

Annual report

2016



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Správa železniční dopravní cesty

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FOREWORD



In 2016, Správa železniční dopravní cesty, státní organizace ("SŽDC") continued to successfully draw from the EU funds to enhance the quality of railroad infrastructure. In summer, the long-awaited transactions in which SŽDC, representing the state, acquired a part of České dráhy, a.s. ("ČD") assets, by which the management and operation of most railway stations was transferred under SŽDC.

In 2016, SŽDC drew CZK 18.6 billion of investment subsidies to modernise railway tracks, and received further CZK 3.31 billion for the acquisition of a part of ČD. Major projects from the 2007–2013 programming period were completed; and initial investment activities from the succeeding Operation Programme Transport 2 ("OPT2").

"We perceive 2016 as the year in which the drawing of EU funds from the OPT2 for the current programming period EU 2014–2020 as the successor of the previous Operation programme Transport ("OPT1") was successfully launched. CZK 8.4 billion invested is a very promising result at the beginning of the budgeting period. This has significantly contributed towards the fact that the Operation Programme Transport became of the operation programmes with the highest utilisation in the Czech Republic in 2016," says Pavel Surý, Director General of SŽDC. The aim is to keep this trend up and to avoid postponing the constructions and subsidy drawing into the final stage of the programming period.

The subsidies from OPT2 were used, among others, to complete the funding of the 2nd stage of the so-called phased projects, i.e. activities started from OPT1 and completed under the successor programme OPT2. In 2016, subsidies were also drawn for newly launched constructions,

such as the reconstruction of railway tracks 1 and 2 between Ostrov nad Oslavou – Žďár nad Sázavou, enhancement of speed in the Golčův Jeníkov – Čáslav track, modernisation of the Okříšky – Zastávka u Brna track and the modernisation of the between-the-station track sections Petříkov – Borovany (excl.) – České Budějovice (excl.).

"To a smaller extent, the funding of constructions from the new CEF (Connecting Europe Facility) subsidy programme providing EU subsidies into trans-European networks was also launched. At the end of 2016, SŽDC launched major investments, in particular in the III. Corridor, including the Beroun (incl.) – Králův Dvůr track optimisation and Pilsen junction, 2nd construction – reconstruction of the passenger station, including the Mikulášská bridges projects," adds Pavel Surý.

Besides the constructions, 2016 also included project preparations for major billion investments. The preparations for the reconstruction of the Negrelli's viaduct or the Prague-Hostivař – Prague main station track's optimisation were completed. The preparations of the project to build a railway connection between Velešlavín and the Václav Havel Airport were also launched. The modernisation of Prague – Kladno track with a connection to the Václav Havel Airport is a priority transport construction project of the Czech government and one of the most comprehensive infrastructure projects in the Czech Republic.

A long-awaited transaction of 2016 was the acquisition of a part of ČD, which concerned 1 569 buildings and 1.385 million square metres of land in nearly 950 passenger station localities. ČD sold these assets for CZK 3.3 billion. The transfer

of buildings also included the assignment of 316 employees. The transaction excluded the main station in Brno and Masaryk station in Prague.

The station buildings are often very dilapidated, since the original owner lacked funds to ensure the repairs necessary. SŽDC needs to put a lot of effort into the gradual reconstruction and modernisation of the station buildings. The plan and schedule of reconstruction works shall be prepared based on detailed analysis of the buildings' condition performed by the new owner and railway operator and once the needs and development intents of all railway station localities have been assessed. We expect the cost of repairs and investments to amount to billions of Czech crowns. The expert estimates say that the cost of all construction works shall amount to CZK 10 billion and they will be realised in the course of several years according to funds availability.

"Given the condition of the stations, the preparation and realisation of small repairs worth CZK 125 million in total was launched in 2016. These include in particular emergency works. Their realisation is the first example of SŽDC's long-term objective to bring the stations into good technical, operation and aesthetic condition. In general, the repairs included

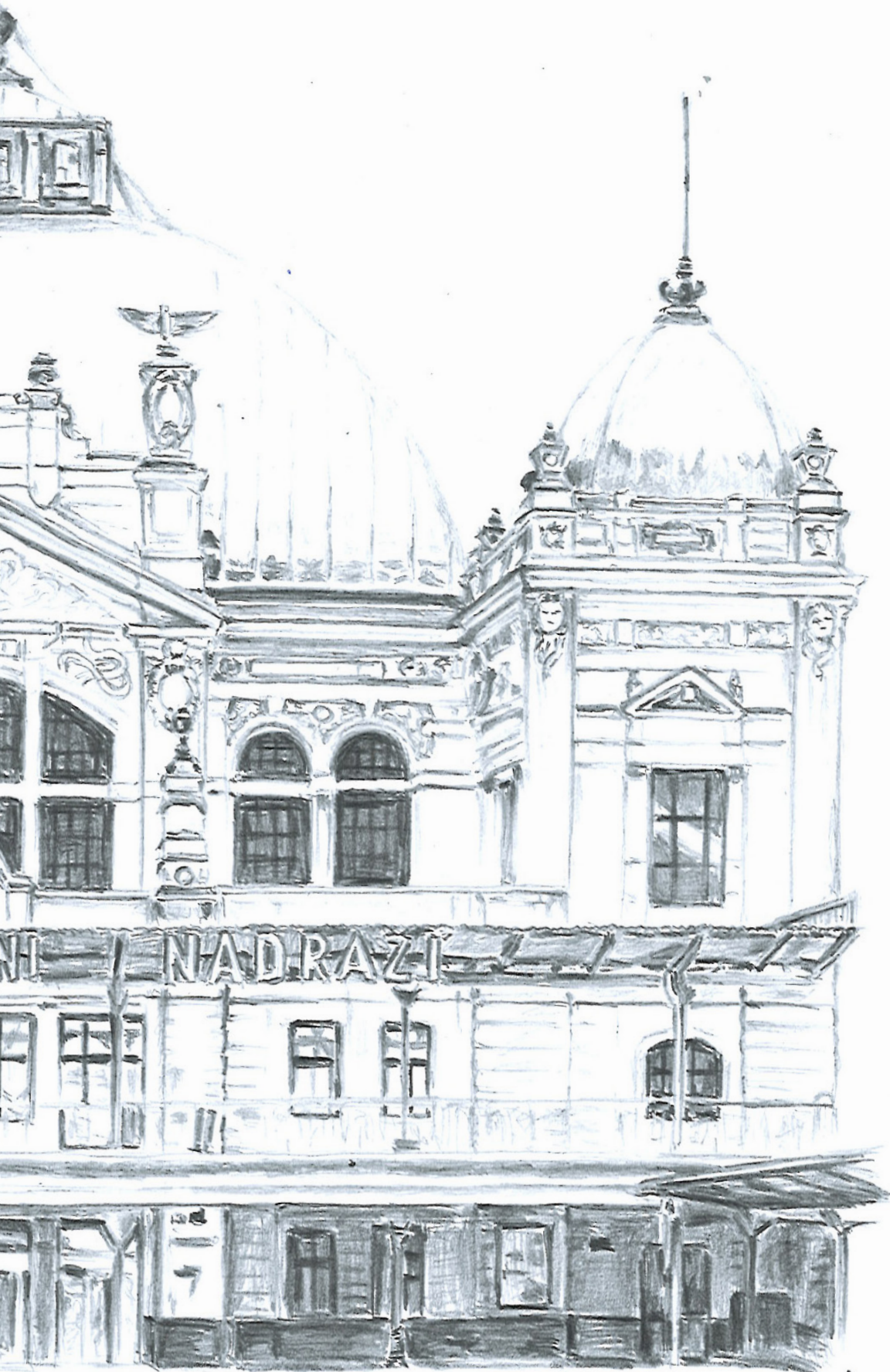
window and door replacement, repairs of roofs, covering and the facades. Passenger facilities, station halls and lavatories also underwent reconstruction. The repairs concerned a total of 161 station buildings," says Pavel Surý.

When planning, preparing and realising the constructions of the stations, intensive communication with the town council, regional government and carriers is necessary to ensure that the construction activities result in an enhancement of the quality of services provided to passengers. Besides repairing the station buildings, SŽDC also envisages their further possible use. Redundant space is offered authorities, public administration or self-administration bodies. The revitalisation of the station buildings should provide further possibilities to rent the remaining space to private entities.

"We could not have achieved these results without great effort, professional attitude and dedication of our employees. We would like to thank them all. From the point of view of investments and due the assignment of the management and operation of the station buildings, 2016 was a challenging year, yet everyone performed their tasks with a maximum responsibility," concludes Pavel Surý, Director General of SŽDC.

Plzeň hlavní nádraží





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ORGANISATION'S PROFILE

Basic information

WHO WE ARE

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

OUR 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, the Railway 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 ČD, a state organisation. The state organisation was incorporated without being founded; the Ministry of Transport of the Czech Republic is the establishing entity on behalf of the Czech Republic.

BUSINESS ACTIVITY

- Operation of the railway infrastructure;
- Ensuring the operability of the railway infrastructure;
- Maintenance and repairs of the railway infrastructure;
- Development and modernisation of the railway infrastructure;
- Preparation of documents to fulfil public service obligations;
- Supervision over the use of the railway 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 Czech Railways, a state organisation, that existed as at 31 December 2002.

LEGAL GROUNDS OF BUSINESS ACTIVITY

- SŽDC carries out its business activities in accordance with the Trades 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 8 June 2017)

Director General

Pavel Surý

(aged 58, graduated from the Jan Perner Transport Faculty at the University of Pardubice, holding the post since 1 June 2014)

Deputy Director General

Jiří Svoboda

(aged 47 year, graduated from the European Polytechnic Institute, s.r.o. in Kunovice, representing the Director General in his absence since 27 August 2016)

SŽDC MANAGEMENT (as at 8 June 2017)

Assistant Director General for Finance

Aleš Krejčí

(aged 57, graduated from the Faculty of Production and Economy of the University of Economics, Prague, holding the post since 1 June 2012)

Assistant Director General for Asset Management

Tomáš Drmola

(aged 54, graduated from the Universität Nürnberg and Institute for Industrial and Financial Management in Prague, holding the post since 1 November 2014)

Assistant Director General for Rail Modernisation

Mojmír Nejezchleb

(aged 54, graduated from the Faculty of Civil Engineering at the Brno University of Technology, holding the post since 1 July 2013)

Assistant Director General for Rail Operability

Jiří Svoboda

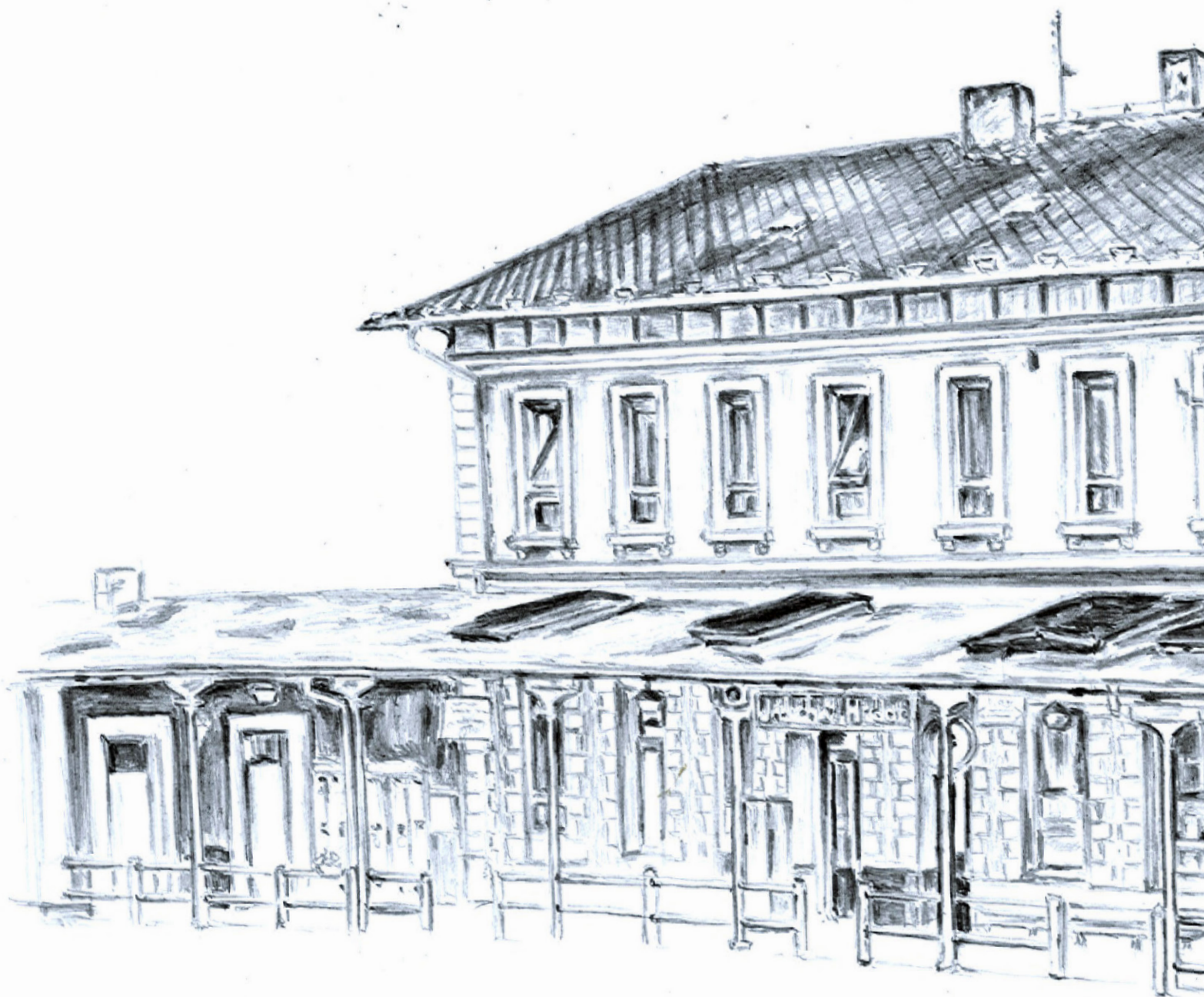
(aged 47 year, graduated from the European Polytechnic Institute, s.r.o. in Kunovice, holding the post since 1 July 2016)

Assistant Director General for Traffic Control

Josef Hendrych

(aged 63, graduated from the University of Transport in Žilina, holding the post since 1 August 2014)

Jindřichův Hradec





Corporate governance

STATUTORY BODY

The organisation's statutory body manages its activities and acts on its behalf. It makes decisions on all corporate matters unless they have been entrusted to the competence of the Management Board or the Ministry of Transport of the Czech Republic.

Director General

Pavel Surý

Deputy Director General

Jiří Svoboda

Changes in 2016 and 2017

Deputy Director General
until 26 August 2016 - Bohuslav Navrátil
since 27 August 2016 - Jiří Svoboda

SŽDC MANAGEMENT

As at 31 December 2016

Assistant Director General for Finance

Aleš Krejčí

As at 8 June 2017

Assistant Director General for Finance

Aleš Krejčí

Assistant Director General for Asset Management

Tomáš Drmola

Assistant Director General for Asset Management

Tomáš Drmola

Assistant Director General for Rail Modernisation

Mojmír Nejezchleb

Assistant Director General for Rail Modernisation

Mojmír Nejezchleb

Assistant Director General for Rail Operability

Jiří Svoboda

Assistant Director General for Rail Operability

Jiří Svoboda

Assistant Director General for Traffic Control

Josef Hendrych

Assistant Director General for Traffic Control

Josef Hendrych

Changes in 2016 and 2017

Members
until 30 June 2016 - Bohuslav Navrátil
since 1 July 2016 - Jiří Svoboda

MANAGEMENT BOARD

As at 31 December 2016

Chairman:

Vladimír Novotný

As at 8 June 2017

Chairman:

Vladimír Novotný

Vice-chairman:

Milan Feranec

Vice-chairman:

Milan Feranec

Changes in 2016 and 2017

No changes occurred in 2016 and 2017.

Members:

Tomáš Čoček
Jaroslav Foldyna
Václav Horák
Karel Korytář
Jan Volný

Members:

Tomáš Čoček
Jaroslav Foldyna
Václav Horák
Karel Korytář
Jan Volný

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

AUDIT COMMITTEE

As at 31 December 2016

Chairman:

Milan Feranec

Members:

Vladimír Novotný
Václav Horák
Eva Janoušková

As at 8 June 2017

Chairman:

Milan Feranec

Members:

Vladimír Novotný
Václav Horák
Eva Janoušková

Changes in 2016 and 2017**Members**

Since 1 January 2016 - Eva Janoušková

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.

STRATEGY AND DEVELOPMENT COMMITTEE

As at 31 December 2016

Chairman:

Václav Horák

Members:

Karel Korytář
Jan Volný

As at 8 June 2017

Chairman:

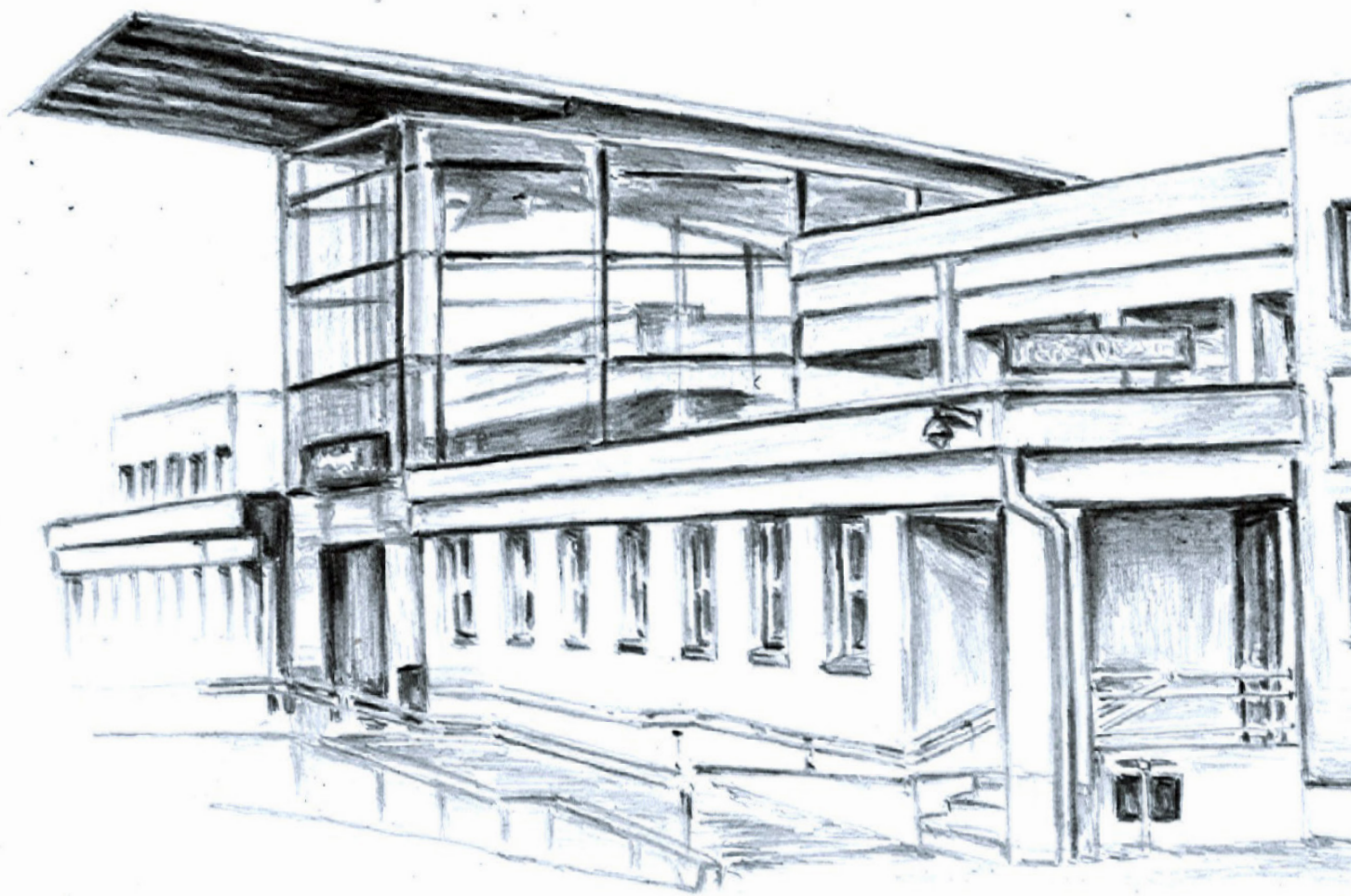
Václav Horák

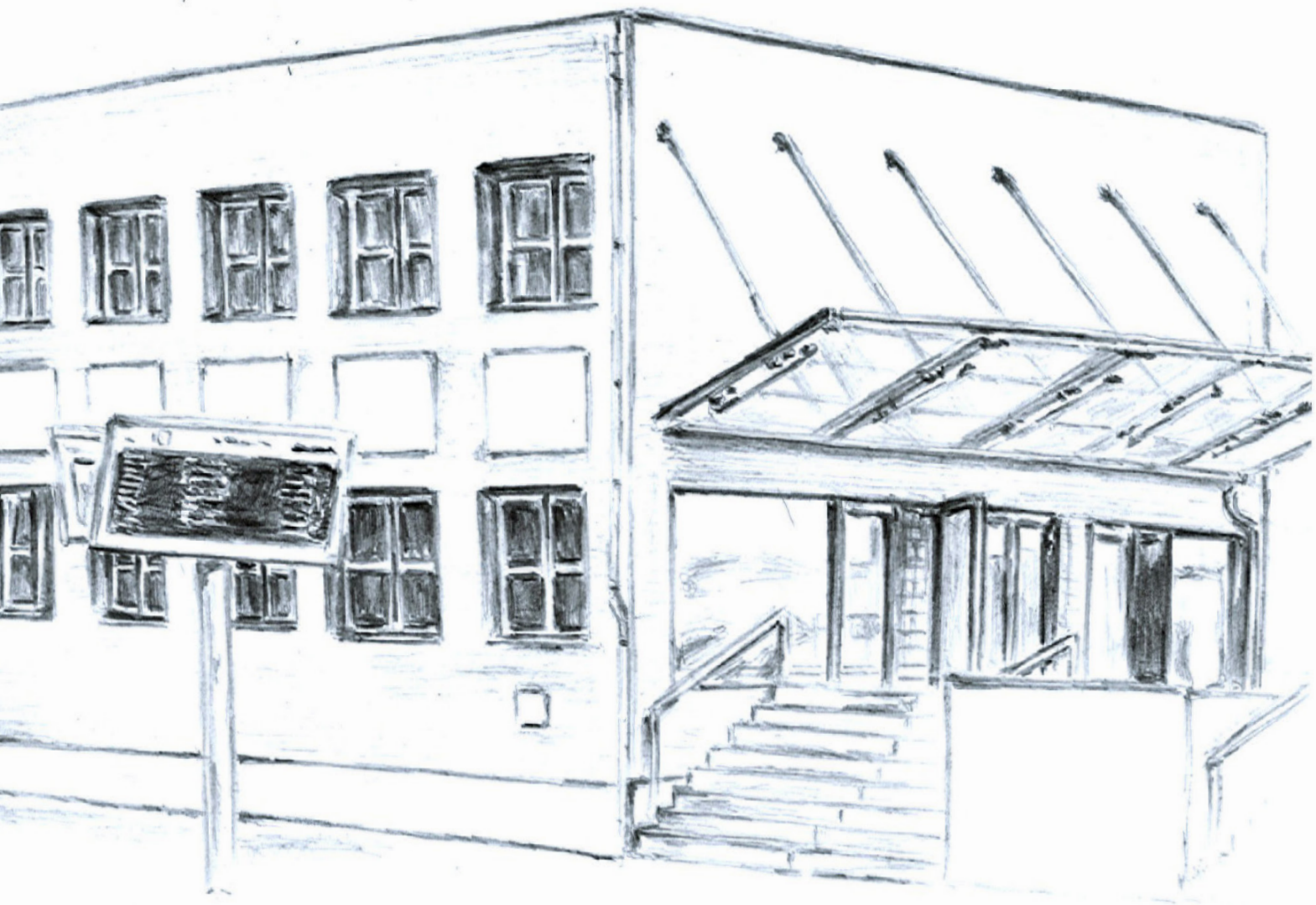
Members:

Karel Korytář
Jan Volný

The strategy and development committee issues standpoints or prepares position documents, primarily in respect of SŽDC's strategic materials, strategic proposals of the Ministry of Transport 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 EU and directives which directly influence SŽDC's activities, SŽDC's management system, SŽDC's organisational structure and its changes.

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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. To ensure the operability of railway infrastructure, we actively administer, inspect, maintain and repair the railway infrastructure.

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.

Increase of the market share of rail transport

One of the EU's objectives is to increase the market share of rail transport, namely to spread risks and ensure energy security. Our goal is the comprehensive development of the rail infrastructure, focusing on a gradual increase of capacity and speed by efficiently using EU funds available. We continue enhancing our positive customer approach and approach all carriers equally. The priority is to ensure that the services to carriers are provided to the extent prescribed by the EU legislation.

Preparations for the construction of high-speed rail system

In line with the document Transport Policy of the Czech Republic in the 2014-2020 period, SŽDC is in the final phase of the completion of the railway transit corridors and continues modernising railways on the main TEN-T network and railways that are part of the freight railway corridor network. The long-term goal is to prepare the construction of the high-speed

rail. In 2016, the territorial technical studies for individual variants of high-speed tracks and their incorporation into the landscape were completed. SŽDC seeks to ensure that the proposed routes are acceptable to the local self-government bodies to the maximum extent possible. At present, feasibility studies for the Prague – Dresden and Prague – Brno high-speed tracks are being drafted. These studies should serve as underlying material to the Czech Ministry of Transport and SŽDC for the strategic decision-making about the project implementation and its key parameters. The Prague – Dresden high-speed track shall connect the Czech Republic to the European high-speed system. The Prague – Brno high-speed track is the utmost priority from the national point of view since this is the core section not only on the national level but also for the entire CEE. The completion shall significantly improve most long-distance relation in both national and international rail transport.

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.

Optimisation of processes

We focus on internal process optimisation using modern management tools and are strengthening external and internal pro-client communication; we introduce new trends to the HR management concept. We would like SŽDC to be viewed as a reliable partner and an important and attractive employer possessing unique know-how.

Ústí nad Labem hlavní nádraží



ORGANISATION'S ACTIVITIES IN 2016

2016 HIGHLIGHTS

January

The Most – Chomutov and Liberec – Tanvald track sections as well as the “Posázavský Pacific” track from Prague to Čerčany with a branch to Dobříš were modernised.

February

The reconstruction of the track between Brno quarters Maloměřice and Královo Pole was completed. The amendments on the Liberec – Turnov track resulted in more comfortable passenger travelling.

The Central Traffic Control (“CTC”) in Prague – Balabenka launched the testing operation.

March

The Beroun – Rokycany track became the first remotely operated track by the CTC Prague.

The introduction of a new public holiday day on Great Friday, falling on 25 March in 2016, brought an extraordinary change of the railway time table.

April

In cooperation with the Czech Police, SŽDC launched the pilot project of the “Do you risk? You'll pay!” safety prevention programme in the Liberec region.

The reconstruction of the bridge over Elbe in the between-the-station section of the Lovosice – Litoměřice high station track was completed. Fluvial vessels were used to ensure the replacement.

May

The completion of the track reconstruction between Brno stations in Židenice and Maloměřice resulted in a faster and more comfortable passenger travelling.

June

The first tube of the Ejpvovice tunnel was drilled at the suburbs of Pilsen. The tunnel will be the longest tunnel of the Czech railways.

The works between Veselí nad Lužnicí and Horusice were completed and another section of the fourth corridor was fitted with a second rail.

July

Following the assignment of a part of ČD, SŽDC took over 1 569 station buildings.

The first tunnel in the South Bohemia on the modernised track section between Tábor and Sudoměřice u Tábora is in operation. The reconstruction of the Prague-Hostivař station on the same track was also completed.

August

The new bridge over one of the Thaya's courses in the cross-border section of the Břeclav – Hohenau track also became an architectonic curiosity.

The reconstruction of the traction supply facility in Most contributes towards safer operation of electric trains.

September

The modernisation of the last three-rail section of the Prague-Běchovice – Úvaly track was completed. The innovated graphic train movement visualisation system GRAPP was presented at the InnoTrans fair in Berlin.

October

Děčín became another host venue for the SŽDC's Student Cup.

A number of investment activities of SŽDC were completed, including the reconstruction of the Klatovy – Železná Ruda track, the Horáždovice předměstí station or the revitalisation of the tracks between České Budějovice and Volary.

November

The designer for the long-postponed construction of the railway track to the Prague airport was selected. The task is to design the section from Prague-Veleslavín to the airport.

Diagnostic devices for the monitoring of moving vehicles were installed at 42 locations.

December

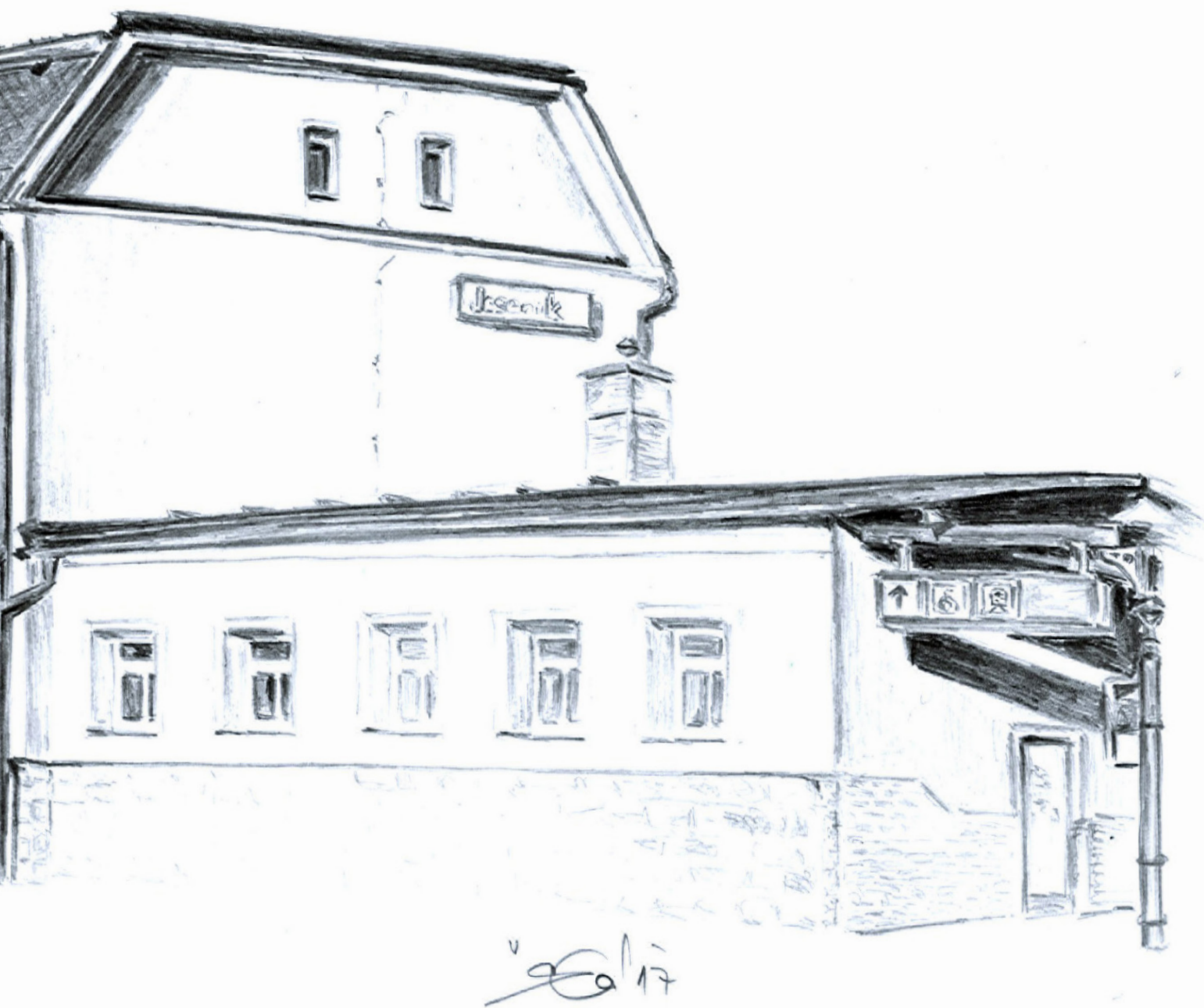
The construction of the facility for the remote control of operation between Jaroměř and Stará Paka was completed.

Track section anniversaries in the period from 1841 to 2016

Year	Event	Anniversary
1 May 1841	Břeclav – Staré Město u Uherského Hradiště – launch of the transport	175
1 Sept 1841	Staré Město u Uherského Hradiště – Hulín – Přerov – launch of the transport	175
17 Oct 1841	Olomouc Main Station – Přerov – launch of the transport	175
8 April 1851	Ústí nad Labem south – Děčín hlavní nádraží – Dolní Žleb – launch of the transport	165
30 June 1856	Brno lower station – turn-off Stará silnice – Střelice – Zastávka u Brna – launch of the transport	160
15 Oct 1861	Pilsen-Skvrňany – Domažlice – Česká Kubice státní hranice – launch of the transport	155
1 Jan 1871	Ostrava střed – Ostrava-Kunčice – Frýdlant nad Ostravicí – launch of the transport	145
8 Jan 1871	Český Těšín – Jablunkov state border – launch of the transport	145
25 Jan 1871	Jihlava – Havlíčkův Brod – launch of the transport	145
4 Feb 1871	Rakovník zastávka – Lužná – Žatec – Březno – Chomutov – launch of the transport	145
1 April 1871	České Budějovice – Kaplice – Rybník – launch of the transport	145
23 April 1871	Jihlava – Znojmo – launch of the transport	145
3 Sept 1871	Benešov u Prahy – Veselí nad Lužnicí – České Velenice – launch of the transport	145
20 Sept 1871	Pilsen Main Station – Klatovy – Nýrsko – launch of the transport	145
1 Oct 1871	Kunčice nad Labem – Vrchlabí – launch of the transport	145
1 Oct 1871	Zábřeh na Moravě – Bludov – Šumperk, Šumperk – Petrov nad Desnou – Sobotín – launch of the transport	145
5 Feb 1876	Starkoč – Václavice – launch of the transport	140
30 April 1876	Beroun – Rakovník – launch of the transport	140
1 June 1876	Sokolov – Kraslice předměstí – launch of the transport	140
6 Jan 1881	Čáslav – Žleby, Skovice – Vrdy – launch of the transport	135
18 August 1881	Kaštice – Krásný Dvůr – launch of the transport, currently operated only in the high season	135
10 Feb 1886	Česká Kamenice – Kamenický Šenov – launch of the transport, currently operated only in the high season	130
4 June 1886	Zastávka u Brna – Okříšky – launch of the transport	130
13 June 1886	Studenec – Velké Meziříčí staré nádraží – launch of the transport	130
10 July 1886	Litovel předměstí – Červenka – launch of the transport	130
20 November 1891	České Budějovice – Kájov – launch of the transport	125
25 July 1896	Štramberk – Veřovice – launch of the transport	120
15 Sept 1896	Svitavy – Polička – launch of the transport	120
31 Oct 1896	Mikulovice – Zlaté Hory – launch of the transport	120
9 Nov 1896	Moravské Budějovice – Jemnice – launch of the transport, currently operated only in the high season	120
9 May 1901	Chlumeck nad Cidlinou – Městec Králové – launch of the transport	115
30 Aug 1901	Zadní Třeboň – Lochovice – launch of the transport	115
1 June 1906	Lomnice nad Popelkou – Stará Paka – launch of the transport	110
15 Oct 1906	Doudleby nad Orlicí – Rokytnice v Orlických horách – launch of the transport	110
16 May 1926	Výhybna Prague-Vítkov – Prague-Libeň – launch of the transport	90

Jeseník





Operability of the railway infrastructure

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

SŽDC is responsible for the operability of the state-owned national and regional rail network, ensures the timely removal of defects in the operability of the railway infrastructure managed by SŽDC, records any restricting parameters of the RI, and promotes environmental protection as an integral and irreplaceable part of SŽDC's day-to-day activities. It also lays down principles to ensure the due technical condition, development and adjustments of railway infrastructure facilities and to approve the use of new products and equipment related to track administration, automation and electrical engineering.

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. Based on an analysis of outputs, they prepare repair and maintenance plans to fulfil all rail operator duties in this area.

One of the indicators of the operability of RI is the number of limited speed sections, aka "slow rides". For 2016, the limit for assessed slow rides in the whole network as at 31 December 2016 was set at 8 km. The actual length of assessed slow rides as at that date was 2.682 km. Assessed slow rides are those rides that have been introduced due to the unsuitable technical condition of the infrastructure and as a result of inadequate views at level crossings.

Table of selected activities

Indicator	Unit of measurement	Amount
GP modification – rails	km	1 509
GP modification – switches	s.u.	876
Track bed cleaning – rails	km	199
Track bed cleaning – switches	s.u.	339
CFT, welding – rails	km	436
CFT, welding – switches	s.u.	697
Replacement of rails	km	750
Replacement of railroad tiles	pcs	411 005

Basic description of railway network

Indicator	Unit of measurement	Amount
Total length of tracks	km	9 463
Length of electrified tracks	km	3 217
Length of standard-gauge tracks	km	9 440
Length of narrow-gauge tracks	km	23
Length of single-track lines	km	7 498
Length of double- and multiple-track lines	km	1 965
Total construction length of tracks	km	15 435
Number of switch units	s.u.	23 278
Bridges	pcs	6 779
Tunnels	pcs	164
Total length of bridges	m	153 670
Total length of tunnels	m	45 745
Level crossings	pcs	7 961

Expenses incurred on ensuring operability

SŽDC ensures the operability of the national and regional rail infrastructure, comprising the following sectors: railroad tracks (superstructure and substructure), rail substructures, bridges and tunnels, buildings and structures, electrical and energy equipment, and communication and signalling equipment under its management. To ensure operability, 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. The operability of the railway infrastructure is ensured using the budget of SFTI, which provides SŽDC with non-investment funds to finance the repair and maintenance of the state-owned national and regional networks. In 2016, the repairs of lines co-financed from OPT continued. They focused on superstructure replacement, improvement of security at level crossings, repairs of platforms and lighting at stations and stops, modifications to drainage and repairs of bridges and culverts. In 2016, the repairs were funded from advances received from OPT and the national funds of SFTI. The individual construction activities were gradually completed, including the documentation of the factual construction performances. The total expenses incurred in ensuring the operability of RI, excluding depreciation and including the allocation of centrally recorded expenses relating to the division of the Assistant Director General for Rail Operability, amounted to CZK 15 596 million in 2016.

Operating the railway infrastructure

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

In 2016, emphasis continued to be placed on accommodating carriers as much as possible when organising possession activities necessitated by the restoration, maintenance or modernisation of the railway infrastructure.

The scope of rail networks operated by SŽDC is currently stabilised at 9,463 km of track. 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 2016, SŽDC operates a total of 58 sidings. SŽDC also operates the regional line Sedlnice – Mošnov, Ostrava Airport owned by the Moravian-Silesian Region. In 2016, the regional lines Čížkovice – Obrnice and Dolní Bousov – Kopidlno were sold, but SŽDC remains their operator.

On 24 May 2016, the planned frequency switch of radio broadcasting in the 150 MHz range to 12.5 kHz frequency range in accordance with the regulation issued by Czech Telecommunication Office was performed and its operation was launched.

In respect of the national RI environment in the interoperable GSM-R system, the usage of system accessibility for the shunting mode, currently in the “point-point” mode, and the implementation of a single numbering of shunting among operational points using the preset 8, including the solution of this issue in the border-line regions in connection to legislation of the neighbouring countries, was launched on 1 June 2016. In addition, the results of the tender for the construction of the implementation of the General Stop function in the GSM-R CZ radio network were published on 6 September 2016. The completion date is set for September 2017. Moreover, SŽDC plans to further actively enhance the safety and the prevention of driving across the main level crossings with the signalling devices in the Stop mode using the General Stop function in the GSM-R network by incorporating the Notification of unpermitted driving across the level crossings with signalling devices similarly to the current operation mode in the TRS analogous radio network.

