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 total TCZK 417,470 as at 31 December 2018 (2017 – TCZK 331,752). The advances will be utilised during 2019.

4.2.2. Investment grants

Investment grants received in 2017 and 2018 were as follows:

	1 January – 31 December 2017	1 January – 31 December 2018
SFTI for construction and modernisation, state share, OPT, EIB, CEF	14 760 544	19 000 418
Total investment grants from SFTI	14 760 544	19 000 418
EU funds	92 495	3 350
Contributions from cities, municipalities, regions and other entities	24 817	8 459
Total investment grants	14 877 856	19 012 227

Investment grants for construction and modernisation primarily include funds from the Operational Programme Transport (“OPTII”), the CEF infrastructure fund and grants from SFTI. SFTI ensures the payment of European subsidies and at the same time, it partly participates in co-financing. In 2018, funds of TCZK 8,443,042 were drawn from SFTI from national sources, including sources to cover national shares of European investment projects. In 2018, funds amounting to TCZK 8,017,442 were provided from OPT II and TCZK 2,539,934 from CEF.

The EU funds in 2018 comprise a subsidy from the Integrated Regional Operational Programme (IROP) of TCZK 3,350.

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 is TCZK 244,116,139 and TCZK 226,486,010 as at 31 December 2018 and 31 December 2017, respectively.

The aggregate amount of low-value tangible assets not reported in the balance sheet is TCZK 1,062,993 and TCZK 1,022,030 as at 31 December 2018 and 31 December 2017, respectively. These balances are composed of assets with a cost not exceeding TCZK 40 which are retained in the off balance sheet records at historical cost. 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

	Software	Other intangible assets	Intangible assets under construction	Land	Constructions	Machinery, equipment and other tangible assets	Motor vehicles	Tangible assets under construction	Total
Acquisition cost									
Balance at 1 January 2018	88 788	25 791	2 195	1 083 942	128 960 922	38 901 171	917 236	56 505 965	226 486 010
Additions (Transfers from the balance sheet)	0	0	0	36 046	72 278	414 896	297 836	17 017 347	17 838 403
Disposals	0	-23 105	0	-259	-70 741	-29 505	0	-84 664	-208 274
Transfers (including putting in use)	6 135	0	-562	9 610	8 895 409	3 814 435	7 159	-12 732 186	0
Balance at 31 December 2018	94 923	2 686	1 633	1 129 339	137 857 868	43 100 997	1 222 231	60 706 462	244 116 139

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 2018, major additions to tangible assets under construction represent constructions such as modernisation of the Rokycany-Pilsen line, Pilsen junction, 2nd construction - passenger railway station, the optimisation of the Beroun (inclusive) - Králův Dvůr line, the optimisation of the Český Těšín - Dětmarovice line, and the reconstruction of the

communication and signalling equipment at Veselí nad Moravou.

In 2018, 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

SŽDC held no pledged assets as at 31 December 2018 and 31 December 2017.

4.2.6. Assets held under finance and operating leases

As at 31 December 2018, SŽDC reports fixed assets acquired on a leaseback basis in the aggregate acquisition cost of TCZK 376,530 (2017 – TCZK 376,530).

Leaseback arrangements are used for leasing low-value rolling stock (a motor all-purpose trolley, a car for catenary maintenance) used to repair and maintain the railway infrastructure.

4.2.7. Assets acquired free of charge

In 2018, SŽDC acquired free of charge tangible fixed assets at the replacement cost of TCZK 24,032 (2017 – TCZK 47,444), in form of delimitations of TCZK 10,320 (2017 – TCZK 9,081) and fixed assets by donation at the replacement acquisition cost of

TCZK 20 (2017 – TCZK 1,011). In total, SŽDC acquired free of charge assets of TCZK 34,372 in 2018 (2017 – TCZK 57,536). 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 SŽDC related to induced investments of entities such as the Road and Motorway Directorate, the Office for Government Representation in Property Affairs (ÚZSVM), or towns and municipalities where the assets are part of the railway infrastructure and are managed – pursuant to the law – by SŽDC.

4.3. Inventory

	Balance at 31 December 2017	Balance at 31 December 2018
Material in stock	551 392	475 027
Material in transit	277	144
Work in progress	0	0
Goods in stock	3	2
Advances paid for inventory	1	7
Adjustment to inventory	-14 445	-13 558
Total (balance sheet, line C.I.)	537 228	461 622

The total inventory balance was influenced by a decrease in the balance of materials on stock by TCZK 76,365. The balance of inventories decreased primarily as a result of a high volume of performed repairs and maintenance and an overall increase in the volume of construction works. Adjustments of TCZK 13,558 mainly relate to non-moving inventories at the Regional Directorates in Olomouc and Hradec Králové and in superstructure material centres in Hranice na Moravě and Hradec Králové. Other regional directorates established adjustments for superstructure components and also for selected types of personal protective equipment.

4.4. Long-term receivables – trade receivables

The permanent decrease in long-term receivables is caused primarily by regular repayment of a receivable from ČD Cargo relating to the contracted, but unpaid electricity and traffic closures, in compliance with the implemented amicable agreement and settlement agreement that were concluded in 2015.