Applications support

The national server with electronic columnar time tables was launched as a crucial service for the carriers. At the same time, the routine operation of the on-line calling of the railway transport plan was launched.

The Central Traffic Control (CTC) Prague project

The construction of the CTC Prague building was completed within the approved time schedule. Its pilot operation was

launched in February 2016 and handed over to the user. At the same time, the employee training in a practice room started. In March 2016, the first section of the Beroun (excl.) – Rokycany (incl.) track was incorporated into the remote control system managed by the CTC Prague. In July 2016, the Česká Třebová (excl.) – Kolín (incl.) section was incorporated, with the exception of Pardubice main station and Brandýs nad Orlicí station which have not yet been modernised. In August 2016, the Prague-Uhřetěves (excl.) – Olbramovice (incl.) section was incorporated into the CTC Prague remote control system, followed by the Rokycany – Nezvěstice (excl.) section in October 2016. In the course of 4th quarter 2016, sections of the Kolín (excl.) – Kralupy nad Vltavou (excl.) track were incorporated into the CTC Prague remote control system, namely the Velim – Úvaly and Prague-Holešovice – Libčice nad Vltavou sections. The activation of traffic control rooms for remote control of the remaining part of this track was completed in April 2017 by connecting the stations Prague-Běchovice, Prague-Libeň and Prague - Masaryk station. At the end of 2017, the activation of traffic control rooms of the Pilsen (excl.) – Cheb (excl.) section for remote control from CTC Prague is scheduled.

CTC Přerov

In 2016, the reconstruction of the Olomouc main station was completed and its control was incorporated in the remote control system of Přerov (excl.) – Česká Třebová (excl.) track. In addition, the preparatory works for the reconstruction of the safety facility of the Veselí nad Moravou station and its incorporation in the remote control system of CTC Přerov. The underlying preparatory documentation for the Ostrava-Svinov – Petrovice u Karviné st. hr., Dětmorovice (excl.) – Mosty u Jablunkova st. hr. and the drawing of the preparatory documentation and the intent for the Modernisation and electrification of the Otrokovice – Vizovice track project and its incorporation into the remote control system of CTC Přerov CDP were also completed.

Expenses incurred in ensuring the operational control

The expenses incurred in ensuring the operational control of RI primarily include track operation activities ensured by the Regional Directorates and Central Traffic Controls, as well as centrally recorded expenses relating to the division of the Assistant Director General for Traffic Control. SŽDC employees perform the operational control of railway traffic, dispatcher's traffic control, operation of signalling installations and information systems for passengers, preparation of timetables, and path capacity allocation to carriers. In 2016, the expenses related to these activities are mainly covered by revenue from the use of RI and the capacity allocation and timetable preparation

from rail transport operators; contributions from the Czech Ministry of Transport for railway infrastructure not paid from SFTI. Total expenses incurred in ensuring the operational control of the railway infrastructure amounted to CZK 5 031 million in 2016.

Passenger station asset management

As at 24 June 2016, ČD as the seller and SŽDC as the buyer signed the purchase contract on the transfer for consideration of a part of Železniční stanice ('Railway stations') worth CZK 3.3 billion. In accordance with the above contract, SŽDC ensures the operation of approximately 950 passenger stations and hundreds of operation and technology facilities as of 1 July 2016. The deal also included the transfer of 316 employees from ČD to SŽDC. These employees were assigned to the passenger station management and construction departments by the SŽDC's directorate generate and to six regional passenger station management departments (Prague, Pilsen, Ústí nad Labem, Brno, Olomouc and Hradec Králové). The transaction excluded the main station in Brno and Masaryk station in Prague. The acquired part of the Railway stations company was fully integrated into the SŽDC structures as at 31 December 2016.

Most of the station buildings assigned under the SŽDC's administration require some reconstruction work. Certain station buildings only need to be repaired, other need to undergo a reconstruction or modernisation. According to the initial preliminary estimates, the construction works should cost more than CZK 10 billion. The schedule of the refurbishment and reconstruction of passenger stations shall reflect the availability of funds and engineering and construction capacities in the particular year.

In the second half of 2016, the repairs of passenger station buildings in selected railway stations were launched. The first wave consisted of the emergency repairs, window and door replacement, repairs of roofs, covering and the facades. The passenger facilities such as waiting rooms, station halls and toilets were also reconstructed. The repairs concerned 161 station buildings and included dozens of small repairs. The total expenditures incurred on the reconstructions and repairs amounted to CZK 125 million.

In 2017 SŽDC plans to invest approximately CZK 480 million into repairs (140 individual constructions) and CZK 123 million into reconstructions (8 individual constructions). Another CZK 127 million shall be incurred on the preparation of 57 individual constructions (project documentation) to be carried out in

subsequent years. Further construction works on passenger stations will be included in large transport investment projects (modernisation of corridors, reconstruction of railway junctions) which fall under the responsibility of SŽDC construction administration departments.

The individual reconstructions (investment projects) launched in 2017 concern the passenger station in Turnov, Přeřov, Lipník nad Bečvou, Břeclav, Kuřim, Sokolov and Hradec Králové main station. The reconstruction of the building of the Náchod station is underway and should be completed in 2017.

Besides the reconstruction of the passenger station buildings, SŽDC also looks into their prospective use. Besides repairing the station buildings, SŽDC also envisages their further possible use. Redundant space is offered authorities, public administration or self-administration bodies. Such revitalisation of the station buildings should provide further possibilities to rent the remaining space to private entities for commercial rent.

The long-term objective of SŽDC in respect of the take-over of the part of the Railway station company is to bring the stations and stops into technical, operation and aesthetic condition which meets the requirements of the modern transport in 21st century.

Modernisation and development of the railway infrastructure

In terms of modernising and developing the railway 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 into the European railway system;
- ensuring the interoperability of selected lines;
- investment in the railway infrastructure to support the development of suburban transport and integrated transport systems;
- 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 – Přeřov – 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 – Děřmarovice – Ostrava – Přeřov – Česká Třebová – Prague – Pilsen – Cheb, the Czech/German state border. The Česká Třebová – Prague track section was completed as part of the First Corridor, and the Přeřov – Děřmarovice track section as part of the Second Corridor. The following table contains the incomplete track sections of the Third Corridor, which are in ongoing or design preparation stages.

Overview of works at the Third Corridor

Project	Length km	Stage of completion	Timeframe	
			start	end
Modernisation of the Rokycany – Pilsen track section	20.2	ongoing	7/2013	1/2019
Optimisation of the Beroun – Králův Dvůr track section	4.9	ongoing	11/2016	6/2019
Optimisation of the Český Těšín – Děřmarovice track section	20.9	in preparation	2017	2019
Optimisation of the Prague Smíchov – Černošice track section	8.8	in preparation	2018	2020
Optimisation of the Černošice – Berounka track section	5.9	in preparation	2020	2025
Optimisation of the Berounka – Karlštejn track section	15.5	in preparation	2020	2025
Optimisation of the Karlštejn – Beroun track section	5.7	in preparation	2020	2025

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

Overview of works at the Fourth Corridor

Project	Length km	Stage of completion	Timeframe	
			start	end
Modernisation of the Nemanice I – Ševětín track section, first construction, ETCS adjustments, part 1	22.2	in preparation	2019	2020
Modernisation of the Nemanice I – Ševětín track section, first construction, ETCS adjustments, part 2	4.3	in preparation	2018	2019
Modernisation of the Veselí n. L. – Tábor track section, part II, Veselí n. L. – Doubí u Tábora track section, stage 2 Soběslav – Doubí	8.6	in preparation	2018	2021
Modernisation of the Sodoměřice – Votice track section	17.0	in preparation	2017	2021

Modernisation of railway junctions

In connection with the modernisation of corridor lines, significant railway junctions are being modernised in their track sections. Thoroughfares through the railway junctions of Děčín, Ústí nad Labem, Kolín, Choceň, Ústí nad Orlicí, Břeclav, Přerov (first construction project) and Bohumín have been completed. The projects related to the construction of thoroughfares through the junctions of Pilsen and Olomouc are ongoing. The Prague-Běchovice – Prague-Libeň and Prague-Holešovice – Prague-Bubeneč track 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. In 2017, the construction in the Prague Hostivař – Prague Vršovice track section will be launched, which should ensure the admission of the Fourth Corridor to the Prague junction. In addition, 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, Pilsen, Přerov, Ostrava, Pardubice and Česká Třebová.

Modernisation of other lines integrated into the European railway system

The reconstruction and modernisation of individual sections of the Kolín – Havlíčkův Brod – Křižanov – Brno track. Certain sections have already been completed. The modernisation of the sections Lysá nad Labem – Čelákovice – Prague Vysočany; Kolín – Nymburk – Všetaty – Ústí nad Labem – Děčín and Pilsen – Domažlice tracks is being prepared. The constructions on the Ústí nad Labem – Most – Cheb and České Budějovice – Pilsen tracks sections are also being prepared. The project preparations

for the construction of new sections on the Ústí nad Orlicí – Choceň and Brno – Přerov tracks are also underway.

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 signalling equipment. Following the completion of the GSM-R digital radio system at the First Corridor's Břeclav – Česká Třebová – Prague – Děčín section and at the Second Corridor's Břeclav – Přerov – Petrovice u Karviné section, the GSM-R in the track sections Mosty u Jablunkova – Ostrava, Přerov – Česká Třebová, Kolín – Všetaty – Děčín, Beroun – Prague – Benešov and Benešov – Votice and Kolín – Havlíčkův Brod – Křižanov – Brno was completed. Installation of the GSM-R is underway in the track sections Beroun – Pilsen – Cheb and Ústí nad Orlicí – Lichkov, and other track sections are under preparation.

After the completion of the ETCS (European Train Control System) pilot project in the Poříčany – Kolín track section, installation of the ETCS is now underway in the track section Kolín – Břeclav – Austrian/Slovak state border and Petrovice u Karviné – Ostrava – Přerov – Břeclav. The track sections Kralupy nad Vltavou – Prague – Kolín and Přerov – Česká Třebová are next, and other track sections are to follow.

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

In order to enhance the quality of suburban transport in the Prague junction, the modernisation, electrification and installation of second rails on the Prague – Kladno track

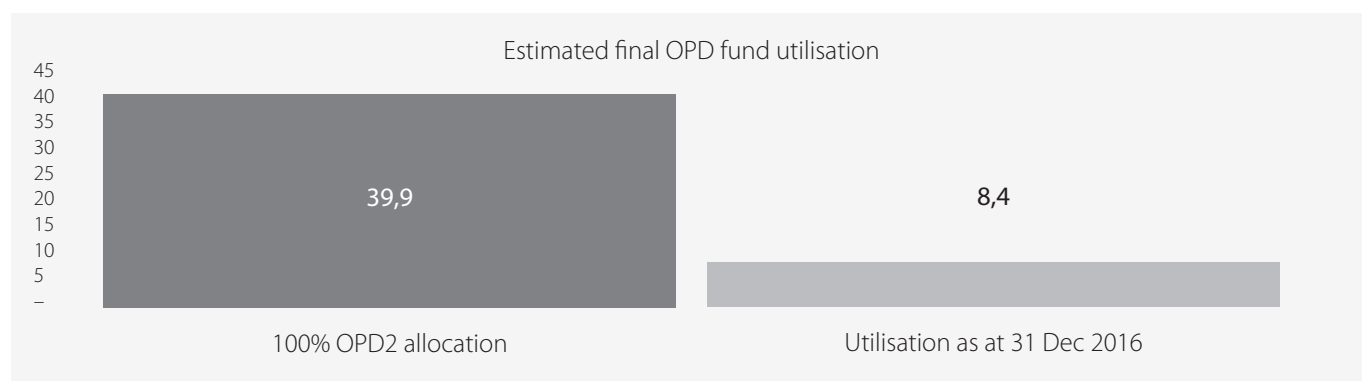
with a connection to the Václav Havel Airport in Ruzyně. The modernisation is subdivided into several separate construction projects. The first project - the reconstruction of the Negrelli's viaduct – is to be launched in 2017. The reconstruction of the section Prague Smíchov – Hostivice which should enhance this track's throughput, is to be launched simultaneously. The revitalisation of the Prague – Vrané nad Vltavou track was 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 track section, including its electrification; and the modernisation of the Hradec Králové – Pardubice track section (the second rails in

the Stéblová – Opatovice nad Labem track section have already been installed).

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

In 2016, SŽDC successfully launched the drawing of EU subsidies from the new programming period 2014–2020 (OPT2). The subsidies from OPT2 were, among other things, used to finance the 2nd stage of the phased projects, i.e. the projects launched from OPT1 subsidies and completed from the follow-up programme OPT2. Many projects funded solely from the OPT2 were also launched. The total OPT2 subsidy allocation for the entire programming period (to be drawn until 2023) amounts approximately (according to the current exchange rate) CZK 39.9 billion. In the first year, a total of CZK 8.4 billion were utilised.

Total utilisation of subsidies from OPT2 2014–2020 (in billions of CZK)



Investment grants

Investment grants received for 2016 (in CZK million)

Investment grant	Amount
SFTI for construction and modernisation, nat. share, OPT, CEF, subsidy of the Czech Ministry of Transport	18 404
EU funds (pre-financing)	157
Czech Ministry of Transport for the purchase of long-term assets	31
Contributions from cities, municipalities, regions and other entities	1
Total investment grants	18 593
Subsidies of Czech Ministry of Transport for the purchase of a part of ČD	3 310
Investment grants incl. the purchase of a part of ČD	21 903

Subsidies from SFTI for the construction and modernisation include funds from OPT, the CEF fund and subsidies from SFTI and the Czech Ministry of Transport).

Funding for the investment projects came mostly from the public sources. In 2016, the most significant investment subsidies were the national funds provided through the SFTI budget. In addition, the newly utilised EU subsidies, in particular OPT2 for the current programming period 2014-2020, and to a smaller extent also subsidies from the CEF infrastructure fund were used to fund the construction and modernisation of RI. Some subsidies were also provided retrospectively from the OPT1 (2007-2013 programming period) 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 8 613 million) accounted for the largest share of funding. The investment activity of SŽDC was also significantly funded from the OPT2 within the 2014–2020 programming period (CZK 8 426 million). Other sources of funding included the subsidies from the Czech Ministry of Transport, OPT1, CEF and rarely also small contributions from regions, cities and municipalities.

The volume of investment subsidies received in 2016 for the preparation and implementation of investment projects relating to the railway infrastructure totalled CZK 18 593 million. The total volume of investment subsidies received in 2016, including the amount of CZK 3 310 million from the Czech Ministry of Transport for the settlement of the acquisition of a part of ČD totalled to CZK 21 903 million.

Further development

In 2016, the utilisation of subsidies from OPT2 and CEF within the new 2014-2020 programming period was successfully launched. In 2017 and subsequent years, the Organisation plans to continue utilising these subsidies to complement the national subsidies, and expects to utilise smaller EU subsidies (e.g. Operation Programme Environment 2).

Compared to 2016, when funds drawn from OPT2 contributed significantly towards the continuous funding of the so-called phased constructions, which were launched before 2016 using subsidies from OPT1 and subsequent works performed in 2016 were funded from OPT2, the share of projects funded solely from OPT2 is expected to climb in 2017 and 2018. Since major investment projects have been diligently prepared for

OPT2, co-financing from other EU sources is not expected.

CEF (Connecting Europe Facility)

Within the CEF programme, it will be only possible to finance projects on the main European rail network (Core network). Apart from modernising lines, funds will also be directed at modernising selected junctions and ETCS implementation constructions. The European Commission (EC) is to decide in 2017 whether to include other construction projects submitted by SŽDC into this European subsidy programmed under the third call. At present, EC has already approved all projects submitted by SŽDC under the first call and second call. In 2017, the volume of CEF invested funds should dramatically increase compared to 2016 due to the commencement of the works on several major constructions.

The projects with the highest utilisation of CEF subsidies in 2017:

- Pilsen junction, 2nd construction – refurbishment of passenger station, including the Mikulášská bridges;
- Optimisation of the Beroun (incl.) – Králův Dvůr track;
- Reconstruction of the Negrelli's viaduct;
- ETCS Petrovice u Karviné – Ostrava – Přerov – Břeclav

The modernisation of the railway 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 railway 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 subsystem.

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 support 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.

Utilisation of the railway infrastructure by carriers

In 2016, 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 railway infrastructure increased to 96. However, this does not mean that all the carriers use the railway infrastructure regularly throughout the year. Certain carriers only operate seasonally, occasionally or ad hoc. The average number of carriers using the infrastructure was 65 carriers per month.

In passenger transport, the total volume of outputs increased steeply compared to 2015, train-kilometres (trkm) 2.7% and gross tonne-kilometres (gtkm) by 3.4%. This increase was reported in particular by the national carrier ČD, the share of which on total output in trkm on the SŽDC's infrastructure

totals 94.43%, or 91.22% of gtkm. However, other carriers also reported an increase of outputs in passenger transport, in particular RegioJet a.s. and LEO Express a.s., and to a smaller extent also Die Länderbahn GmbH.

In freight transport, the total outputs increased slightly by 1.1% of trkm. The outputs of other carriers, excluding ČD Cargo, a.s., increased by 7.2%, with their share on the total outputs increasing by 1.14%. Nonetheless, ČD Cargo, a.s. with 63.98% share remains the leading freight carrier. The outputs increased in particular by the following carriers IDS CARGO a.s., METRANS Rail s.r.o. and PKP CARGO S.A. As regards the gtkm, the outputs are comparable to the 2015 figures, and a slight decrease of ČD Cargo, a.s. outputs is compensated by other carriers. SŽDC offers the carriers special price tariffs (discounts) which act as a major incentive towards the use of the railway freight transport. This includes in particular special price tariff K for combined transport freight trains and special price tariff J for freight trains carrying individual train consignments.