	Balance at 31 December 2017	Balance at 31 December 2018
Long-term receivables before due date	106 480	31 359
Total (balance sheet, line C.II.1.1.)	106 480	31 359

4.5. Short-term receivables

4.5.1. Trade receivables

	Balance at 31 December 2017	Balance at 31 December 2018
Short-term receivables before due date	987 195	1 192 537
Short-term receivables past due date	723 941	393 614
Total (balance sheet, line C.II.2.1.)	1 711 136	1 586 151

As at 31 December 2018, an adjustment for doubtful receivables amounted to TCZK 328,978 (2017 – TCZK 550,826).

A significant amount of receivables before and past their due date includes, similarly as in the past years, receivables from České dráhy, a. s., ČD Cargo and Advanced World Transport, a. s. for using the infrastructure. In addition, pending court proceedings have a large share in the receivables.

The total amount of receivables more than five years overdue as at the balance sheet date is TCZK 259,264; these receivables are fully provided for and are receivables relating to the commencement of court proceedings, or receivables in respect of bankruptcy or insolvency proceedings.

4.5.2. Short-term advances paid

Short-term advances paid total TCZK 106,228 (2017 – TCZK 110,097). They primarily included advances paid to contractors of projects within activities connected with repairs and maintenance of RI and advances paid for energies and services related to both premises used by SŽDC and leased premises.

4.6. Estimated receivables

In 2018, estimated receivables totalled TCZK 152,329 (2017 – TCZK 139,076). Estimated receivables primarily include estimates for the expected consumption of heat to be invoiced to the lessees after having identified the actual consumption in 2018. The other portion relates to legal claim to the expected insurance settlements from insurance companies of TCZK 19,065 (2017 – TCZK 16,935) and damages claimed from the guilty persons of TCZK 38,041 (2017 – TCZK 13,831).

4.7. Cash

As at 31 December 2018, the total amount of cash was TCZK 2,599,578 (2017 – TCZK 2,460,701). The most significant item is the balance of bank accounts of TCZK 2,597,075 (2017 – TCZK 2,458,072).

4.8. Prepaid expenses

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

4.9. 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 3,324 (2017 – TCZK 41) in 2018.

In 2018, the registered capital was influenced by delimitation when the net book value of assets handed over free-of-charge totalled TCZK 10,320 (2017 – TCZK 9,081).

Based on the physical counts, land with a replacement cost of TCZK 602 (2017 – TCZK 167) was included in other capital contributions.

Other retained earnings from previous years were mainly affected by the amount of TCZK 149,755 (2018 – TCZK 0) paid to SFTI from proceeds from recovered material relating to non-investment projects completed in previous years.

The Company plans to transfer the loss incurred in the current period to retained earnings.

4.10. Provisions

	Balance at 31 December 2017	Additions	Utilisation/ release	Balance at 31 December 2018
Provision for legal disputes with ČEZ Prodej	715 833	36 570	–	752 403
Provision for other legal disputes	42 393	620	6 938	36 075
Provision for compensation for job-related accidents and occupational illness	32 752	25 654	32 752	25 654
Provision for extra pension payments	14 650	11 538	14 650	11 538
Provision for unpaid payroll and other expenses	120 000	120 000	120 000	120 000
Provision for payments to a specialised tax office	2 530 703	834 288	2 068 238	1 296 753
Total (balance sheet, line B.)	3 456 331	1 028 670	2 242 578	2 242 423

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

The major part of provisions represents a provision for payments to a specialised tax office. As at 31 December 2018, the Company established a provision totalling TCZK 1,296,753 primarily in respect of payment orders issued by the specialised tax office including penalties.

The provision for legal disputes has been recognised on the basis of the status of new or pending legal disputes of SŽDC and their current underlying court or out-of-court proceedings. The important part of the provision for legal disputes relates to the recognition of the provision for damages claimed by ČEZ Prodej, s. r. o. due to SŽDC's failure to purchase the contracted amount of electricity in 2011 (refer to note 6.2.1.). As at 31 December 2018, the provision was increased by a part of default interest for 2018.

4.11. Long-term liabilities

4.11.1. Trade payables

Type of payables	Balance at 31 December 2017	Balance at 31 December 2018
Retention	319 657	8 423
Bid-bonds, security deposits, sureties	3 000	3 000
Cash deposits received from customers	42 371	49 516
Total (balance sheet, line C.I.4.)	365 028	60 939

Retention charges decreased primarily as a result of completing constructions in 2017 that were commenced in previous years to draw all the funds from the Operational Programme Transport 1 (OPT1) ending at that time.

4.11.2. Deferred tax

SŽDC has determined deferred tax as follows:

Item	31 December 2017	31 December 2018
Tangible and intangible fixed assets	- 4 164 876	-4 141 977
Adjustments to fixed assets	36 017	31 959
Adjustments to inventory	2 745	2 576
Trade receivables	74 790	24 363
Provisions	175 869	179 677
Tax losses	1 048 380	796 814
Total receivable +, payable - (balance sheet, line C.I.8)	- 2 827 075	-3 106 588

SŽDC reports tax losses of TCZK 4,193,760 (2017 – TCZK 5,517,791) for 2013 – 2018 (information for 2018 is based on a preliminary calculation of income tax).

In accordance with the accounting policy described note 3.9., a tax rate of 19% was used to calculate deferred tax (2017 – 19%).

4.11.3. Other payables

Creditor	Balance at 31 December 2017	Balance at 31 December 2018
Czech Ministry of Finance – payment under the state guarantee for loan interest, after the remission	62 152	102 586
Czech Ministry of Finance – payment under the state guarantee for loan principal, after the remission	790 608	1 164 190
Other	9	3
Total (balance sheet, line C.I.9.3.)	852 769	1 266 779

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

In 2005, the Czech Government adopted Resolution No. 1553 on the remission of these payables (refer to note 3.14.). In 2017, payables of MCZK 706 were remitted. No remission against the state budget took place in 2018.

4.12. Short-term liabilities

4.12.1. Short-term advances received

As at 31 December 2018, short-term advances received amount to TCZK 197,727 (2017 – TCZK 189,800). Advances are received predominantly for ancillary services relating to the lease of residential and non-residential premises, the provision of easements when SŽDC is the obligated party, and prepayments for the purchase of electricity.

4.12.2. Trade payables

	Balance at 31 December 2017	Balance at 31 December 2018
Payables before due date	1 638 245	2 559 936
Payables past due date	22 952	12 146
Total (balance sheet, line C.II.4.)	1 661 197	2 572 082

Payables before their due dates predominantly relate to Metrostav a. s., STRABAG Rail a.s., Eurovia CS, a. s., ČD-Telematika a. s. and AŽD Praha, a. s. regarding their construction works.

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

4.12.3. Tax liabilities and subsidies

Type of payables	Balance at 31 December 2017	Balance at 31 December 2018
Undrawn investment subsidies from SFTI	1 113 300	889 455
Undrawn non-investment subsidy TEN-T/CEF	5 845	2 579
Other non-investment subsidies	321	156 776
Income tax withheld on behalf of employees	94 836	47 044
Other taxes	479	537
Total (balance sheet, line C.II.8.5.)	1 214 781	1 096 391

The balance of undrawn investment subsidies as at 31 December 2018 includes a payable from subsidies undrawn from SFTI. The main reasons for not drawing to the full limit amount for 2018 are primarily ex-ante advance payments that will be accounted for in 2019. In addition, several planned purchases of real estate could not be carried out at the end of the year due to the delay on the part of the seller.

The balance of non-investment subsidies represents a liability to SFTI that was financially settled in 2019.

SŽDC maintains no tax arrears with respect to the relevant tax authorities

4.12.4. Estimated payables

As at 31 December 2018, estimated payables total TCZK 307,007 (2017 – TCZK 360,317) and primarily include the estimate of returned fees for using RI of TCZK 116,000 (2017 – TCZK 116,000) and uninvoiced supplies of electricity, heat, water, and gas of TCZK 152,003 (2017 – TCZK 175,363).

4.13. Bank loans and overdrafts

4.13.1. Long-term liabilities to credit institutions

SŽDC's debt portfolio principally includes payables arising from loan agreements previously held by ČD, s. o. The loans carry a state guarantee and were received primarily in connection with the financing of the construction and renovation of railway corridors pursuant to Government Resolutions No. 798/1999 and No. 1201/2000. These loans will be subject to debt remission (refer to note 3.14).

The debt portfolio includes also a non-guaranteed loan from Česká spořitelna, a. s. ("ČS") for performance improvements where SŽDC pays for all expenses associated with the loan agreement including interest from own sources. This loan is secured by bills and notes which are liquidated after payments are made. The bank loan from ČS was repaid as at 31 December 2018.

Interest rates applicable to loans denominated in EUR range between 3 – 5.5% on a fixed basis. A loan denominated in CZK bears a flexible interest rate of PRIBOR + a margin of 0.15% a year.

4.13.2. Summary of maturities of loans guaranteed by the state

	Payable in 2019	Due in subsequent years	Total
Long-term loans	295 000	293 000	588 000
Total	295 000	293 000	588 000

The repayments of long-term loans according to guarantees provided by the state under special legislation or guarantees resulting from the Transformation Act are made by the state, or the Czech Ministry of Finance. When the repayment is made by the state, the relevant balance is reallocated to "Other long-term payables". In 2018, the Czech Ministry of Finance repaid principals amounting to TCZK 373,581 (2017 – TCZK 858,120).

Given that SŽDC's loans are repaid by the state and are subsequently carried as long-term liabilities, the portion of loans maturing within one year is not classified as short-term in the financial statements.