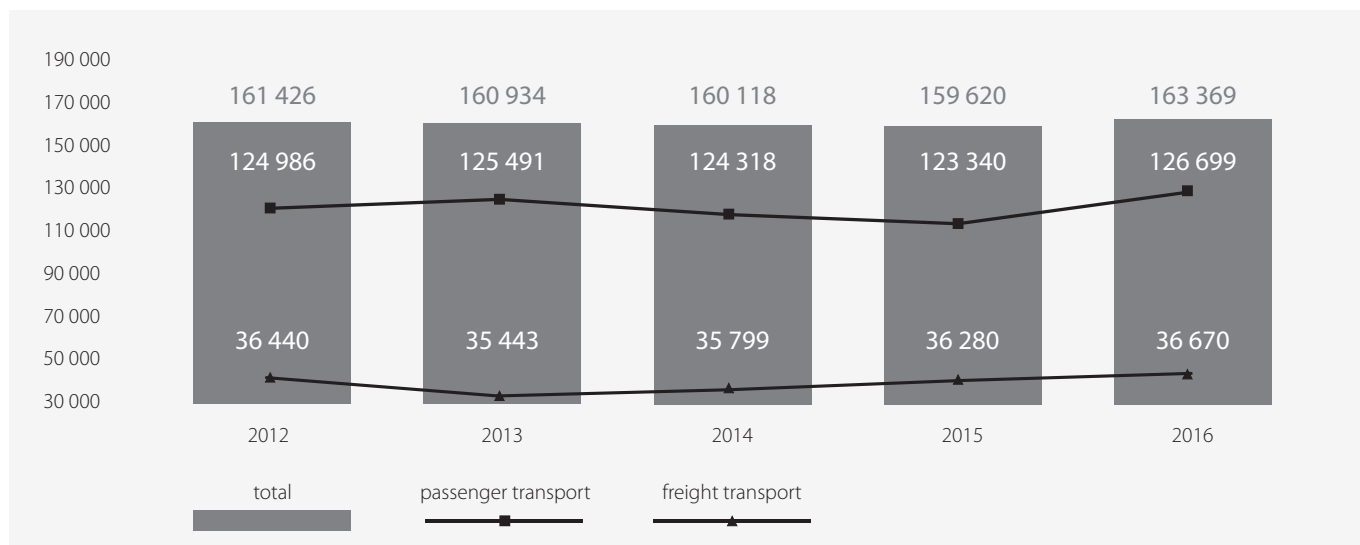
Percentage share of carriers on passenger transport output (comparison of 2015 and 2016)

Carrier/indicator, year	trkm 2015	gtkm 2015	trkm 2016	gtkm 2016
České dráhy, a.s.	95,01	92,68	94,43	91,22
RegioJet a.s.	2,17	5,44	2,49	6,77
LEO Express a.s.	1,87	1,60	1,90	1,61
Die Länderbahn GmbH DLB	0,38	0,14	0,38	0,15
GW Train Regio a.s.	0,35	0,08	0,36	0,08
Other carriers	0,22	0,06	0,44	0,17

Percentage share of carriers on freight transport output (comparison of 2015 and 2016)

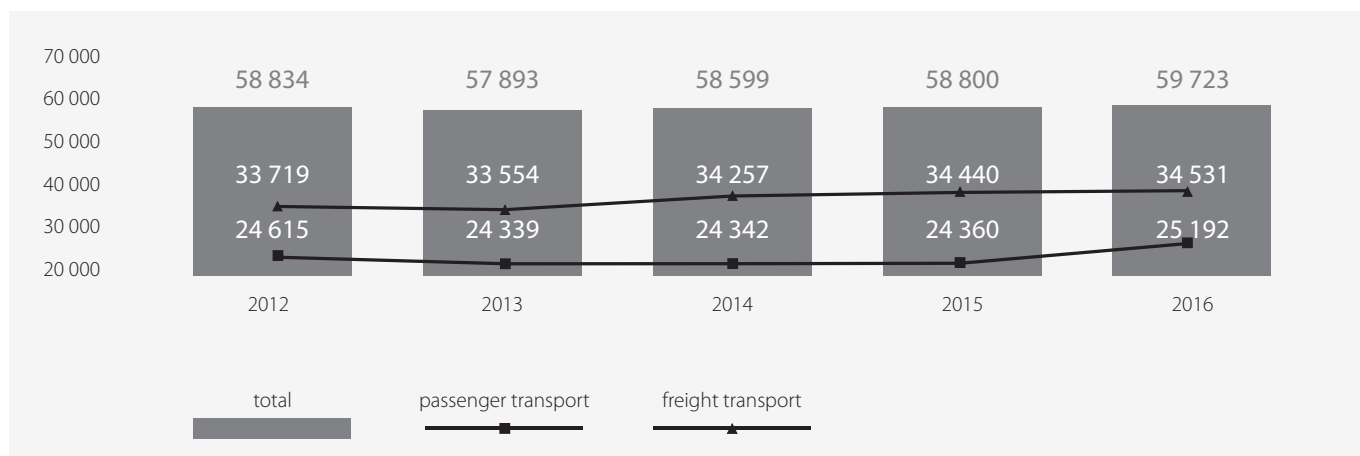
Carrier/indicator, year	trkm 2015	gtkm 2015	trkm 2016	gtkm 2016
ČD Cargo, a. s.	65,12	66,52	63,98	64,81
Advanced World Transport a.s.	7,57	9,21	7,65	8,99
METRANS Rail s.r.o.	3,90	6,14	4,69	6,96
UNIPETROL DOPRAVA, s.r.o.	3,55	4,21	3,41	3,73
IDS CARGO a.s.	2,64	2,58	3,38	3,38
Rail Cargo Carrier – Czech Republic s.r.o.	1,63	2,33	1,59	2,22
SD – Kolejová doprava a.s.	1,45	1,95	1,51	2,06
LTE Logistik a Transport Czechia s.r.o.	1,11	1,71	0,90	1,25
PKP CARGO SPÓŁKA AKCYJNA	0,71	0,89	0,90	1,11
BF Logistics s.r.o.	0,82	0,98	0,86	1,14
Other carriers	11,50	3,48	11,13	4,35

Output of carriers on network operated by SŽDC (thousands of trkm)



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

Output of carriers on network operated by SŽDC (millions of gtkm)



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.

Number of carriers (as at 31 December of each respective year):

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of carriers	53	56	53	62	68	75	79	84	89	94	96

By allocating railway infrastructure capacity, SŽDC ensures that the carriers' requirements relating to train lines are satisfied for the period of entire year as well as for individual cases. The flexible response of SŽDC supports economic assurance of our customers and helps to cultivate the business environment.

Number of track sections in timetables according to category (irrespective of carrier)

Indicator	2015	2016
Passenger trains	8 063	8 308
Limited-stop trains	362	379
Express trains	446	426
Higher-quality trains (EC, EN, Ex, IC, LE, SC, railjet, RegioJet, Arriva express)	171	199
Express freight trains	306	314
Through freight trains	696	623
Slow goods and work-siding trains	767	765
Trainsets	550	575
Locomotive trains	472	428
SŽDC's catalogue (offer) routes	1 925	1 923
TOTAL	13 758	13 940

A total of 13 940 trains in 2016 is an increase by 182 trains compared to 2015.

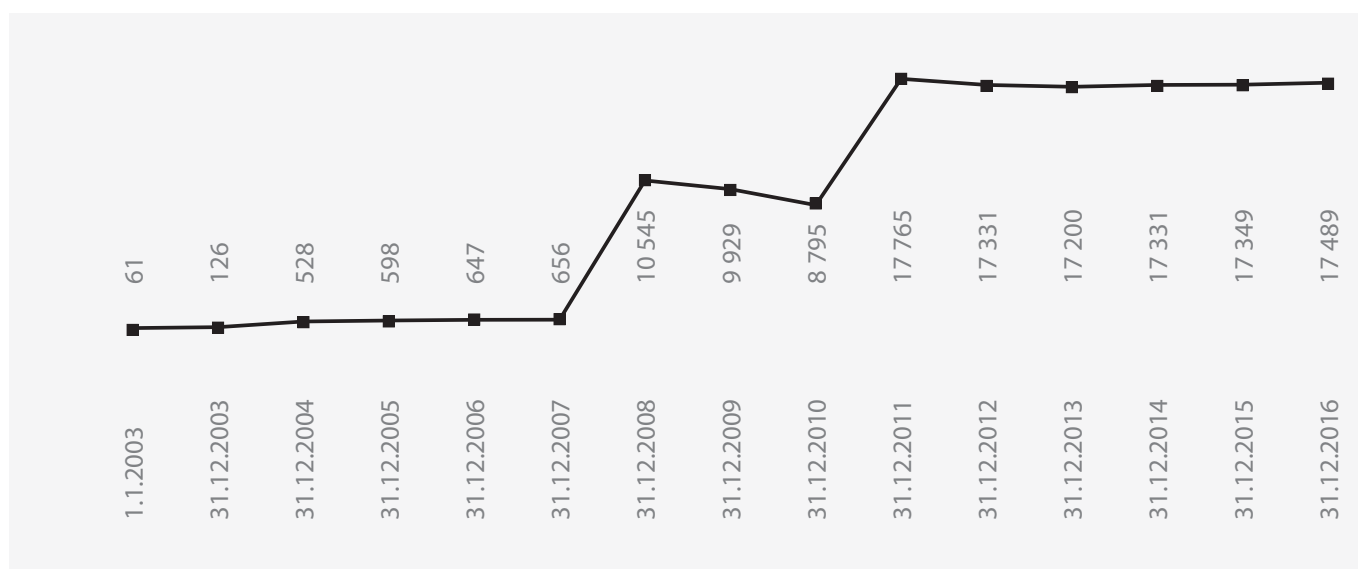
Human resources

Employees

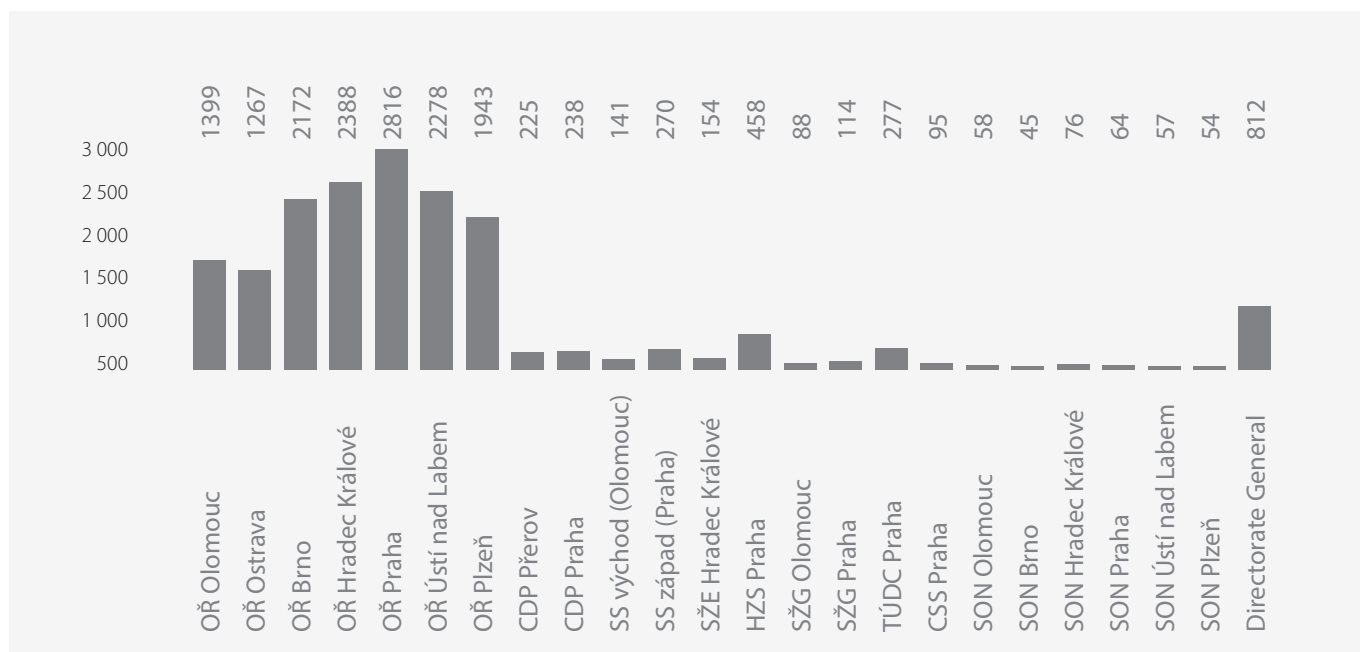
As at 1 January 2016, SŽDC had 17 292 employees working in 186 professions across its 18 organisational units, which operate in the individual regions of the Czech Republic. Following the decision of the government of the Czech Republic, with effect from 1 July 2016, a part of the organisational unit of ČD designated as Železniční stanice ('Railway stations') was transferred from ČD to SŽDC. Subsequently, the SŽDC's organisational structure changed, and as of 1 September 2016, six new organisational units passenger station asset management were established.

Since its inception 13 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.

Number of SŽDC's employees from 2003 to 2016



Number of employees by organisational unit at 31 December 2016

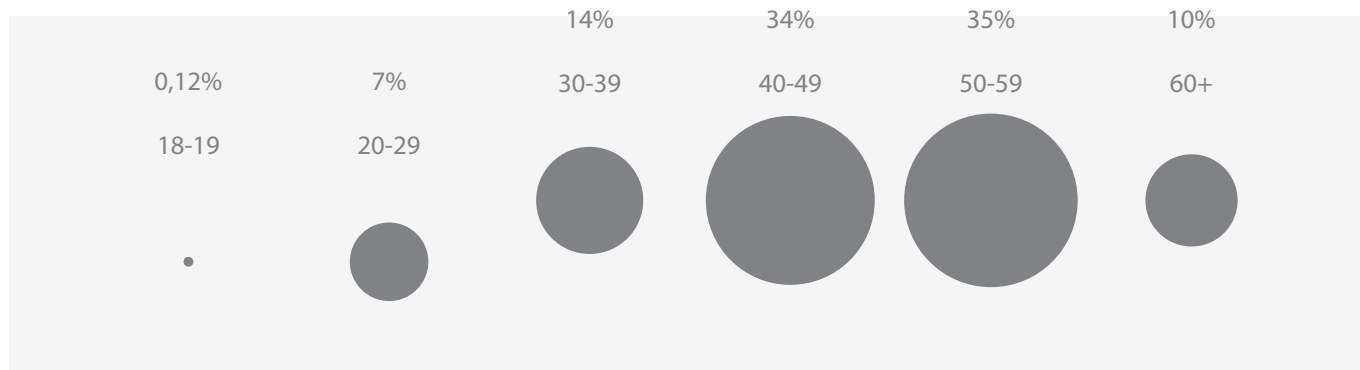


Based on the decision of the Management Board of 5 September 2014, the recruitment of 469 employees was carried out in the first quarter of 2016 in order to achieve the optimal number of operational staff in technical administration centres. In order to achieve the goals established in the area of investment projects, project preparation and also on the grounds of fulfilling the thematic preliminary conditions of OPT2 (the 2014-2020 programming period), the staff numbers in the rail modernisation division also increased. However, at the same time, the process of

rationalisation and optimisation connected with putting the investment projects into operation continued, resulting in the decrease of the number of operational employees in traffic control by 312 (i.e. by 3.7%). 230 employees were paid severance payments during 2016.

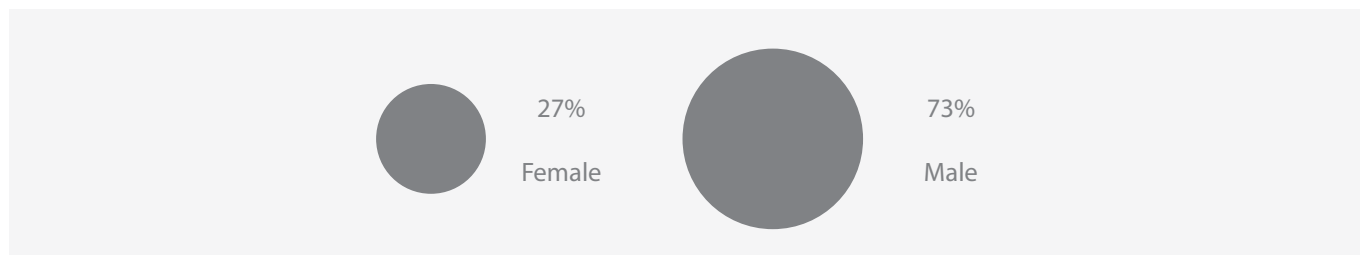
In 2016, the average recalculated number of full-time employees amounted to 17 325.11 (year-on-year increase by 13.7 employees, i.e. by 0.08%).

Age structure of employees as at 31 December 2016



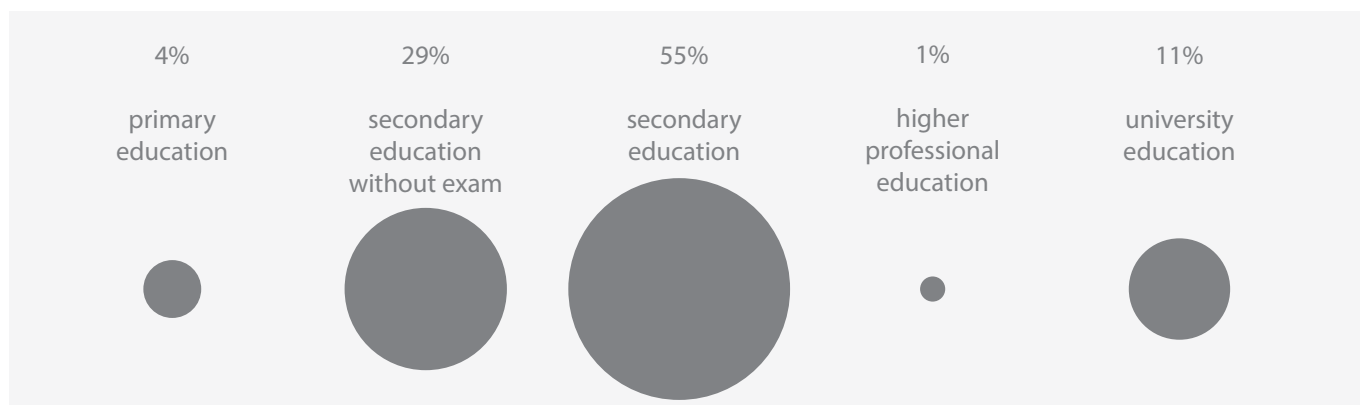
The age structure of employees did not change significantly year-on-year. As at 31 December 2016, the average age of SŽDC's employees was 47.59 years (year-on-year increase by 0.3%).

Gender structure of employees as at 31 December 2016



Rail transport is a male-dominated industry. This is confirmed by the prevailing share of male employees, which was 73% as at 31 December 2016.

Employee structure by educational attainment as at 31 December 2016



In comparison with 2015, the structure of SŽDC employees by educational attainment did not change significantly in 2016.

Remuneration and employee benefits

The remuneration policy and the extent of employee benefits provided were negotiated in SŽDC's Collective Agreement for the 2016-2017 period. A uniform payroll system continued to be applied. The tariff and motivational wage component was increased and new rules were set for certain bonuses. In 2016, 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 2016. 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. A total of 2 365 employees performing selected professions determined to be exhausting attended a reconditioning treatment programme at one of the four designated spa facilities (Jeseník Priessnitz Spa, Niva Luhačovice Spa, Lúčky 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 provide funds for meal vouchers and cultural and sports activities, including participation in international railway events and regional and national qualifiers. Employees and their family members could also use employer-contributed holiday packages.

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 2016, nine trade union organisations – both multi-profession organisations as well as organisations representing a single profession – continued to operate at SŽDC. During 2016, 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 18 October 2016,

collective bargaining in respect of the 1st amendment of the SŽDC's Collective Agreement for the 2016–2017 was held, which was signed on 21 December 2016.

Training

The main training objective was to consolidate technical training for rail maintenance and repair and traffic control staff. On 3 October 2016, Act no. 319 from 6 September 2016, amending Act no. 266/1994 Coll., on Rail systems, was published. Subsequently, intensive works on the 3rd amendment of the SŽDC's Zam 1 guideline started. The amendment should become effective as at the same date as the Act. In addition, the in-house psychological centre in Česká Třebová was used to full capacity, as psychological evaluation is a necessary requirement for the most demanding traffic control jobs, operation of railway transport and for fire department staff. Monitoring activity focused on the provision of employee training and the professional skills of lecturers. Employee trainings were also provided. SŽDC maintained and further developed its cooperation with selected high schools and universities, primarily the support of recruitment from these schools.

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 services to SŽDC.

Occupational safety and health

Health and safety activities primarily focused on eliminating the deficiencies detected during inspections or ordinary activities as well as on updating the classification of jobs and requirements for occupational medical check-ups.

In 2016 we recorded a total of 483 work injuries, including three fatal injuries. 8 work injuries required hospitalisation for more than five days, 154 work injuries were classified as other work injuries with subsequent sick leave longer than three calendar days, 2 injuries were included in other work injuries

with subsequent sick leave of up to three calendar days; and 316 injuries were classified as other work injuries without a subsequent sick leave.

International cooperation

In terms of international cooperation, SŽDC continued to support and promote the interests of the Czech railway infrastructure with the aim of it being efficiently incorporated into the key European backbone networks. As a result and in accordance with the objectives of the pan-European transport policy, SŽDC offers a reliable alternative to overloaded roads passenger and, most importantly, freight transport. The incorporation of Czech paths into the main European routes is a necessary condition for the development of Czech railways and for their future co-funding from EU funds. SŽDC, as a railway infrastructure manager, must provide all European carriers with a high-quality, reliable, fast and safe railway infrastructure that is interoperable from an international point of view. Meeting this objective is conditional on intensive Europe-wide cooperation across all levels of management.

In 2016, SŽDC continued to negotiate effectively with its international partners, both bilaterally, or 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. Framework contracts on infrastructure interconnection and cross-border agreements with Polish and Slovak railways were amended. 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 were also held. Moreover, negotiations between the Czech Republic, Germany and Poland in respect of the privileged track section between the border stations Hrádek nad Nisou – Zittau leading through 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, SŽDC continuously to actively participate in the bodies of the four national rail freight corridors. The corridors concerned are:

Baltic–Adriatic (RFC 5), Orient (RFC 7), North Sea – Baltic (RFC 8) and Czech-Slovak (RFC 9) corridor which by 2020 should be integrated into the Rhine – Danube corridor. 2016 was the first year of operation of all nine corridors defined in the Regulation.

International railway organisations:

UIC - International Union of Railways. SŽDC continues to strive for harmonising the technical standards for railways, which has been the main role of UIC since its inception. SŽDC experts actively participated in various working groups and particular projects, primarily within the Rail System Forum. In 2016, we succeeded in incorporating SŽDC's comments and influencing both new and revised guidelines. Sharing of experience related to railway superstructure and substructure, artificial structures, communication and signalling equipment, energy systems, electric traction and environment also continued. SŽDC also took part in projects realised within the framework of the UIC Environment Forum. The issues of rising crime levels (primarily metal theft), secure operation on railway and migration waves were the topics of various negotiations within the UIC's Security Forum in which SŽDC participated actively. Cyber securities issues also became a priority.

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, rail traffic management (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 (IMs) and allocation bodies. All RFC became members in 2016. In 2016, the organisation continued to provide support to carriers with respect to their cross-border activities and on improving the efficiency of processes of IMs and RFC, primarily by further harmonising the conditions for cross-border rail transport, 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 2016, the senior management of SŽDC attended the conference of directors general, one of highest statutory sessions of the intergovernmental institution for the first time in history. The experts of SŽDC continued to participate in the activity of OCR's Commission V – Infrastructure and Rolling Stock, in particular in working groups dealing with railway superstructure (catalogue of rail defects), substructure and track diagnostics.

NATO - North Atlantic Treaty Organisation. SŽDC was actively involved in the work of NATO's Civil Emergency Planning Committee, specifically in the work of the Planning Board for Inland Surface Transport. One of the key objectives of the group is to ensure support to NATO military personnel by the host country and to coordinate military personnel deployment to individual NATO missions.

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.

Uherský Brod





FINANCIAL PERFORMANCE

Financial performance of SŽDC

An accounting loss of CZK 2 100 million was generated for the 2016 accounting period. It is primarily a result of accounting depreciation and revenue from the remission of SŽDC's liabilities ("debt remission"). Both items are only accounting transactions, not affecting the balance of income and expenses. The amount of depreciation charged exceeds the amount of debt remission in 2016 and it will exceed this amount also in the following years.

The financial indicator EBITDA reached a positive amount of CZK 1 672 million. EBITDA represents the difference between the SŽDC's revenues and expenses, which does not include taxation, interest, depreciation and amortisation.

SŽDC's financial performance for 2016 was primarily influenced by the following items:

(in millions of CZK)

Financial Performance of SŽDC	2016
Revenue from use of RI	4 100
Revenue from allocated RI capacity	107
Subsidies from SFTI for repairs and maintenance of national and regional tracks	12 752
Subsidies from SFTI for repairs and maintenance of the passenger station premises	346
Subsidies from SFTI for the operation of RI	2 778
Subsidies from SFTI co-financed from OPT	3 296
Subsidies for RI not covered by SFTI	548
Other subsidies	326
SŽDC debt remission as per Czech Government Resolution No. 1553 from 2005	1 337
Purchase and sale of energy and distribution services	328
Materials, energy consumption and services	-12 928
Personnel expenses	-9 234
Accounting depreciation	-4 144
Other operating revenues and expenses	-2 078
Operating profit/loss	-2 466
Interest income	0
Interest expense	-127
Exchange rate differences	-1
Other financial revenues and expenses	-5
Profit/loss from financial operations	-133
Profit/loss before tax	-2 599
Deferred tax	-499
Profit/loss after tax for the year	-2 100
EBITDA	1 672

Revenue from use of RI represents payments for track access by carriers. In 2016, this was a significant source of income for SŽDC, used to cover expenses related to rail network maintenance and railway transport organisation

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 tracks constitute revenue and are used to cover expenses relating to the operability of RI. Based on a contract, SFTI provides non-investment funds to finance repairs and maintenance of national and regional tracks 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). The premises of railway passenger stations are primarily meant for organising, ensuring and managing railway transport and to satisfy transport needs and provide services related to the transport of passengers and objects.

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.

Subsidies from SFTI co-financed from OPT were used in 2016 to complete the projects which until the end of 2015 had been co-financed from the OPT1 funds. A portion of the subsidies was covered by advances paid 2015 as eligible expense.

Subsidies for RI not paid from SFTI comprise contributions provided by the Czech Ministry of Transport to cover expenses relating to railway operation which are not covered by SŽDC's other income and for which SFTI subsidies cannot be used.

Other subsidies primarily comprise purpose-built subsidies from the Czech Ministry of Transport to cover the trains substituted by the carrier with bus transport for the interrupted public railway transport as a result of planned railway operation interruptions.

In addition, other subsidies include subsidies from OPT (technical aid – wage reimbursement – EU Funds Section), operation related subsidies from SFTI for the studies and subsidies from SFTI for civil engineering administration for small non-investment expenses.

A significant item with a substantial effect on SŽDC's revenues is the **revenue resulting from the remission of SŽDC's liabilities** ("debt remission"). Among others, the liabilities of Czech Railways, a state organisation, resulting from loan agreements for funding corridors have been transferred to SŽDC at its incorporation. The Ministry of Finance of the Czech Republic has been paying back these liabilities to banks based on state guarantees provided to ČD, s. o. In 2005, as a result of negotiations between SŽDC, the Ministry of Transport of the Czech Republic and the Ministry of Finance of the Czech Republic, Czech Government Resolution No.1553 dated 30 November 2005 was adopted, which resolved this situation through the accounting remission of SŽDC's debt. The debt remission is implemented on a contractual basis with the Ministry of Finance of the Czech Republic and represents a non-cash revenue item only, i.e. with no entitlement to additional state budget funds.

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 railway infrastructure, passenger station asset management, and expenses incurred in connection with repairs and maintenance provided by external suppliers. Expenses also included non-investment expenses incurred on projects paid from the SFTI subsidy co-financed from OPT.

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 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 railway 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 2016. The loans taken over from the former state organisation ČD, s. o. are now denominated only in euro.

The 2016 result also comprises the change in deferred tax liability of CZK 499 million. The individual items of the deferred tax are described in the notes to the financial statements.

Financial outlook for 2017

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 railway infrastructure, repairs and maintenance of passenger stations and the pricing policy applied to the use of the railway infrastructure. 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 railway infrastructure enabling reliable and safe passenger and freight rail transport, and to ensure that the stations into good technical, operation and aesthetic condition, thus meeting the standards of modern transport.

Risk management

The main objective of SŽDC's risk management system is to mitigate, to the full extent possible, any negative impact of risks on meeting the organisation's plans and objectives and on the organisation's financial performance.

At SŽDC, risk management is a continuous, systematic and methodical activity organised by the organisation's management in conjunction with the Internal Audit Department as part of the internal control system. The process includes mapping all potential risks, assessing the materiality of risks based on the probability of their occurrence and potential impact, adopting a set of measures to eliminate or minimise risks or to mitigate their adverse effects, and monitoring the implementation and effectiveness of such measures. To help minimise risks, internal policies have been set up and their observance is monitored as part of management controls and internal audits.

Operational risk

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 are organised. Risk management also involves developing

and constantly maintaining a system of internal policies that define the requirements for the individual components of the railway infrastructure as well as the correct procedures for performing work related to RI. In addition, regular inspections and measurements are carried out to assess the technical condition of the railway infrastructure.

In the event of accidents, the cause and circumstances of their occurrence are 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 risk

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 and ensuring the operability of RI are financed almost exclusively 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 2016 comprised the continuous monitoring of cash flows and the utilisation of the appropriate volume of suitable loan products.

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. Given the low interest rates that are prevailing and expected, the interest rate risk from the non-guaranteed loan denominated in Czech crowns is not currently hedged.

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 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 functioning anti-virus protection, limitation of individual users' access rights and creating backup data are used. At present the implementation of individual provisions of Act No. 181/2014 Coll., on Cyber Security is being prepared. The Committee for the Cyber Security Management was set up, and the Safety Policy for the information security management has been drafted and adopted, with effect as 10 November 2016.

HR risks

SŽDC's interests regarding the requirements on future employees have been secured through cooperation with secondary (high) schools and universities, 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 Czech Ministry of Transport.

Anti-corruption measures

In 2014, SŽDC issued the Employee Code of Conduct and the Internal Anti-Corruption Programme. These documents and the rules and procedures specified in them not only serve as a preventive tool but also ensure a prompt and effective response to suspected corruption while eliminating or mitigating related risks to which SŽDC is exposed as part of its activities. At the same time, a system of regular annual assessment of the efficiency of the Internal Anti-Corruption Programme and its updating was implemented.

Telč





CORPORATE SOCIAL 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 2016, SŽDC continued and developed its cooperation with selected technical and business secondary schools and universities, whose graduates may find employment with SŽDC in the future. This cooperation gives students 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, define topics for students' theses, and attend professional conferences organised by partner schools. For more information on SŽDC's cooperation with schools, including a list of cooperating schools and student events, visit www.szdc.cz/studenti.

Student programme 'Nádražák'

As a part of the efforts to support the professional education and the recruiting at SŽDC's contractual schools, the 'Nádražák' student programme was launched. 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

In 2016, the long-term joint project of ČD, SŽDC, the Police of the Czech Republic and ČD Cargo project titled 'Train

of prevention' stopped in seven localities. The project aims at primary and secondary school students, raising their awareness of the main risks of inappropriate railway and train behaviour. The programme includes the projection of prevention safety spot 'To nedáš!' and a discussion with professionals dealing with the railway accidents. A special train of prevention visited the following stations: Ostrava-Svinov, Opava východ, Otrokovice, Hostivice, Benešov, Prague-Bubny and Brno main station.

Student Cup

In 2016, the fourth year of the project, which focuses mainly on 8th and 9th grade primary school pupils, was organised in three cities, namely in Prague, Brno and Děčín. 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.

Student conference

SŽDC held the second 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 latest news in rail transport and familiarise students with job opportunities at SŽDC and other partner organisations. Professional lectures were supplemented with discussions that students could join actively via a web interface.

The SŽDC Team

In 2016, 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 (Moje železnice) can also be found here.

Environment

The aim of SŽDC is to fulfil statutory and other requirements in respect of environment and public health protection – in the context of the environmentally friendly and sustainable mobility embodied by the railway transport. The SŽDC's priorities include the maintenance of the vegetation along the tracks, waste management and noise emission management.

As regards the vegetation along the track sections, SŽDC continued in the commenced trend of eliminating potentially dangerous trees, which could, primarily in case of falls, threaten the safety of rail transport and impede traffic. These usually include non-indigenous species of low environmental and aesthetical value. SŽDC considers vital that in recent years, the adverse trend of the woody species falling onto the rails and disrupting the railway traffic has been mitigated.

As regards waste management, the volume of waste produced changed dramatically in 2016 as a result of the acquisition of the part of ČD. As of 1 July 2016, SŽDC took over most of the waste bins for the separation of waste produced by the passengers in the stations and stops from ČD. These waste bins were purchased in 2015 as a part of the project supported by the Czech Ministry of the Environment in an effort to effectively utilise the funds from the technical assistance of the Operational Programme Environment 2007–2013.

A major milestone was the implementation of innovative noise protection at the hump in Prague-Libeň. Following the modernisation of the hump yard and the installation of the special noise protection facilities and low and standard anti-noise screens, the noise emissions of the passing freight trains through the stationary rail brakes was reduced substantially. The inhabitants in the neighbourhood perceive this fact positively. Besides the substantial enhancement of the technical parameters of the hump itself, this contribution towards environment protection establishes a benchmark for the assessment of the overall efficiency of similar projects.

Mariánské Lázně





FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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This document is an unsigned 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 Organization"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2016, 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 Organization is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organization as at 31 December 2016, 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 Organization in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – 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 Správa železniční dopravní cesty, státní organizace as of 1 January 2003. As further stated in notes 3.14 and 4.12.2 to the financial statements, the long-term payables to banks are paid by the Ministry of Finance according to instalment plans. Once settled, they are transferred to long-term payables to the state and are subject to debt remission. Net financial income from the operations of the Organization 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, in which the government determined the manner of waiver of the payables of the Organization until the moment of their redemption. In 2016, payables totalling CZK 1.66 billion were waived and this amount was recorded as part of other operating revenues. Our opinion is not modified in respect of this matter.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The 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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for the oversight of the Organization'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:

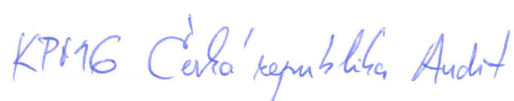
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Company'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 Company'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 Company 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 2016, based on which this independent auditor's report has been prepared.

Prague
8 June 2017



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



Karel Charvát
Partner
Registration number 2032

Jindřichův Hradec





FINANCIAL STATEMENTS

BALANCE SHEET

BALANCE SHEET in full format

as at 31 December 2016
(in thousands of Czech crowns)

Identification number: 70994234

Name and regist. office of the Company

Správa železniční dopravní cesty, státní organizace
Dlážděná 1003/7
110 00, Praha 1 – Nové Město
Czech Republic

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
a	b	c	1	2	3	4
	TOTAL ASSETS	1	182 417 478	-109 670 932	72 746 546	72 341 103
B.	Fixed assets	2	176 055 470	-109 072 970	66 982 500	66 897 651
B.I.	Intangible fixed assets	3	797 588	- 616 940	180 648	198 979
B.I.2.	Intellectual property rights	4	790 637	- 612 284	178 353	189 965
B.I.2.1.	Software	5	790 637	- 612 284	178 353	189 965
B.I.4.	Other intangible fixed assets	6	5 032	- 4 656	376	1 126
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	7	1 919		1 919	7 888
B.I.5.1.	Advance payments for intangible fixed assets	8	446		446	446
B.I.5.2.	Intangible fixed assets under construction	9	1 473		1 473	7 442
B.II.	Tangible fixed assets	10	175 257 882	-108 456 030	66 801 852	66 698 672
B.II.1.	Land and buildings	11	143 883 405	-88 147 312	55 736 093	54 622 322
B.II.1.1.	Land	12	6 813 045	- 24 397	6 788 648	6 553 454
B.II.1.2.	Buildings	13	137 070 360	-88 122 915	48 947 445	48 068 868
B.II.2.	Plant and equipment	14	20 116 611	-15 588 876	4 527 735	4 944 787
B.II.3.	Adjustments to acquired fixed assets	15	8 435 517	-4 656 763	3 778 754	4 261 872
B.II.4.	Other tangible fixed assets	16	2 033	- 329	1 704	1 374
B.II.4.3.	Other tangible fixed assets	17	2 033	- 329	1 704	1 374
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	18	2 820 316	- 62 750	2 757 566	2 868 317
B.II.5.1.	Advance payments for tangible fixed assets	19	341 552		341 552	1 280 756
B.II.5.2.	Tangible fixed assets under construction	20	2 478 764	- 62 750	2 416 014	1 587 561

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
a	b	c	1	2	3	4
C.	Current assets	21	6 272 227	- 597 962	5 674 265	5 160 321
C.I.	Inventories	22	427 180	- 15 817	411 363	715 045
C.I.1.	Raw materials	23	426 881	- 15 817	411 064	714 581
C.I.2.	Work-in-progress and semi-finished products	24	222		222	217
C.I.3.	Finished goods and goods for resale	25	4		4	5
C.I.3.2.	Goods for resale	26	4		4	5
C.I.5.	Advance payments for inventories	27	73		73	242
C.II.	Receivables	28	2 644 734	- 582 145	2 062 589	3 650 008
C.II.1.	Long-term receivables	29	183 527		183 527	281 651
C.II.1.1.	Trade receivables	30	181 642		181 642	279 603
C.II.1.5.	Receivables - other	31	1 885		1 885	2 048
C.II.1.5.2.	Long-term advances paid	32	1 885		1 885	2 015
C.II.1.5.4.	Other receivables	33				33
C.II.2.	Short-term receivables	34	2 461 207	- 582 145	1 879 062	3 368 357
C.II.2.1.	Trade receivables	35	1 823 027	- 523 443	1 299 584	1 673 736
C.II.2.4.	Receivables - other	36	638 180	- 58 702	579 478	1 694 621
C.II.2.4.3.	Tax receivables	37	153 694		153 694	155 518
C.II.2.4.4.	Short-term advances paid	38	109 823		109 823	1 247 453
C.II.2.4.5.	Estimated receivables	39	291 762		291 762	260 313
C.II.2.4.6.	Other receivables	40	82 901	- 58 702	24 199	31 337
C.IV.	Cash	41	3 200 313		3 200 313	795 268
C.IV.1.	Cash in hand	42	2 838		2 838	2 148
C.IV.2.	Bank accounts	43	3 197 475		3 197 475	793 120
D.	Deferrals	44	89 781		89 781	283 131
D.1.	Prepaid expenses	45	23 095		23 095	9 510
D.3.	Accrued revenues	46	66 686		66 686	273 621

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
	TOTAL LIABILITIES AND EQUITY	47	72 746 546	72 341 103
A.	Equity	48	55 525 850	54 436 631
A.I.	Registered capital	49	57 347 839	54 041 664
A.I.1.	Registered capital	50	57 347 839	54 041 664
A.II.	Premium and capital contributions	51	1 179 241	1 166 447
A.II.2.	Capital contributions	52	1 179 241	1 166 447
A.II.2.1.	Other capital contributions	53	1 179 241	1 166 447
A.III.	Funds from profit	54	165 797	291 270
A.III.1.	Other reserve funds	55	165 797	291 270
A.IV.	Retained earnings (+/-)	56	-1 067 465	- 6 967
A.IV.1.	Retained profits	57	-1 055 783	
A.IV.3.	Other retained earnings (+/-)	58	- 11 682	- 6 967
A.V.	Profit (loss) for the current period (+/-)	59	-2 099 562	-1 055 783
B. + C.	Liabilities	60	17 041 468	16 510 554
B.	Provisions	61	4 891 553	2 013 976
B.4.	Other provisions	62	4 891 553	2 013 976
C.	Liabilities	63	12 149 915	14 496 578
C.I.	Long-term liabilities	64	5 546 060	7 392 049
C.I.2.	Liabilities to credit institutions	65	1 757 237	3 147 317
C.I.4.	Trade payables	66	132 822	40 407
C.I.8.	Deferred tax liability	67	3 019 775	3 519 181
C.I.9.	Liabilities - other	68	636 226	685 144
C.I.9.3.	Other payables	69	636 226	685 144
C.II.	Short-term liabilities	70	6 603 855	7 104 529
C.II.2.	Liabilities to credit institutions	71	1 493 418	2 270 818
C.II.3.	Short-term advances received	72	194 162	126 529
C.II.4.	Trade payables	73	2 410 898	2 219 962
C.II.8.	Liabilities - other	74	2 505 377	2 487 220
C.II.8.3.	Payables to employees	75	505 311	507 441
C.II.8.4.	Social security and health insurance liabilities	76	272 914	276 100
C.II.8.5.	Tax liabilities and subsidies	77	1 373 064	1 347 825
C.II.8.6.	Estimated payables	78	353 444	355 548
C.II.8.7.	Other payables	79	644	306
D.	Accruals	80	179 228	1 393 918
D.1.	Accrued expenses	81	90 850	57 420
D.2.	Deferred revenues	82	88 378	1 336 498

INCOME STATEMENT

INCOME STATEMENT classification by nature

for the year ended 31 December 2016

(in thousands of Czech crowns)