Bank	Loan maturities	Currency	Balance at 31 December 2017	Drawing in 1-12/2018	Repayments 1-12/2018	FX differences	Balance at 31 December 2018
The 1st corridor:							
KfW Frankfurt	30. 12. 2018	EUR	78 323	–	79 067	744	0
The 2nd corridor:							
EIB Luxembourg	15. 12. 2020	EUR	875 657	–	294 514	6 857	588 000
Subtotal			953 980		373 581	7 601	588 000
Performance improvements							
Česká spořitelna, a. s.	31. 12. 2018	CZK	224 995	–	224 995	–	0
Subtotal			224 995	–	224 995	–	0
Total (balance sheet, line C.I.2.)			1 178 975	–	598 576	7 601	588 000

4.13.3. Short-term liabilities to credit institutions

	31 December 2017	31 December 2018
Česká spořitelna, a. s. – part of a bank loan due within one year, see note 4.13.1.	224 995	0
Short-term bank loans (balance sheet, line C.II.2.)	224 995	0

4.14. Accrued expenses

Accrued expenses total TCZK 173,699 (2017 – TCZK 93,683) and mainly include un invoiced expenses for replacement bus transportation from ČD, a. s. amounting to TCZK 69,398 (2017 – TCZK 27,482) and tax documents received after being able to claim the entitlement to VAT deduction of TCZK 41,553 (2017 – TCZK 13,761).

4.15. Revenue from own products and services

Item	2017	2018
Income from use of the railway infrastructure by ČD – freight transport	34 960	5 713
Income from use of the railway infrastructure by ČD – passenger transport	1 823 864	1 786 278
Income from use of the railway infrastructure by ČD Cargo, a. s.	1 216 796	973 968
Income from use of the railway infrastructure by external carriers – freight	863 144	678 300
Income from use of the railway infrastructure by external carriers – passenger	177 766	208 272
Income from allocated capacity	107 056	115 025
Rental income	565 262	571 983
Income from the sales of electricity	1 595 247	1 645 656
Income from foreign carriers for provided services (extraordinary shipments, etc.)	2 923	2 728
Income from other external services	512 293	492 803
Total (income statement, line I.)	6 899 311	6 480 726

All income was generated in the Czech Republic.

A decrease in income from the use of railway infrastructure for passenger and freight transport affected a new price model to calculate the price for using railways by trains.

4.16. Consumption of materials and energies

Item	2017	2018
Costs of material consumption	1 119 531	1 614 027
Of which OUA	384 251	735 499
Costs of energy consumption	400 551	439 077
Costs of water consumption	16 080	12 381
Costs of heat consumption	68 847	65 839
Costs of gas consumption	63 922	55 505
Costs of electricity purchase	1 218 496	1 251 934
Costs of fuel consumption	88 766	98 662
Other	16 686	16 005
Total (income statement, line A.2)	2 992 879	3 553 430

4.17. Purchased services

Item	2017	2018
Costs of construction repairs and maintenance excluding OUA	180 461	107 891
Of which OPT projects	130 233	–
Costs of repairing apartments excluding OUA	36 979	33 628
Costs of services provided by the statutory auditor	2 313	2 227
Of which: - statutory audit of the financial statements	850	1 482
- other non-audit services	1 463	745
Costs of cooperation in allocating the capacity of the railway infrastructure	591	596
Repair and maintenance	7 311 643	9 298 114
Of which: - repair and construction maintenance	5 883 001	7 433 689
- other	1 428 642	1 864 425
Other	1 607 915	1 688 067
Of which: - repair and maintenance	658 158	681 604
- lease, software under TCZK 60, platform cleaning, etc.	949 757	1 006 463
Total (income statement, line A.3)	9 139 902	11 130 523

Repair and maintenance activities represent projects that are contracted based on tender laws and form part of SŽDC's Comprehensive Plan for Repairs and Maintenance. These services are recorded separately to enhance the transparency of the Company's records.

4.18. Other operating revenues

Item	2017	2018
Subsidies from SFTI for repairs and maintenance of the railway infrastructure	11 588 738	15 215 710
Non-investment subsidies from SFTI – special purpose	21 697	16 472
Subsidies from SFTI for the selected non-investment projects	343 597	476 579
Subsidies for the selected projects co-financed from OPT	135 726	-25
Subsidies from SFTI for the operation of RI	5 750 000	6 316 847
Subsidies for repairs and maintenance of passenger stations	1 000 000	1 099 029
Other subsidies	40 148	15 158
Remission of debt	705 503	–
Proceeds from recovered material	303 885	301 470
Received contractual penalties and default interest	103 051	68 139
Claims for compensation of shortages and damage	57 502	63 267
Other	74 806	74 362
Total other operating revenues (income statement, line III.3.)	20 124 654	23 647 008

Other operating revenues primarily represent non-investment subsidies from SFTI received for the repair and maintenance of the railway infrastructure of TCZK 15,215,710 and for the operation of the railway infrastructure and traffic control of TCZK 6,316,847.

The increase in the subsidy from SFTI for the operation of RI in 2018 resulted from a change in financing the operation (in 2017, it was also financed from the income from use of the railway infrastructure and from the state budget).

4.19. Other operating expenses

Item	2017	2018
Fines and penalties, default interest	1 565 458	1 256 398
Write-off of receivables	26 820	140 023
Write-off of failed investments	38	26
Retirement pension	6 374	5 556
Costs arising from the failure to employ the disabled	32 038	35 968
Insurance of assets and liability insurance	80 645	86 506
Membership contributions	12 826	12 982
Shortages and damage	1 057	367
Liability for damage to third party assets	41 952	-8 009
Expenses arising from the Network Statement	311 884	393 171
Other	16 757	151 511
Total other operating expenses (income statement, line F.5.)	2 095 849	2 074 499

In 2018, the balance of operating expenses was mainly influenced by a fine for a breach of the budgetary discipline of MCZK 1,253. The budgetary discipline was primarily breached when carrying out the following projects: the Veselí n. L - Tábor line and the optimisation of the Beroun – Zbiroh line.

Part of receivables from ČD - Telematika, a.s. of TCZK 132,539 were written off as a result of an agreement to settle unjust enrichment when using land and equipment between SŽDC, ČD, a. s. and ČD - Telematika, a. s. Corrective tax documents amounting to TCZK 114,932 were issued in respect of the remaining part of receivables. These were charged to other operating expenses. In connection with this agreement, adjustments to the receivables at issue of TCZK 262,011 were released. Under the National and Regional Network Statement valid for the 2017/2018 time-

table, in the 1st quarter of 2018 SŽDC was obligated to pay for rail replacement bus service in case that SŽDC ensures, in accordance with the obligation assigned to it by provision of Section 36 (g) of the Rail Systems Act, replacement bus service for suspended rail transport due to a planned rail operation limitation. In such case, SŽDC will pay to the carrier a one-off amount of CZK 1,550 for each train that has been replaced by bus service on the entire planned line or its part. The total amount paid to carriers for this period was TCZK 29,011.

On 1 April 2017, an amendment to the Railway Act came into effect, introducing the right of a carrier operating public rail transportation to settlement of the difference between the spent and saved expenses where it ensured replacement transportation service for suspended public passenger transportation due to planned rail operation limitation. Decree of the Ministry of Transport No. 116/2017 on expenses and savings directly related to ensuring replacement transportation service for suspended public passenger transportation was passed to implement these provisions. As a result, the individual carriers invoiced their expenses on replacement bus service to SŽDC. The amount paid to carriers for three quarters of 2017 was TCZK 282,873. The total amount paid to carriers for 2018 was TCZK 393,171 (2017 – TCZK 311,884).

4.20. Other financial revenues

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

4.21. Other financial expenses

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

5. Employees, executives and statutory bodies

5.1. Personnel expenses and number of employees

The following tables summarise the average recalculated number of SŽDC's employees and executives and the related current personnel expenses for the years ended 31 December 2017 and 2018:

2017	Average headcount	Wages and salaries	Social security and health insurance	Other expenses	Total personnel expenses
Employees	17 416	6 955 527	2 342 600	459 313	9 757 440
Executives *)	6	29 060	4 813	60	33 933
Management Board and its committees	–	2 338	795	–	3 133
Total	17 422	6 986 925	2 348 208	459 373	9 794 506

*) 2017 personnel expenses (including expenses in respect of former executives) utilised in 2017 from the provision established in 2016 for personnel expenses incurred in this year amounted to TCZK 9,984.

2018	Average headcount	Wages and salaries	Social security and health insurance	Other expenses	Total personnel expenses
Employees	17 301	7 487 297	2 523 713	482 271	10 493 281
Executives *)	6	32 731	5 260	56	38 047
Management Board and its committees	–	2 420	823	0	3 243
Total	17 307	7 522 448	2 529 796	482 327	10 534 571

*) 2018 personnel expenses (including expenses in respect of former executives) utilised in 2018 from the provision established in 2017 for personnel expenses incurred in this year amounted to TCZK 13,902.

As at 1 January 2018, SŽDC had 17,434 employees, divided into a total of 23 organisational units, according to the scope of their activities and individual regions. SŽDC also has the Headquarters in Prague, responsible for strategic and organisational activities.

SŽDC's organisational structure changed significantly effective from 1 April 2018 as follows: six organisational units (managing passenger railway stations in Olomouc, Brno, Hradec Králové, Prague, Ústí nad Labem and Pilsen) were incorporated into appropriate regional directorates based on regional jurisdiction. Consequently, the number of organisational units decreased from 23 to 17. In April 2018, SŽDC began the process of optimisation of individual organisational units, aimed at reducing the number of executive jobs subject to systemisation. However, 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 180 employees (i.e. by 2.3%).

In the second half of 2018, SŽDC commenced its preparations for the change of the organisational units' structure from 1 January 2019, involving primarily the centralisation of accounting operations into one Centre of Shared Services and the consolidation of technical administrations under individual regional directorates' asset administration departments. SŽDC also prepared a change of the organisational structure of the traffic control department from the end of 2018, involving mainly county directorates' traffic control districts.

During 2018, severance pays were provided to 199 employees.

As at 31 December 2018, SŽDC had 17,234 employees; due to the above impacts, the number of employees decreased by 236 as compared with the balance as at 31 December 2017.

5.2. Provided loans, borrowings and other remuneration

In 2017 and 2018, the members of SŽDC'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 Management Board.

In 2018, bonuses totalling TCZK 2,420 were paid to members of SŽDC's Management Board and committees (2017 – TCZK 2,338).

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

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

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

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

In 2018, total non-capital expenditures related to environment were approx. MCZK 497 (2017 – MCZK 398). Capital expenditures related to sound protection when modernising tracks were MCZK 121 (2017 – MCZK 21).