Identification number: 70994234

Name and regist. office of the Company

Správa železniční dopravní cesty, státní organizace

Dlážděná 1003/7

110 00, Praha 1 – Nové Město

Czech Republic

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
I.	Revenue from products and services	1	6 653 888	6 649 848
II.	Revenue from goods	2	1	2
A.	Cost of sales	3	14 210 139	16 512 619
A.1.	Cost of goods sold	4	1	2
A.2.	Materials and consumables	5	3 132 671	2 771 008
A.3.	Services	6	11 077 467	13 741 609
B.	Change in inventory of own production (+/-)	7	- 5	125
C.	Own work capitalised (-)	8	- 388 911	- 413 874
D.	Personnel expenses	9	9 234 313	8 982 343
D.1.	Wages and salaries	10	6 571 368	6 389 589
D.2.	Social security, health insurance and other expenses	11	2 662 945	2 592 754
D.2.1.	Social security and health insurance expenses	12	2 203 507	2 143 300
D.2.2.	Other expenses	13	459 438	449 454
E.	Adjustments relating to operating activities	14	4 279 356	3 721 887
E.1.	Adjustments to intangible and tangible fixed assets	15	4 195 422	4 014 955
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	16	4 144 324	4 063 803
E.1.2.	Impairment of intangible and tangible fixed assets	17	51 098	- 48 848
E.2.	Adjustments to inventories	18	- 2 106	- 2 067
E.3.	Adjustments to receivables	19	86 040	- 291 001
III.	Other operating revenues	20	22 356 856	22 831 828
III.1.	Proceeds from disposals of fixed assets	21	143 189	23 885
III.2.	Proceeds from disposals of raw materials	22	258 758	330 701
III.3.	Other operating revenues	23	21 954 909	22 477 242
F.	Other operating expenses	24	4 141 700	1 630 452
F.1.	Net book value of fixed assets sold	25	72 674	4 605
F.2.	Net book value of raw materials sold	26	258 360	329 971
F.3.	Taxes and charges	27	263 048	89 059
F.4.	Provisions relating to operating activity and complex prepaid expenses	28	2 877 578	- 518 828
F.5.	Other operating expenses	29	670 040	1 725 645
*	Operating profit (loss) (+/-)	30	-2 465 847	- 951 874

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
VI.	Interest revenue and similar revenue	31	117	891
VI.2.	Other interest revenue and similar revenue	32	117	891
J.	Interest expense and similar expense	33	126 996	194 888
J.2.	Other interest expense and similar expense	34	126 996	194 888
VII.	Other financial revenues	35	9 535	96 914
K.	Other financial expenses	36	15 777	6 826
*	Profit (loss) from financial operations	37	- 133 121	- 103 909
**	Profit (loss) before tax (+/-)	38	-2 598 968	-1 055 783
L.	Income tax	39	- 499 406	
L.2.	Deferred tax (+/-)	40	- 499 406	
**	Profit (loss) after tax (+/-)	41	-2 099 562	-1 055 783
***	Profit (loss) for the accounting period (+/-)	42	-2 099 562	-1 055 783
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.	43	29 020 397	29 579 483

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016
(in thousands of Czech crowns)

Identification number: 70994234

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

	Registered capital	Other capital contributions	Reserve fund	Statutory and other funds	Other retained earnings	Retained earnings and profit (loss) for the current period	Total
Balance as at 1. 1. 2016	54 041 664	1 166 447	291 270	--	-6 967	-1 055 783	54 436 631
Received grants	3 310 000	--	--	--	--	--	3 310 000
Assets identified during stock counts	--	2 715	--	2 764	--	--	5 479
Free-of-charge transfers of assets and other transfers	-3 155	10 079	--	--	--	--	6 924
Privatised assets	-670	--	--	--	--	--	-670
Use of the culture and social needs fund	--	--	--	-128 237	--	--	-128 237
Creation of the culture and social needs fund	--	--	-125 473	125 473	--	--	--
Other profit or loss	--	--	--	--	-4 715	--	-4 715
Current year profit or loss	--	--	--	--	--	-2 099 562	-2 099 562
Balance as at 31. 12. 2016	57 347 839	1 179 241	165 797	--	-11 682	-3 155 345	55 525 850

	Registered capital	Other capital contributions	Reserve fund	Statutory and other funds	Other retained earnings	Retained earnings and profit (loss) for the current period	Total
Balance as at 1. 1. 2015	54 025 970	997 065	840 852	6 232	-6 373	-431 687	55 432 059
Assets identified during stock counts	--	1 987	--	--	--	--	1 987
Free-of-charge transfers of assets and other transfers	17 166	167 395	--	--	--	--	184 561
Privatised assets	-1 472	--	--	--	--	--	-1 472
Distribution of profit or loss	--	--	-431 687	--	--	431 687	--
Use of the culture and social needs fund	--	--	--	-137 539	--	--	-137 539
Creation of the culture and social needs fund	--	--	-117 895	131 307	--	--	13 412
Other profit or loss	--	--	--	--	-594	--	-594
Current year profit or loss	--	--	--	--	--	-1 055 783	-1 055 783
Balance as at 31. 12. 2015	54 041 664	1 166 447	291 270	--	-6 967	-1 055 783	54 436 631

CASH FLOW STATEMENT

CASH FLOW STATEMENT

for the year ended 31 December 2016
(in thousands of Czech crowns)

Identification number: 70994234

Name and regist. office of the Company

Správa železniční dopravní cesty, státní organizace
Dlážděná 1003/7
110 00, Praha 1 – Nové Město
Czech Republic

	Current period	Prior period
P. Cash and cash equivalents, beginning of period	795 268	905 167
Net operating cash flow		
Accounting profit (loss) from ordinary activities	-2 598 968	-1 055 783
A.1. Non-cash transactions	-14 448 358	-18 879 502
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	4 144 324	4 063 803
A.1.2. Change in:		
A.1.2. Change in other adjustments and provisions	3 012 610	-860 744
A.1.3. Profit(-) Loss(+) on sale of fixed assets	-70 515	-19 279
A.1.6. Expense and revenue interests accounted for	126 879	193 998
A.1.7. Use of operating grants	-20 046 980	-19 956 085
A.1.8. Debt remission	-1 337 178	-1 727 091
A.1.9. Other non-cash transactions	-277 498	-574 104
A.* Net operating cash flow before financial items, changes in working capital and extraordinary items	-17 047 326	-19 935 285
A.2. Changes in working capital	1 062 553	-1 515 076
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	1 694 729	-1 457 767
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	-937 964	-202 424
A.2.3. Change in inventories	305 788	145 115
A.** Net operating cash flow before financial balances, tax and extraordinary items	-15 984 773	-21 450 361
A.3. Interest paid excluding amounts capitalised	-7 838	-10 664
A.4. Interest received	117	891
A.7. Operating grants received	20 148 623	19 821 228
A.*** Net operating cash flow	4 156 129	-1 638 906
Investment activity		
B.1. Acquisition of fixed assets	-23 593 951	-29 545 500
B.1.1. Acquisition of tangible fixed assets	-1 440 949	-189 118
B.1.2. Acquisition of intangible fixed assets	-101 810	-130 245
B.1.3. Acquisition of tangible fixed assets from investment grants	-18 741 192	-29 206 258
B.1.4. Acquisition of intangible fixed assets from investment grants	0	-19 879
B.1.6. Acquisition of fixed assets – purchase of a part of a facility	-3 310 000	0
B.2. Proceeds from sales of fixed assets	143 189	23 885
B.2.1. Proceeds from sales of tangible and intangible fixed assets	143 189	23 885
B.3. Investment grants received	18 592 915	31 413 161
B.*** Net cash flow from investment activity	-4 857 847	1 891 546
Financial activity		
C.1. Change in long-term liabilities and bank loans	-75 000	-225 000
C.2. Increase and decrease in equity from cash transactions	3 181 763	-137 539
C.2.1. Subscription of shares and investments	3 310 000	0
C.2.5. Payments from funds created from net profit	-128 237	-137 539
C.*** Net cash flow from financial activity	3 106 763	-362 539
F. Net increase or decrease in cash balance	2 405 045	-109 899
R. Cash and cash equivalents, end of period	3 200 313	795 268

Litice nad Orlicí





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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 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 2016 have been prepared as at 31 December 2016.

These notes have been prepared for the period starting 1 January 2016 and ending 31 December 2016 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 operability, maintenance, modernisation and development, as well as maintenance and modernisation of railway stations.

Throughout 2016 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. ("ČD") 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. In addition to assets relating to the railway infrastructure, 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. Purchase of a part of a facility

Under Resolution No. 1546 dated 21 December 2015, the Government gave its consent to the purchase of a part of a facility, designated as "Railway Stations", from ČD to SŽDC. The object of the sale was a separate branch operating independently in terms of material, technology and personnel.

Following this consent, the date of the transfer was set as 1 July 2016 and a contract on the purchase of a part of a facility and a contract on ensuring the continuous operation of the facility were concluded between SŽDC and ČD, a.s. The total purchase price of TCZK 3,401,956 was determined on the basis of an expert opinion prepared by an expert designated by the court based on a contract on the purchase of a part of a facility. In 2016, the Ministry of Transport provided a grant to fund the transfer associated with the acquisition of the facility "Railway Stations".

The majority of the value of the purchased part of the facility comprised fixed assets (land, buildings, movable assets and other). Apart from the fixed assets, SŽDC took over assets in the sub-ledger account, inventories, receivables, liabilities and accruals/deferrals.

1.4. SŽDC's organisational structure and bodies

SŽDC is a standalone state organisation and does not hold equity investments in any other entity. Pursuant to the Transformation Act, the Ministry of Transport of the Czech Republic acts as the founder of SŽDC. The ministry also acts as the shareholder of ČD. SŽDC has many contractual relations with ČD and its subsidiaries, the most important of which are described in note 7.3. SŽDC's bodies include the Management Board and the Director General.

The Director General acts and signs in full on behalf of SŽDC independently. In the absence of the Director General, a 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, is the SŽDC's statutory representative, managing its activities and acting on its behalf. The statutory Deputy Director General, Mr Jiří Svoboda, authorised to act in the absence of the Director General, is recorded in the Commercial Register.

The members of the SŽDC's management as at 31 December 2016 were:		
Name	Position	Date
Pavel Surý	Director General	since 1 Jun 2014
Aleš Krejčí	Assistant Director General for Finance	since 1 Jun 2012
Mojmír Nejezchleb	Assistant Director General for Rail Modernisation	since 1 Jul 2013
Jiří Svoboda	Assistant Director General for Rail Operability	since 1 Jul 2016
Josef Hendrych	Assistant Director General for Traffic Control	since 1 Aug 2014
Tomáš Drmola	Assistant Director General for Asset Management	since 1 Nov 2014

The members of the Management Board as at 31 December 2016 were:		
Name	Position	Date
Vladimír Novotný	Chairman	since 25 March 2014
Milan Feranec	Vice-chairman	since 30 Apr 2014
Tomáš Čoček	Member	since 17 March 2015
Jaroslav Foldyna	Member	since 25 March 2014
Václav Horák	Member	since 25 March 2014
Karel Korytář	Member	since 25 March 2014
Jan Volný	Member	since 25 March 2014

The members of the Audit Committee as at 31 December 2016 were:		
Name	Position	Date
Milan Feranec	Chairman	since 29 May 2015
Václav Horák	Member	since 1 Jun 2014
Vladimír Novotný	Member	since 1 Jun 2014
Eva Janoušková	Member	since 1 Jan 2016

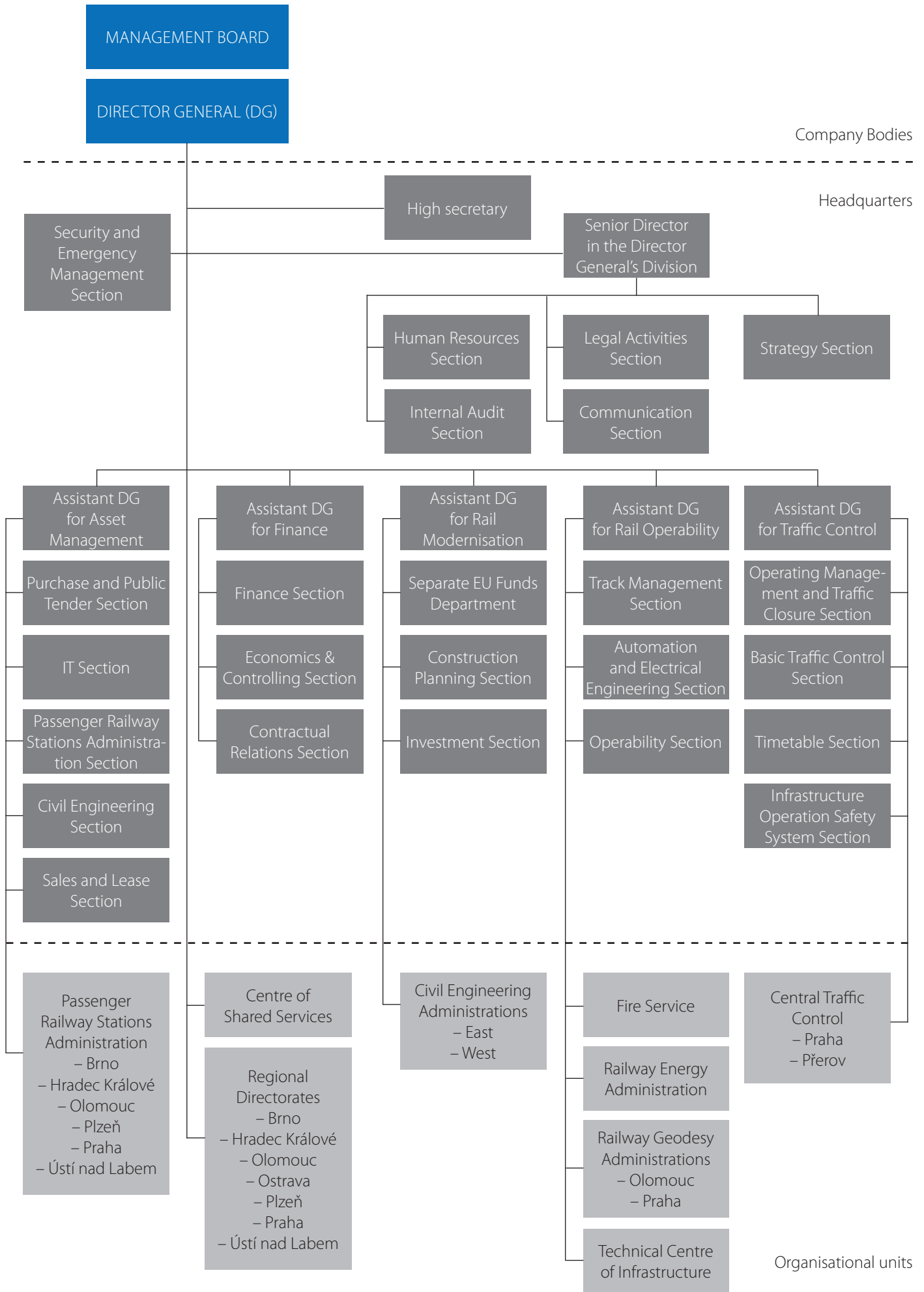
The members of the Strategy and Development Committee as at 31 December 2016 were:		
Name	Position	Date
Václav Horák	Chairman	since 1 Jun 2014
Jan Volný	Member	since 1 Jun 2014
Karel Korytář	Member	since 1 Jun 2014

1.5. Changes in the Commercial Register

The change in the statutory function of Deputy Director General was recorded in the Commercial Register on 27 August 2016; Jiří Svoboda replaced Bohuslav Navrátil in this office.

1.6. SŽDC's organisational structure as at 31 December 2016

The following chart shows the organisational structure of SŽDC as at 31 December 2016:



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.

Comparative information for 2015 is provided in accordance with the structure and designation of balance sheet and income statement items specified by the Decree as amended for 2016.

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 2016 by 31 July 2017 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 an individual acquisition cost greater than TCZK 40 for plant and equipment (tangible fixed assets) and TCZK 40 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 costing up to TCZK 40 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). Additional 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
Buildings	10 - 50
Machinery and equipment	4 - 20
Motor vehicles	8 - 25

The useful lives of the fixed assets forming the railway infrastructure are dependent upon the availability of funding for their renovation, modernisation and performance improvement. The 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.

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. Inventories

The bulk of SŽDC's inventories consists of inventory related to the railway superstructure – both the new superstructure stored primarily in superstructure material centres 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, sleepers 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 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. 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.

3.5. Loans and long-term liabilities

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

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

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

3.6. 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. SŽDC utilises the fund in compliance with its approved policies and the respective collective agreement.

3.7. 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; and budget discipline violations.

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

A provision for payments relating to compensation for work injuries and occupational diseases and for extra pension payments to former employees of ČD, s.o. is established at the present value of estimated future payments arising from claims originating as at the reporting date, based on a statistical analysis of available historical information. The provision has been reviewed as at the date of the financial statements. 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.

3.8. 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, assets and liabilities 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-tax deductible.

Deferred tax is calculated using the liability method based

on the balance sheet approach. The liability method involves applying the income tax rate expected to be valid in the future period in which the tax asset/liability is utilised.

Under the balance sheet approach, the liability method is based on temporary differences between the tax base of assets/liabilities and the carrying amount of assets/liabilities recognised in the balance sheet. The tax base of assets/liabilities is the amount that can be utilised for tax purposes in the future.

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

3.10. Grants

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. In 2016, SŽDC received also non-investment grants from EU funds.

Investment grants comprise grants intended to cover expenditure related to restoring and modernising the railway infrastructure. 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).

In addition, SŽDC received a grant from the Ministry of Transport in 2016, to finance the purchase of a part of the Railway Stations facility.

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.

Some investment grants received from SFTI represent “pre-financing”, whereby the respective grant is expected to be subsequently replaced with EU funds. The funds subsequently received from EU funds are paid back to SFTI. Consequently, grants received from SFTI under pre-financing are presented as part of tax liabilities and subsidies. Once the payment is received from SFTI and payments are made to the contractors, the amount of the expected grant from EU funds reduces the cost of the respective asset(s) and increases estimated receivables.

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. Another significant revenue item relates 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.

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 2016.

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 abovementioned 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 were transferred to the Czech National Property Fund, since 1 January 2006 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 2016, 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. Lease of 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 1/1/2016	5,032	7,442	446	682,858	695,778
Additions	--	--	--	101,977	101,977
Disposals	--	--	--	-167	-167
Transfers to off balance sheet	--	--	--	--	--
Transfers	--	-5,969	--	5,969	--
Balance at 31/12/2016	5,032	1,473	446	790,637	797,588
Accumulated amortisation					
Balance at 1/1/2016	3,906	--	--	492,893	496,799
Amortisation expense	750	--	--	119,557	120,307
Disposals	--	--	--	-166	-166
Transfers	--	--	--	--	--
Balance at 31/12/2016	4,656	--	--	612,284	616,940
Net book value 1/1/2016	1,126	7,442	446	189,965	198,979
Net book value 31/12/2016	376	1,473	446	178,353	180,648

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	Constructi- ons	Machinery and equip- ment	Motor vehicles	Adj- ustments to acqui- red fixed assets	Tangible fixed assets under constr.	Other tangible fixed assets	Advances paid	Total
Acquisition cost									
Balance at 1/1/2016	6,560,360	134,154,935	19,190,076	1,024,158	8,359,234	1,647,271	1,514	1,280,756	172,218,304
Additions	301,313	3,742,632	151,049	213,420	76,283	18,326,367	534	909,766	23,721,364
Disposals	-48,640	-941,255	-398,419	-47,986	--	-11,125	-15	-1,848,970	-3,296,410
Transfers to off balance sheet	--	--	--	--	--	-17,385,376	--	--	-17,385,376
Transfers	12	114,048	-15,726	39	--	-98,373	--	--	--
Balance at 31/12/2016	6,813,045	137,070,360	18,926,980	1,189,631	8,435,517	2,478,764	2,033	341,552	175,257,882
Accumulated depreciation									
Balance at 1/1/2016	--	85,989,304	14,690,679	578,663	4,097,362	--	140	--	105,356,148
Depreciation expense [1]	--	2,732,228	651,903	80,884	559,401	--	169	--	4,024,585
Other additi- ons [2]	--	64,601	132	668	--	--	20	--	65,421
Disposals	--	-798,582	-359,354	-46,769	--	--	--	--	-1,204,705
Transfers	--	8,068	-7,859	-209	--	--	--	--	--
Balance at 31/12/2016	--	87,995,619	14,975,501	613,237	4,656,763	--	329	--	108,241,449
Adjustments									
Balance at 1/1/2016	6,906	96,763	45	60	--	59,710	--	--	163,484
Change in adjustments	17,491	30,533	14	19	--	3,040	--	--	51,097
Balance at 31/12/2016	24,397	127,296	59	79	--	62,750	--	--	214,581
Net book va- lue 1/1/2016	6,553,454	48,068,868	4,499,352	445,435	4,261,872	1,587,561	1,374	1,280,756	66,698,672
Net book value 31/12/2016	6,788,648	48,947,445	3,951,420	576,315	3,778,754	2,416,014	1,704	341,552	66,801,852

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

[2] [2] Additions which arose differently than through depreciation expense, i.e. additions as a result of allocating assets or additions created due to a free-of-charge transfer of assets.