Other capital expenditures that primarily relate to the planned maintenance of buildings owned by SŽDC whose nature helps protect environment (by reducing electricity consumption, for example) were calculated at MCZK 145 in 2018 (2017 – MCZK 9).

6.2. Legal disputes

6.2.1. ČEZ Prodej, s. r. o.

In 2008, SŽDC entered into a contract for the supply of traction electricity for 2009 – 2011 with ČEZ Prodej, s. r. o. pursuant to a tender. Given the changed legislative conditions, SŽDC discontinued supplying traction electricity to carriers on 1 January 2010 and accordingly decreased the purchase from ČEZ Prodej, s. r. o. Even though SŽDC believes that it proceeded in accordance with the concluded contract, ČEZ Prodej, s. r. o. has filed an action to seek damages from SŽDC 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 and SŽDC was obliged to settle the damage claimed. The judgement of the High Court became legally effective on 22 May 2015. After the judgement became legally effective, SŽDC paid to ČEZ Prodej, s. r. o. TCZK 1,131,262 and at the same time appealed the judgement to the Supreme Court of the Czech Republic. With its judgement dated 10 August 2017, the Supreme Court of the Czech Republic cancelled the judgements of lower instance courts which resulted in disappearance of the legal title of the performance on part of SŽDC and unjust enrichment arose on part of ČEZ Prodej s. r. o. ČEZ Prodej s. r. o. refused to hand out this unjust enrichment to SŽDC and therefore SŽDC filed an action for the return of property obtained as a result of unjust enrichment to the District Court for Prague 4 on 17 October 2017. On 5 February 2019, the Prague 4 District Court issued a judgement fully upholding the action filed by the Company.

Concerning damage compensation equalling the difference between contracted and realised complementary sales for 2011, no court decision has been issued yet. As at 31 December 2018, SŽDC established a provision for default interest for 2018 of TCZK 36,570. As at 31 December 2018, the total provision for this legal dispute amounted to TCZK 752,583 (see 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. ("Grandi Stazioni") was transferred to SŽDC, which concerned the lease of the Prague Main Railway Station. This contract expired on 15 October 2016. Under the provisions of this contract, Grandi Stazioni calculated the value of leasehold improvements on assets performed during the lease term in the total amount of TCZK 776,503. Subsequently, SŽDC asked Grandi Stazioni to support this value with relevant documents. Based on the submitted documents SŽDC accepted the amount of TCZK 565,684 and in 2016 it paid this amount to the Grandi Stazioni's account. SŽDC refused to pay the amount of TCZK 210,819 and on 2 November 2016, Grandi Stazioni filed an action with the District Court for Prague for the payment of the above amount including appurtenances (contractual penalty of 0.5% daily from the outstanding amount and the statutory default interest). On 5 April 2019, the Prague 1 District Court issued a judgment dismissing Grandi Stazioni's action. A written copy of the judgment has not yet been made available. The Organisation's management does not consider the potential payment probable, therefore, no provision has been established.

On 31 July 2017, SŽDC received a letter from Grandi Stazioni where Grandi Stazioni applies its alleged claim to the settlement of TCZK 1,255,622 by SŽDC from the alleged title to damages from the pre-contractual responsibility under Section 1729 of Act No. 89/2012 Coll., the Civil Code. SŽDC responded to this letter by its letter dated 3 August 2017 in which it refused the existence of the alleged claim as well as the other allegations mentioned in the letter from Grandi Stazioni that are not true. On 14 August 2017, Grandi Stazioni filed an action in this case to the District Court for Prague 1. On 6 March 2018, the court officially delivered this action to the legal representative of SŽDC together with the related documents that were created in connection with solving the issue of admissibility of a part of the action on part of courts. The court ordered another trial to be held on 24 May 2019. The Organisation's management does not consider the potential payment probable, therefore, no provision has been established.

6.3. Property relations

SŽDC'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, SŽDC is overseeing the construction of railway transit corridors. The construction of the 1st Railway Corridor was completed in 2004 and the construction of the 2nd Railway Corridor was completed in 2007. Construction of the 3rd and 4th Railway Corridor is currently in progress.

Expenses that are projected to be incurred are as follows:

Balance at 31 December 2018	Construction work undertaken to date	The estimate of the remaining expenses	Total estimated expenses
	40 759 568	0	40 759 568
	39 016 291	0	39 016 291
	48 974 646	9 012 628	57 987 274
	25 111 664	11 351 479	36 463 143
Total	153 862 169	20 364 107	174 226 276

Implementation of the 3rd Transit Railway Corridor from the state border Mosty u Jablunkova – Dětmárovice – Přerov – Česká Třebová – Prague – Pilsen – Cheb, state border was approved by Government Resolution No. 575 of 5 June 2002.

Implementation of the 4th 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 completion of the 3rd and 4th Transit Railway Corridors in 2019 and the above total expected expenses were approved by Government Resolution No. 269.

7. Other information

7.1. Formation and incorporation of SŽDC

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

SŽDC assumed the assets comprising the railway infrastructure while ČD assumed the assets used to operate railway transportation and railway infrastructure. In addition, SŽDC 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, SŽDC took over assets of ČD, s. o. earmarked for the settlement of the payables of ČD, s. o. which had passed on to the Czech Ministry of Transport 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 SŽDC 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 SŽDC’s assets and liabilities.