Major additions to tangible fixed assets put into use in 2016 include technical improvements to the passenger terminal and the Fanta building at the Prague Main Railway Station of TCZK 486,968 from Grandi Stazioni Česká republika, s.r.o.; the induced investment on the railway bridge in Hodonín of TCZK 63,867, that was recorded in the accounts, upon clarifying property relations with the Road and Motorway Directorate, as newly ascertained assets, not yet recorded, i.e. with a corresponding double entry in accumulated depreciation in the same amount; a mobile traction substation from Elektrizace železnic Praha a.s. of TCZK 21,434; and free-of-charge asset transfers at a replacement cost of TCZK 28,564. These include for example a transfer of a building in Jeseniova street in Prague 3 from the Office for Government Representation in Property Affairs (ÚZSVM).

The most important tangible asset disposals in 2016 include the liquidation of assets as a result of new constructions related to the modernisation of railway corridors with an acquisition cost of TCZK 960,873 and net book value of TCZK 135,757 and the sale of assets with an acquisition cost of TCZK 224,665 and net book value of TCZK 72,421.

As at 31 December 2016 the Organisation records tangible fixed assets under construction with an acquisition cost of TCZK 2,478,764. This item also comprises tangible fixed assets under construction acquired as part of grants, with an acquisition cost of CZK 1.97 billion.

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 2016. For example, this concerns the modernisation of the Ševětín – Veselí nad Lužnicí line,

the renovation of the Olomouc railway station, and the modernisation of the Prague-Běchovice – Úvaly 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 2016 where the grant used to finance the constructions has not been accounted for before 31 December 2016. Transfers to off-balance sheet are made once the investment grant that decreases the asset's acquisition cost is recorded. In 2016, subsidised tangible and intangible assets totalling TCZK 17,385,376 (2015 – TCZK 27,007,160) were included in the off balance sheet records.

The addition to adjustments to acquired fixed assets of TCZK 76,283 represents the difference between the valuation of a part of a ČD facility and the aggregate of valuations of individual asset items in the seller's accounts (see transaction described in note 1.3).

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 2017. Advances created this way which were utilised in 2016 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 341,552 as at 31 December 2016 (2015 – TCZK 1,280,756). The advances will be utilised during 2017.

4.2.2. Investment grants

Investment grants received in 2015 and 2016 were as follows:

	1/1 – 31/12/2015	1/1 – 31/12/2016
SFTI for construction and modernisation, state share, OPT, EIB	31,096,926	18,404,478
Pre-financing	143,240	--
Total investment grants from SFTI including pre-financing	31,240,166	18,404,478
Investment grants for the purchase of fixed assets	--	30,573
EU funds	139,635	156,534
Contributions from cities, municipalities, regions and other entities	28,319	1,240
State Environmental Fund	5,041	90
Total investment grants	31,413,161	18,592,915

Investment grants for construction and modernisation primarily include funds from the Operational Programme Transport ("OPT"), the CEF infrastructure fund and grants from SFTI and the Ministry of Transport of the Czech Republic. SFTI pre-finances the European share and at the same time, it partly participates in financing. In 2016, funds of TCZK 9,146,825 were drawn from SFTI from national sources, including sources to cover national shares of European projects. In 2016, the OPT1 programme was completed; a total of TCZK 724,384 was drawn as a grant from SFTI (in 2015 – TCZK 24,259,522). In 2016, funds amounting to TCZK 8,426,849 were provided from OPT II and TCZK 106,420 from CEF. Grants received from SFTI in form of pre-financing were not implemented in 2016; in 2015, they amounted to TCZK 143,240.

EU funds totalling TCZK 156,534 primarily include subsidies for technical assistance of OPT of TCZK 155,006.

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 212,743,980 and TCZK 195,762,067 as at 31 December 2016 and 31 December 2015, respectively.

The aggregate amount of low-value tangible assets not reported in the balance sheet is TCZK 975,085 and TCZK 896,019 as at 31 December 2016 and 31 December 2015, 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. These balances were recognised in expenses when acquired in accordance with the effective legislation.

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 1/1/2016	67,264	25,791	3,531	710,464	110,048,706	29,816,918	358,872	54,730,521	195,762,067
Additions (Transfers from the balance sheet)	--	--	--	--	--	--	--	17,385,376	17,385,376
Disposals	--	--	--	-2	-62,541	-58,573	--	-282,347	-403,463
Transfers (including putting in use)	651	--	-590	117,303	5,447,496	4,094,199	126,838	-9,785,897	--
Balance at 31/12/2016	67,915	25,791	2,941	827,765	115,433,661	33,852,544	485,710	62,047,653	212,743,980

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 2016, major additions to tangible assets under construction represent constructions such as "Modernisation of the Rokycany-Pilsen line", "Revitalisation of the Olomouc-Opava East line", "Increasing the capacity of the Nymburk-Ml.Boleslav line, 1st construction", "Pilsen junction, 1st construction – reconstruction of the Prague station head", "Revitalisation of the Rokycany-Nezvěstice line", "Revitalisation of the Bludov-Jeseník line", "Reconstruction of railway track no. 2 Ostrov n. Osl.-Žďár n. Sázavou".

In 2016, 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 2016 and 31 December 2015.

4.2.6. Assets held under finance and operating leases

In 2016, SŽDC acquired new fixed assets through lease in

respect of the purchase of a part of a facility of TCZK 9,081. As at 31 December 2016, SŽDC reports fixed assets acquired on an operating lease or leaseback basis in the aggregate acquisition cost of TCZK 385,612 (2015 – TCZK 418,109). Operating lease contracts are used for leasing cars and leaseback arrangements 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 2016, SŽDC acquired free of charge tangible fixed assets at the replacement cost of TCZK 10,079 (2015 – TCZK 155,980), in form of delimitations of TCZK 18,485 (2015 – TCZK 5,861) and it acquired fixed assets by donation at the replacement acquisition cost of TCZK 15,147 (2015 – TCZK 11,415). In total, SŽDC acquired free of charge assets of TCZK 43,711 in 2016 (2015 – TCZK 173,256). 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 31/12/2015	Balance at 31/12/2016
Material in stock	732,437	426,777
Material in transit	67	104
Work in progress	217	222
Goods in stock	5	4
Advances paid for inventory	242	73
Adjustment to inventory	- 17,923	- 15,817
Total inventory	715,045	411,363

The total inventory balance was influenced by implementing activities relating to the Šumperk – Hanušovice – Jeseník project in the total volume of approximately MCZK 160. This material (material in stock) was dispatched in 2016. In addition, the inventory balance decreased significantly due to the increased grant funds allocated for operability, which accelerated some work and consequently also the movement of inventory in stock.

Adjustments of TCZK 15,817 were established for certain types of materials at the Regional Directorates in Olomouc and Hradec Králové stored in superstructure material centres in Hranice na Moravě and Hradec Králové, primarily in respect of idle inventories and the relevant spare parts of switches; moreover, adjustments were established for the Directorate General's IT stock items.

4.4. Long-term receivables – trade receivables

	Balance at 31/12/2015	Balance at 31/12/2016
Long-term receivables before due date	279,603	181,642
Total	279,603	181,642

The decrease in long-term receivables is caused 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.

4.5. Short-term receivables

4.5.1. Trade receivables

	Balance at 31/12/2015	Balance at 31/12/2016
Short-term receivables before due date	1,209,214	751,470
Short-term receivables past due date	891,575	1,071,557
Total	2,100,789	1,823,027

As at 31 December 2016, an adjustment for doubtful receivables amounted to TCZK 523,443 (2015 – TCZK 427,053).

A significant amount of receivables before and past their due date includes receivables from ČD, ČD Cargo and ČD - Telematika a.s. for using the infrastructure and communication technologies. 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 190,028 (gross); 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 109,823 (2015 – TCZK 1,247,453). In 2015, they primarily included advances paid

to contractors of projects within activities connected with repairs and maintenance of RI that were recognised during the first half of 2016. In 2016, they primarily included advances provided for utilities relating to premises used by SŽDC, as well as leased premises.

4.6. Cash

As at 31 December 2016, the total amount of cash was TCZK 3,200,313 (2015 – TCZK 795,268). The most significant item is the balance of bank accounts of TCZK 3,197,475 (2015 – TCZK 793,120).

4.7. 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.).

4.8. Equity

Movements in the individual components of equity from 1 January 2016 to 31 December 2016

	Registered capital	Other capital contrib.	Other reserve fund	Statutory and other funds	Retained profits	Retained earnings and profit (loss) for the current period	Total
Balance at 1/1/ 2016	54,041,664	1,166,447	291,270	--	-6,967	- 1,055,783	54,436,631
Grants received	3,310,000	--	--	--	--	--	3,310,000
Assets identified during stock counts and other transfers	--	2,715	--	2,764	--	--	5,479
Free-of-charge transfers of assets and other transfers	-3,155	10,079	--	--	--	--	6,924
Privatised assets	-670	--	--	--	--	--	-670
Use of the culture and social needs fund	--	--	--	-128,237	--	--	-128,237
Creation of the culture and social needs fund	--	--	-125,473	125,473	--	--	--
Other profit or loss	--	--	--	--	-4,715	--	-4 715
Current year profit or loss	--	--	--	--	--	-2,099,562	-2,099,562
Balance at 31/12/2016	57,347,839	1,179,241	165,797	--	-11,682	-3,155,345	55,525,850

In accordance with Czech Accounting Standard No. 22, the amount of registered capital was reduced by the net book value of privatised assets in 2016.

In 2016, registered capital was influenced in particular by receiving the grant from the Ministry of Transport for the purchase of a part of a facility of TCZK 3,310,000; and by delimitation – assets handed over free-of-charge totalled TCZK 19,039 (2015 – TCZK 2,262) and assets assumed free-of-charge totalled TCZK 18,485 (2015 – TCZK 5,861). Other movements in the registered capital were primarily due to repairs of mistakes in the cadastral register.

Other capital contributions increased primarily due to a free-of-charge transfer of assets from WFL Park I s.r.o. of TCZK 8,227.

Based on the physical counts, land with a replacement cost of TCZK 2,715 (2015 – TCZK 1,987) was included in other capital contributions.

Planned distribution of the current year's loss
The Company plans to transfer the loss incurred in the current period to retained earnings. No decision was made on the distribution of the current period loss as at the date of preparation of the financial statements.

4.9. Provisions

	Balance at 31/12/2015	Additions	Utilisation	Balance at 31/12/2016
Provision for legal disputes with ČEZ Prodej	1,168,535	66,490	--	1,235,025
Provision for other legal disputes	33,864	36,753	5,870	64,747
Provision for compensation for job-related accidents and occupational illness	45,060	37,764	45,060	37,764
Provision for extra pension payments	22,576	18,192	22,576	18,192
Provision for unpaid payroll and other expenses	120,000	120,000	120,000	120,000
Provision for payments to a specialised tax office	623,941	3,218,308	426,424	3,415,825
Total provisions	2,013,976	3,497,507	619,930	4,891,553

Information about the substance of individual provisions is presented in note 3.7.

The major part of provisions represents a provision for payments to a specialised tax office. As at 31 December 2016, the Company established a provision totalling TCZK 3,415,825 primarily in respect of payment orders from a specialised tax office relating to payments connected with investment projects such as "Optimisation of the Benešov-Strančice line", and "Modernisation of the Veselí nad Lužnicí-Tábor line, part 1, the Doubí u Tábora-Tábor section"; and the expected payment orders relating to penalties amounting to 50%.

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 2016, the provision was increased by a part of default interest for 2016.

4.10. Long-term liabilities

4.10.1. Trade payables

Type of payables	31/12/2015	31/12/2016
Retention	19,204	101,495
Bid-bonds, security deposits, sureties	3,000	3,000
Cash deposits received from customers	18,203	28,327
Total	40,407	132,822

4.10.2. Other payables

Creditor	31/12/2015	31/12/2016
Czech Ministry of Finance – payment under the state guarantee for loan interest, after the remission	85,241	53,767
Czech Ministry of Finance – payment under the state guarantee for loan principal, after the remission	599,903	582,450
Other	---	9
Total	685,144	636,226

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 2016 and 2015, payables of MCZK 1,337 and MCZK 1,727, respectively, were remitted.

4.11. Short-term liabilities

4.11.1. Trade payables

	Balance at 31/12/2015	Balance at 31/12/2016
Payables before due date	2,153,755	2,248,278
Payables past due date	66,207	162,620
Total trade payables	2,219,962	2,410,898

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

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

4.11.2. Tax liabilities and subsidies

Liability type	Balance at 31/12/2015	Balance at 31/12/2016
Undrawn investment subsidies from SFTI	1,149,800	1,004,615
SFTI – TEN-T recoverable subsidy	89,596	89,596
SFE – OPE recoverable subsidy	11,491	9,415
OPT recoverable subsidy	1,158	--
Undrawn non-investment subsidy TEN-T/CEF	14,467	11,200
Non-investment subsidy for repair and maintenance	--	174,968
Non-investment subsidy for incidental expenses of the Civil Engineering Administrations	--	177
Non-investment subsidy for certain OPT projects	428	4,214
Investment contributions of cities, municipalities, regions and other entities	109	250
Income tax withheld on behalf of employees	79,659	78,193
Other taxes	1,117	436
Total tax liabilities and subsidies	1,347,825	1,373,064

The bulk of the balance of investment subsidies as at 31 December 2016 includes the payable from undrawn subsidies from SFTI amounting to TCZK 1,004,615 (2015 – TCZK 1,149,800).

In terms of investments, the main reasons for not drawing the limit for 2016 to the full limit amount are primarily ex-ante payments; the extension of terms in tenders due to the tenderer's enquiries and objections, in respect of both project implementations and their preparations; so called "double resource planning" that was necessary to ensure the processing of payment requests. 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.

In 2016, pre-financing for SŽDC was not performed.

The balance of a non-investment subsidy for repair and maintenance represents a liability to SFTI that was financially settled in 2017.

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

4.11.3. Short-term advances received

As at 31 December 2016, short-term advances received amount to TCZK 194,162 (2015 – TCZK 126,529). 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.

4.11.4. Estimated payables

As at 31 December 2016, estimated payables total TCZK 353,444 (2015 – TCZK 355,548) and primarily include the estimate of returned fees for using RI of TCZK 116,000 (2015 – TCZK 116,000) and uninvoiced supplies of electricity, heat and gas of TCZK 165,525 (2015 – TCZK 174,325).

4.12. Bank loans and overdrafts

4.12.1 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. 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.

Bank	Loan maturities	Currency	Balance at 31/12/2015	Drawing in 1-12/2016	Repayments 1-12/2016	FX differences	Balance at 31/12/2016
The 1st corridor:							
EIB Luxembourg	15/4/2017	EUR	204,543	--	136,362	-13	68,168
KfW Frankfurt	30/12/2018	EUR	248,630	--	83,061	154	165,723
The 2nd corridor:							
EIB Luxembourg	30/11/2016	EUR	360,333	--	360,473	140	--
EIB Luxembourg	15/12/2020	EUR	1,544,286	--	308,829	-257	1,235,200
KfW Frankfurt	30/6/2017	EUR	414,530	--	276,547	168	138,151
Subtotal			2,772,322	--	1,165,272	192	1,607,242
Performance improvements							
Česká spořitelna, a.s. [1]	31/12/2018	CZK	449,995	--	75,000	--	374,995
Subtotal			449,995	--	75,000	--	374,995
Total			3,222,317	--	1,240,272	192	1,982,237

[1] The balance as at 31 December 2015, or as at 31 December 2016, includes also a short-term part of a loan of TCZK 75,000, or TCZK 225,000, respectively, that is due in the following year and therefore is reported in the financial statements in short-term liabilities to credit institutions.

Interest rates attached to the loans presented above are fixed within a range of 3-8 percent p.a. or floating derived from PRIBOR, LIBOR and EURIBOR with a mark-up in the range of 0.15– 0.287 percent p.a.

4.12.2 Summary of maturities of loans guaranteed by the state

	Payable in 2017	Due in subsequent years	Total
Long-term loans	597,981	1,009,261	1,607,242
Total	597,981	1,009,261	1,607,242

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 2016, the Czech Ministry of Finance repaid principals amounting to TCZK 1,165,272 (2015 – TCZK 1,206,469).

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.

4.12.3 Short-term liabilities to credit institutions

	31/12/2015	31/12/2016
Payable from cash-pool account	1,432,455	1,268,418
Overdraft	763,363	--
Česká spořitelna, a.s. – a part of a bank loan due within one year, see note 4.12.1.	75,000	225,000
Short-term bank loans	2,270,818	1,493,418

At the end of 2016, the Organisation drew the allowed overdraft limit from the cash pool account to settle payables arising from operability and operations of the railway infrastructure, including the rail servicing.

4.13. Deferred revenues

Deferred revenues total TCZK 88,378 (2015 – TCZK 1,336,498) and include in particular deferrals that arose from the financial settlement relating to supplies of defective material. In 2015,

deferred revenues primarily included deferred expected volumes of non-investment subsidies from SFTI and the payment of retentions of works carried out until 31 December 2015, in accordance with the accounting policy described in note 3.10. These funds were received from SFTI in 2016.

4.14. Deferred tax

SŽDC has determined deferred tax as follows:

	31/12/2015	31/12/2016
Tangible and intangible fixed assets	-4,149,479	-4,157,814
Adjustments to fixed assets	29,750	36,135
Adjustments to inventory	3,405	3,005
Trade receivables	54,513	68,693
Provisions	264,107	280,388
Tax losses	1,378,402	1,249,696
Total deferred tax (asset +, liability -)	-2,419,302	-2,519,897
Unrecognised deferred tax	-1,099,879	-499,878
Total recognised deferred tax (asset +, liability -)	-3,519,181	-3,019,775

SŽDC reports tax losses of TCZK 6,577,346 (2015 – TCZK 7,254,749) for 2013 – 2016 (information for 2016 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 (2015 – 19%).

4.15. Revenue from own products and services

Item	2015	2016
Income from use of the railway infrastructure by ČD – freight transport	38,234	35,088
Income from use of the railway infrastructure by ČD – passenger transport	1,770,086	1,806,854
Income from use of the railway infrastructure by ČD Cargo, a.s.	1,467,050	1,266,431
Income from use of the railway infrastructure by external carriers – freight	811,728	836,587
Income from use of the railway infrastructure by external carriers – passenger	132,247	154,690
Income from allocated capacity	102,616	106,780
Rental income	230,334	358,946
Income from other external services	485,656	475,224
Income from the sales of electricity	1,609,022	1,610,700
Income from foreign carriers for provided services (extraordinary shipments, etc.)	2,875	2,588
Total income from own products and services	6,649,848	6,653,888

All income was generated in the Czech Republic.

The increase in the rental income was due to the purchase of a part of a facility described in note 1.3.

In comparison with 2015, income from passenger transport increased slightly. This increase was primarily in respect of the national carrier ČD, but also other passenger carriers, in particular RegioJet a.s. and LEO Express a.s., and slightly also for example Länderbahn GmbH (formerly Vogtlandbahn GmbH).

Relating to freight transport, a slight decrease in revenues was seen in respect of the main carrier ČD Cargo, primarily due to the increase in the discount in the J supply price (for individual full loads) to 80%, when output in trkm and gtkm increased slightly. As in the previous years, this decrease in revenues in respect of ČD Cargo was offset with a growth in other carriers, in particular IDS CARGO a.s., METRANS Rail s.r.o. and PKP Cargo CZ s.r.o. Supply prices (discounts) that SŽDC provides to the carriers serve as a significant stimulus for freight rail transport in respect of revenues. This relates in particular to the K supply price – for freight trains in combined transport and the J supply price – for freight trains transporting individual full loads.