7.2. Significant factors impacting SŽDC’s activities and operations

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

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

Pursuant to Resolution of the Government of the Czech Republic No. 486 from 22 June 2011 on the transfer of remaining rail operation activities (Rail Servicing) from ČD to SŽDC 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, a part of a facility, designated as “Railway Stations”, was transferred from ČD to SŽDC on 1 July 2016. The subject of the purchase were land, buildings, movable assets and other, together with sub-ledger accounts, inventories, receivables, liabilities and accruals/deferrals.

SŽDC 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 SŽDC’s activities is dependent upon subsidies from the state and/or other entities. For 2019, SŽDC has contractually ensured funding from the State Fund of Transport Infrastructure for investment and non-investment

activities of TCZK 42,053,961 (2018 – TCZK 42,403,822). SŽDC's management believes that these funds will enable SŽDC to provide services in the same extent as in 2018, accordingly, the financial statements have been prepared on a going concern basis.

7.3. Transactions with major customers ČD and ČD Cargo

Significant revenues generated by SŽDC from its relationship with České dráhy, a. s.:

	2017	2018
Revenues from using the railway infrastructure – passenger transport	1 823 864	1 786 278
Revenues from using the railway infrastructure – freight transport	34 960	5 713
Revenues from allocated railway infrastructure capacity	52 997	54 133
Revenues from electricity	1 399 636	1 435 218
Fire Service services	30 000	26 625
Telecommunication network operation services	57 037	56 856
Total	3 398 494	3 364 823

As at 31 December 2018, SŽDC recorded amounts due from and to České dráhy, a. s. at the net amount resulting in a receivable of TCZK 510,851 (2017 – TCZK 273,975). The amount that is reported in the balance sheet as part of trade receivables (including paid advances) from České dráhy, a. s. is TCZK 603,387 (2017 – TCZK 373,199). Trade payables including received prepayments amount to TCZK 92,536 (2017 – TCZK 99,224).

Revenues resulting from transactions carried out with ČD Cargo, a. s.:

	2017	2018
Revenues from using the railway infrastructure – freight transport	1 216 796	973 968
Revenues from allocated railway infrastructure capacity	26 274	29 059
Revenues from electricity	354	404
Fire Service services	9 900	9 900
Telecommunication network operation services	38 850	38 760
Total	1 292 174	1 052 091

As at 31 December 2018, SŽDC recorded amounts due from and to ČD Cargo, a. s. at the net amount resulting in a receivable of TCZK 318,094 (2017 – TCZK 419,535). The amount that is reported in the balance sheet as part of trade receivables from ČD Cargo, a. s. is TCZK 333,459 (2017 – TCZK 441,231). Trade payables including received prepayments amount to TCZK 15,365 (2017 – TCZK 21,696).

7.4. Privatisation

SŽDC records assets held for privatisation. These assets are separated in the accounting by an accounting circle – Assets for Remission of Debts (“MOZ”).

In 2018, SŽDC completed seven privatisation projects for assets within the MOZ accounting circle in the aggregate amount of TCZK 3,323 (2017 – TCZK 41).

Of the three privatisation projects, in 2018, SŽDC did not complete any projects related to the residential living fund or other assets not included in the residential living fund. Only projects related to the complete privatisation of land following the privatisation of the residential living fund have been realised.

As at 31 December 2018, SŽDC records 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 481,435. As at 31 December 2017, the net book value of these assets amounted to TCZK 486,034.

7.5. Sale of assets

7.5.1. Sale of redundant immovable assets – the Railway Infrastructure Assets circle

In 2018, revenues from the sales of immovable assets approved by the Czech Government within the Railway Infrastructure Assets circle totalled TCZK 58,477 (2017 – TCZK 48,852).

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

In 2018, no sale of assets was carried out within the Assets for Remission of Debts circle (2017 – TCZK 0).

7.6. Leased assets

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

As at 31 December 2018, SŽDC reports 71 contracts for the lease of apartments. Revenues from these leases were TCZK 2,213 (2017 – TCZK 2,147).

With respect to immovable assets not included in the residential living fund, SŽDC records 140 lease contracts with total revenues of TCZK 13,900 (2017 – TCZK 13,369).

Total revenues from the lease of real estate were TCZK 16,113 (2017 – TCZK 15,516).

7.6.2. Lease of assets kept within the Railway Infrastructure Assets circle

As at 31 December 2018, SŽDC reports 2,525 contracts for the lease of apartments. Revenues from these leases were TCZK 86,183 (2017 – TCZK 88,225).

With respect to other immovable assets not included in the residential living fund, SŽDC records 6,841 lease contracts with total revenues, including movable assets, of TCZK 450,284 (2017 – TCZK 442,281).

Total rental revenues were TCZK 536,467 (2017 – TCZK 530,506).

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. Cash and cash equivalents as at the year-end are as follows:

	Balance at 31 December 2017	Balance at 31 December 2018
Cash in hand	2 630	2 503
Cash at bank accounts	2 458 072	2 597 075
Total (balance sheet, line C.IV.)	2 460 702	2 599 578

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

In the cash flow statement, cash flows relating to interest payments included in the cost of fixed assets were recorded as part of investment activity, but not as a separate item. In 2018 these cash flows totalled TCZK 1,415 (2017 – TCZK 878).

8. Subsequent events

8.1. Changes in the bodies of SŽDC

At the meeting held on 11 January 2019, the Audit Committee appointed Mrs Eva Janoušková the chair of the committee.

Prague, 3 May 2019



Jiří Svoboda
Director General

Persons responsible for the annual report

Affirmation

We affirm that the information stated in the annual report for 2018 is accurate and that no material circumstances known to us that may affect the accurate and proper assessment of Správa železniční dopravní cesty, státní organizace have been omitted.



Jiří Svoboda
Director General



Aleš Krejčí
Deputy Director General for Economics

The closing date of the annual report is 3 May 2019.

Annual report on the provision of information

Správa železniční dopravní cesty, státní organizace
 Dlážděná 1003/7, 110 00 Prague 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 2018

File no. 3197/2019-SŽDC-GR-O25

In compliance with Section 18 of Act no. 106/1999 Coll., on Free Access to Information, as at 1 March 2019, we released the annual report for 2018 on the provision of information.

Requests made in accordance with the above Act are processed on behalf of SŽDC by authorised employees of the Headquarters - the Communication section (until 31 May 2018) and the Legal Activities Section (since 1 June 2018) in cooperation with all organisational units and expert departments of SŽDC, depending on the nature of the request.

a) Number of submitted requests for information	171
Number of issued decisions on dismissal Of the requests Or a part of the requests	28
b) Number of submitted appeals against the decisions	11

- c) Number of completed legal proceedings**
- d) Number of exclusive licences provided**
- e) Number of complaints submitted under Section 16a**

To note e) of the annual report

The complaints in respect of the processing of the requests for information were submitted:

- As a disapproval with the decision on the request in accordance with s. 6 of the Free Access to Information Act. Having reviewed the procedure adopted by the responsible entity, the superior body found no fault which would justify the complaint on the incorrect decision on the request filed by the responsible entity according to the Free Access to Information Act.
- Against the failure to act by the responsible entity in processing the request for information in accordance with s.16a (1b) of the Free Access to Information Act. The complaint, given the provably correct decision of the request and its sending to the appropriate address, was deemed unjustified.
- Against the failure to act by the responsible entity in processing the request for information in accordance with s.16a (1b) of the Free Access to Information Act. Having reviewed the complaint, a fault with the mail room of the responsible entity was established. The complaint was addressed within 7 days by issuing the decision on the request.

2 To note c) of the annual report

0 The judgements of the administrative courts in respect of actions challenging the decisions of the obliged entity's supreme authorities appealing their decisions to (partially) refuse to provide information.¹

- 8 As 19/2018
- 8 As 18/2018

The cost of the legal representation in court litigations amounted to CZK 0. Other cost related to the court litigations amounted to CZK 0.

Prague, 22 January 2019

Marcel Bařha
 Director of the Legal Activities Section

¹ Správa železniční dopravní cesty, státní organizace, publishes an annual report about the activities in respect of the provision of information in accordance with Act no. 106/1999 Coll., in a manner allowing for remote access. Accordingly, this Annual report comprises the decisions' number and links to the website of the Supreme Administrative Court.

List of abbreviations

BIM	– Building Information Modelling/ Management
C-ITS	– Co-operative Intelligent transport systems
CEA	– Civil Engineering Administration
CEF	– Connecting Europe Facility
CEN	– European Committee for Standardisation
CENELEC	– European Committee for Electrotechnical Standardization
CER	– Community of European Railway and Infrastructure Companies
CFT	– Contact-free track
ČD	– Czech Railways (České dráhy, a. s.)
ČD, s. o.	– Czech Railways (České dráhy, s. o.)
ERTMS	– European Rail Traffic Management System
ETCS	– European Train Control System
ETSI	– European Telecommunications Standards Institute
FRMCS	– Future Railway Mobile Communication System
GP	– geometric position
GSM-R	– Global System for Mobile Communication – Railway
IROP	– Integrated Regional Operational Programme
IRS	– International Railway Standards
KPI	– Key Performance Indicators
LRS	– Line radio system
MT	– Ministry of Transport of the Czech Republic
OCR	– Organisation for Cooperation between Railways
OPT2	– Operational Programme Transport (EU)
RFC	– Rail Freight Corridor
RI	– Rail infrastructure
RMA	– Repair and maintenance activities
RNE	– RailNetEurope
SFTI	– State Fund for Transport Infrastructure
SŽDC	– Správa železniční dopravní cesty, státní organizace
TCC	– Traffic Control Centre
TEN-T	– Trans-European Network – Transport
TSI	– Technical specification for Interoperability
UIC	– International Union of Railways

Identification and contact details

Organisation name:	Správa železniční dopravní cesty, státní organizace
Established by:	Czech Republic (represented by the Ministry of Transport of the Czech Republic)
Date of incorporation:	1 January 2003
Identification number:	70994234
Registration court:	Prague
Registered under:	section A, file 48384
Registered office:	Prague 1 – Nové Město, Dlážděná 1003/7, postcode 110 00
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