4.16. Consumption of materials and energies

Item	2015	2016
Costs of material consumption	932,766	1,287,331
<i>Of which – activity that can be done by outsourcing</i>	418,289	398,788
Costs of energy consumption	376,057	357,859
Costs of water consumption	8,073	11,908
Costs of heat consumption	61,494	66,859
Costs of gas consumption	23,008	37,071
Costs of electricity purchase	1,270,665	1,282,699
Costs of fuel consumption	93,164	82,796
Other	5,781	6,148
Total consumption	2,771,008	3,132,671

4.17. Purchased services

Item	2015	2016
Costs of construction repairs and maintenance excluding outsourced activity	6,506,569	3,153,497
<i>Of which OPT projects</i>	6,475,520	3,125,174
Costs of repairing apartments excluding outsourced activity	28,386	23,429
Costs of services provided by the statutory auditor	1,703	1,684
<i>Of which: - statutory audit of the financial statements</i>	850	850
<i>- other non-audit services</i>	853	834
Costs of cooperation in allocating the capacity of the railway infrastructure	564	569
Activity that can be done by outsourcing	5,498,713	6,368,094
<i>Of which: - repair and construction maintenance</i>	4,393,607	5,097,349
<i>- other</i>	1,105,106	1,270,745
Other	1,705,674	1,530,194
<i>Of which: - repair and maintenance</i>	918,859	671,738
<i>- lease, software under TCZK 60, platform cleaning, etc.</i>	786,815	858,456
Total services	13,741,609	11,077,467

Activity that can be done by outsourcing represents projects that are contracted based on the tender laws and that form part of SŽDC's Comprehensive plan for repairs and maintenance. In order to record activities which can be better provided through outsourcing, these services have been

recorded separately since 2013. As last year, EU funds were used through OPT to finance expenses incurred on repair and maintenance of RI in 2016. A significant decrease was caused by realising a high number of projects in the previous year.

4.18. Adjustments relating to operating activities

Item	2015	2016
Depreciation and amortisation of intangible and tangible fixed assets	4,063,803	4,144,324
Impairment of intangible and tangible fixed assets	-48,848	51,098
Adjustments to receivables	-291,001	86,040
Adjustments to inventories	-2,067	-2,106
Total adjustments relating to operating activities	3,721,887	4,279,356

4.19. Other operating revenues

Item	2015	2016
Subsidies from SFTI for repairs and maintenance of the railway infrastructure	11,103,390	12,749,932
Subsidies from SFTI for repairs and maintenance after floods	38,876	--
Non-investment subsidies from the state budget	1,978,922	548,620
Non-investment subsidies from SFTI – special purpose	25,371	19,594
Non-investment subsidies – OPT programme	9,835	6,280
Subsidies from SFTI for the selected non-investment projects	10,281	2,317
Subsidies for the selected projects co-financed from OPT	6,778,693	3,295,697
Subsidies from SFTI for non-investment projects co-financed from OPE	4,128	259
Other subsidies	6,589	3,424,281
<i>Of which subsidies from SFTI for the operation of RI</i>	--	2,778,504
Remission of debt	1,727,091	1,337,178
Proceeds from recovered material	486,665	358,245
Received contractual penalties and default interest	136,238	52,082
Claims for compensation of shortages and damage	113,013	73,893
Other	58,150	86,531
Total other operating revenues	22,477,242	21,954,909

Other operating revenues primarily represent non-investment subsidies from SFTI received for the repair and maintenance of the railway infrastructure of TCZK 12,749,932 and for the operation of the railway infrastructure and traffic control of TCZK 2,778,504. In addition, these are subsidies for the selected non-investment projects co-financed from OPT of TCZK 3,295,697.

In 2016, non-investment subsidies from the state budget primarily comprise received funds for the payment of activities connected with rail servicing of TCZK 545,000.

In 2015, the subsidies from the state budget included a one-off subsidy to pay damage for failing to purchase the contracted amount of energy in 2010 of TCZK 1,131,262.

The decrease in the subsidy for the selected projects co-financed from OPT I results from the winding down of projects – in 2016, they were only finishing up and new projects were not realised.

Since 2016, a subsidy for the operation of RI is also provided from SFTI, based on a contract and following a change in legislation (until 2015, it was financed from revenues from use of the railway infrastructure).

4.20. Other operating expenses

Item	2015	2016
Fines and penalties, default interest	317,651	216,654
Write-off of receivables	6,013	4,490
Write-off of failed investments	1,311	640
Retirement pension	9,423	8,337
Costs arising from the failure to employ the disabled	30,472	27,219
Insurance of assets and liability insurance	62,261	72,642
Membership contributions	9,185	10,271
Shortages and damage	611	342
Liability for damage to third party assets	825,856	--
Expenses arising from the Network Statement	428,865	294,661
Other	33,997	34,784
Total other operating expenses	1,725,645	670,040

Under the National and Regional Network Statement valid for the 2015/2016 timetable, SŽDC is 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 2016 was TCZK 294,661 (2015 – TCZK 428,865).

4.21. Other financial revenues

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

4.22. 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 2015 and 2016:

2015	Average head-count	Wages and salaries	Social security and health insurance	Other expenses	Total personnel expenses
Employees	17,305	6,363,605	2,138,392	449,389	8,951,386
Executives	6	24,190	4,298	65	28,553
Management Board and its committees	-	1,794	610	--	2,404
Total	17,311	6,389,589	2,143,300	449,454	8,982,343

*) 2015 personnel expenses (including expenses in respect of former executives) utilised in 2015 from the provision established in 2014 for personnel expenses incurred in this year amounted to TCZK 6 073.

2016	Average head-count	Wages and salaries	Social security and health insurance	Other expenses	Total personnel expenses
Employees	17,319	6,539,979	2,198,112	459,373	9,197,464
Executives	6	29,334	4,696	65	34,095
Management Board and its committees	-	2,055	699	-	2,754
Total	17,325	6,571,368	2,203,507	459,438	9,234,313

*) 2016 personnel expenses (including expenses in respect of former executives) utilised in 2016 from the provision established in 2015 for personnel expenses incurred in this year amounted to TCZK 11 443.

As at 1 January 2016, SŽDC had 17,292 employees, divided into a total of 17 organisational units, according to the scope of their activities and individual regions. SŽDC also has the Directorate General in Prague, responsible for strategic and organisational activities.

Based on a decision of the Government of the Czech Republic a part of a facility, designated as the Railway Stations organisational unit, was transferred from ČD to SŽDC, including 316 employees, effective from 1 July 2016. Following this transfer SŽDC's organisational structure changed as well and with effect from 1 September 2016, six new Passenger Stations' Administration organisational units were created. In respect of other SŽDC's organisational units, their organisational structure did not change significantly during 2016. In order to reach an optimum number of operational staff in technical administration in the infrastructure segment (specialised track administration, electrical technology and power engineering, and communications and safety engineering), the recruitment of these employees in the total number of 469 finished in the first quarter of 2016, based on the conclusion of the Management Board dated 5 September 2014. In order to ensure achievement

of goals set in investment activities, project preparation and also to fulfil thematic preliminary conditions for OPT 2014-2020, the number of employees in the railway modernisation division also increased. 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 312 employees. During 2016, severance pay was provided to 230 employees.

As at 31 December 2016, SŽDC had 17,489 employees; due to the above impacts, the number of employees increased by 140 as compared with the balance as at 31 December 2015.

5.2. Provided loans, borrowings and other remuneration

In 2015 and 2016, members of the 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 2016, bonuses totalling TCZK 2,055 were paid to members of the SŽDC's Management Board (2015 – TCZK 1,794).

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 2016, total non-capital expenditures related to environment were approx. MCZK 272 (2015 – MCZK 299). Capital expenditures related to sound protection when modernising tracks were MCZK 34 (2015 – MCZK 258).

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 17 in 2016 (2015 – MCZK 25).

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. Concerning damage compensation equalling the difference between contracted and realised complementary sales for 2011, no decision has been issued yet. As at 31 December 2016, SŽDC creates a provision for this legal dispute in the amount of TCZK 1,235,025 (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). To date, a hearing has not been ordered. 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 3.6.).

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 31/12/2016	Construction work undertaken to date	The estimate of the remaining expenses	Total estimated expenses
1st corridor	40,759,568	--	40,759,568
2nd corridor	39,016,291	--	39,016,291
3rd corridor	43,244,746	14,742,528	57,987,274
4th corridor	24,277,957	12,185,186	36,463,143
Total	147,298,562	26,927,714	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.

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 2017, SŽDC has contractually ensured funding from the State Fund of Transport Infrastructure for investment and non-investment activities of TCZK 31,299,142 (2016 – TCZK 34,846,006). SŽDC's management believes that these funds will enable SŽDC to provide services in the same extent as in 2016, accordingly, the financial statements have been prepared on a going concern basis.

7.3. Transactions with major customers ČD and ČD Cargo

Significant revenues resulting from the transactions carried out with ČD:

	2015	2016
Revenues from using the railway infrastructure – passenger transport	1,770,086	1,806,854
Revenues from using the railway infrastructure – freight transport	38,234	35,088
Revenues from allocated railway infrastructure capacity	51,411	52,132
Revenues from electricity	1,405,900	1,404,696
Fire Department services	30,392	30,000
Telecommunication network operation services	61,478	58,165
Total	3,357,501	3,386,935

As at 31 December 2016, SŽDC recorded amounts due from and to ČD at the net amount of TCZK 299,586 (2015 – TCZK 420,747). The amount that is reported in the balance sheet as part of trade receivables and advances paid from ČD is TCZK 412,644 (2015 – TCZK 624,352). Trade payables including

received prepayments amount to TCZK 113,058 (2015 – TCZK 203,605).

Revenues resulting from the transactions carried out with ČD Cargo:

	2015	2016
Revenues from using the railway infrastructure – freight transport	1,467,050	1,266,431
Revenues from allocated railway infrastructure capacity	26,708	28,296
Revenues from electricity	503	347
Fire Department services	15	10
Telecommunication network operation services	40,329	39,118
Total	1,534,605	1,334,202

As at 31 December 2016, SŽDC recorded amounts due from and to ČD Cargo at the net amount resulting in a receivable of TCZK 558,710 (2015 – TCZK 892,620). The amount that is reported in the balance sheet as part of trade receivables from ČD Cargo is TCZK 578,860 (2015 – TCZK 905,931). Trade payables including received prepayments amount to TCZK 23,205 (2015 – TCZK 13,311).

related to the complete privatisation of land following the privatisation of the residential living fund have been realised.

As at 31 December 2016, 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 549,440. As at 31 December 2015, the net book value of these assets amounted to TCZK 596,530.

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 2016, SŽDC completed 20 privatisation projects for assets within the MOZ accounting circle in the aggregate amount of TCZK 670 (2015 – TCZK 1,472).

Of the 20 privatisation projects, SŽDC did not complete any projects related to the residential living fund or other assets not included in the residential living fund. Only projects

7.5. Sale of assets

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

In 2016, revenues from the sales of immovable assets approved by the Czech Government within the Railway Infrastructure Assets circle totalled TCZK 59,364 (2015 – TCZK 21,772).

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

In 2016, a total of 1 sale of assets was carried out within the Assets for Remission of Debts circle. Revenues totalled TCZK 82,072 (2015 – TCZK 169).

7.6. Leased assets

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

As at 31 December 2016, SŽDC reports 72 contracts for the lease of apartments. Revenues from these leases were TCZK 1,973 (2015 – TCZK 1,878).

With respect to immovable assets not included in the residential living fund, SŽDC records 157 lease contracts with total revenues of TCZK 20,192 (2015 – TCZK 43,194).

Total revenues from the lease of real estate were TCZK 22,165 (2015 – TCZK 45,072).

7.6.2 Lease of assets kept within the Railway Infrastructure Assets circle

As at 31 December 2016, SŽDC reports 2,681 contracts for the lease of apartments. Revenues from these leases were TCZK 63,436 (2015 – TCZK 37,608).

With respect to other immovable assets not included in the residential living fund, SŽDC records 6,683 lease contracts with total revenues, including movable assets, of TCZK 262,540 (2015 – TCZK 141,905).

Total rental revenues were TCZK 325,976 (2015 – TCZK 179,513).

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 31/12	
	2016	2015
Cash in hand	2,838	2,148
Cash at bank accounts	3,197,475	793,120
Cash	3,200,313	795,268

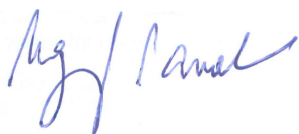
In the cash flow statement, cash flows from operating, investment or financial activities are reported on a gross basis.

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 2016 these cash flows totalled TCZK 2,435 (2015 – TCZK 4,780).

8. SUBSEQUENT EVENTS

Based on Resolution No. 7/2017 of SŽDC's Management Board dated 22 February 2017, the Purchase & Public Contract Department (O8) was transferred from the Assets Management Division to the Rail Operability Division, effective from 1 March 2017.

Prague, 8 June 2017

A handwritten signature in blue ink, appearing to read 'Pavel Surý', is written over a faint, light blue rectangular stamp.

Pavel Surý
Director General

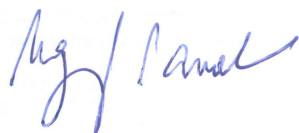
Jablonec nad Nisou



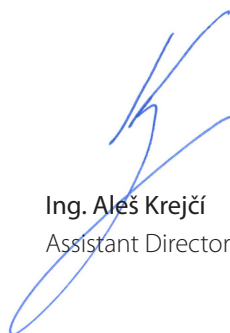
PERSONS RESPONSIBLE FOR THE ANNUAL REPORT

Affirmation

We affirm that the information stated in the annual report for 2016 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.



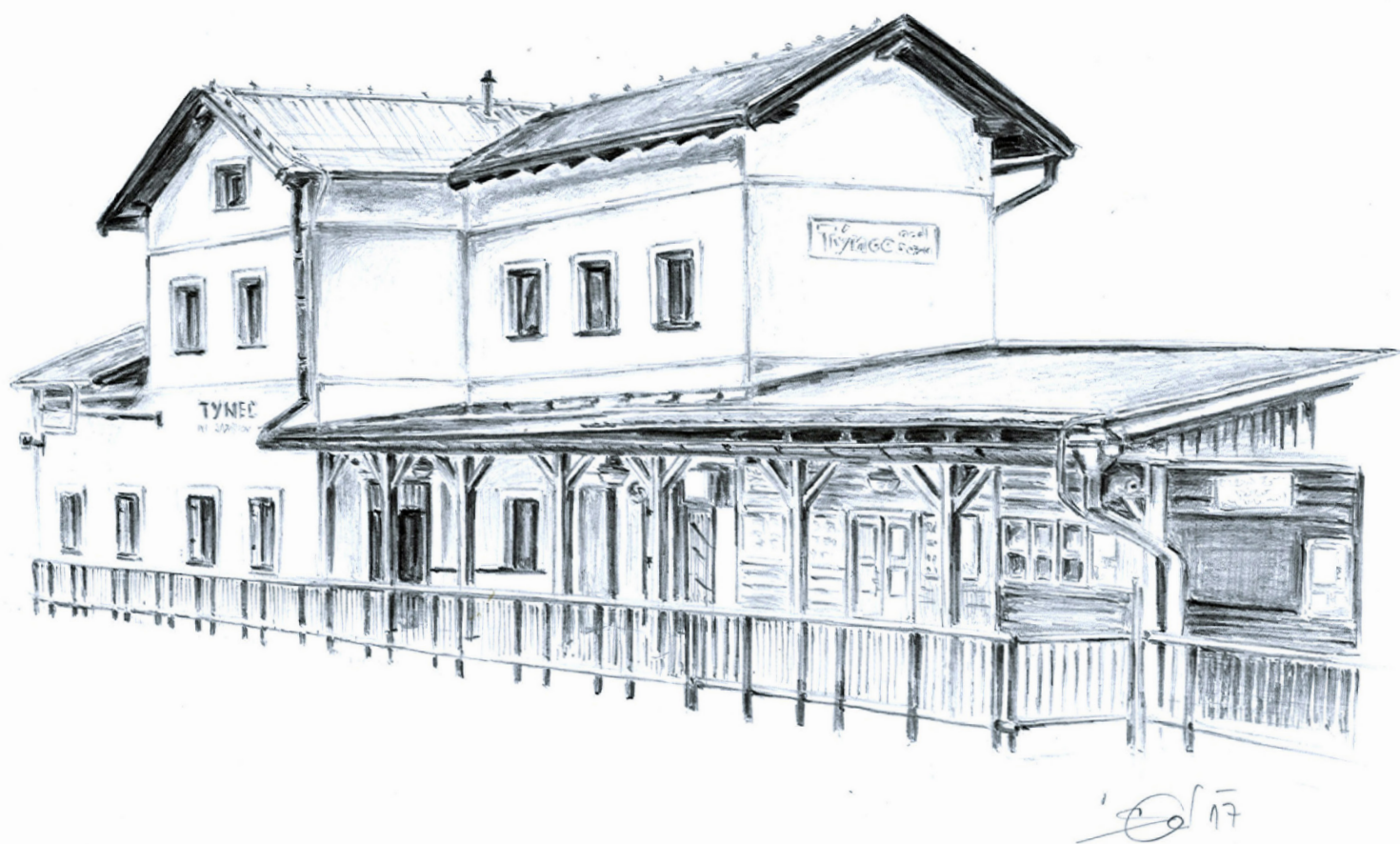
Ing. Pavel Surý
Director General



Ing. Aleš Krejčí
Assistant Director General for Finance

The closing date of the annual report is 8 June 2017.

Týnec nad Sázavou



ANNUAL REPORT ON THE PROVISION OF INFORMATION IN COMPLIANCE

Annual report on the provision of information in compliance with Section 18 of Act No. 106/1999 Coll., on Free Access to 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 2016

In compliance with Section 18 of Act No. 106/1999 Coll., on Free Access to Information, as at 1 March 2017 we released the annual report for 2016 on the provision of information.

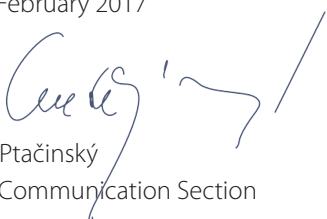
Requests made in accordance with the above Act are processed on behalf of SŽDC by authorised employees of the Public Relations Department in cooperation with all organisational units and expert departments of SŽDC, depending on the nature of the request.

a)	Number of submitted requests for information	110
	Number of issued decisions on dismissal	
	Of the request	18
	Of a part of a request	17
b)	Number of submitted appeals against the decisions	7
c)	Number of completed legal proceedings	0
d)	Number of exclusive licenses provided	0
e)	Number of complaints submitted under Section 16a	3

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

- Against the postponing of the request in accordance with s. 14 (5c) of the Free Access to Information Act. The superior authority reviewed the procedure adopted by the responsible entity and confirmed the procedure adopted by the responsible entity.
- 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 department responsible for the processing of the request under the Free Access to Information Act did not record the original request since a system error occurred while the request was being received by the mail room of the responsible entity. The complaint was satisfied and the information provided.
- Based on s. 16a (1c) of the Free Access to Information Act, the complainant claimed having been provided incomplete information. The complaint was satisfied in accordance with s. 16a (5) of the Free Access to Information Act and the information provided.

Prague, 15 February 2017

02. 
Mgr. Jakub Ptačinský
Director of Communication Section

Praha – Veleslavín



LIST OF ABBREVIATIONS

CFT	– contact-free track
CTC	– Central Traffic Control
CEF	– Connecting Europe Facility
CEN	– European Committee for Standardisation
CENELEC	– European Committee for Electrotechnical Standardization
CER	– Community of European Railway and Infrastructure Companies
ČD	– Czech Railways (České dráhy, a. s.)
ČD, s. o.	– České dráhy, s. o.
EC	– European Commission
ERTMS	– European Rail Traffic Management System
ETCS	– European Train Control System
ETSI	– European Telecommunications Standards Institute
GP	– geometric position
GRAPP	– Graphic train position presentation applicaton
GSM-R	– Global System for Mobile Communication – Railway
TD	– train diagram
IM	– infrastructure manager
TT	– timetable
KPI	– Key Performance Indicators
MT	– Ministry of Transport of the Czech Republic
NATO	– North Atlantic Treaty Organization
LV	– low voltage
OPT	– Operational Programme Transport (EU)
OPE	– Operational Programme Environment (EU)
OCR	– Organisation for Cooperation between Railways
DD	– design documentation
PMD	– shunting
RFC	– Rail Freight Corridor
RISC	– Railway Interoperability and Safety Committee
RNE	– RailNetEurope
SERAC	–Single European Railway Area Committee
SFTI	– State Fund for Transport Infrastructure
CEA	– Civil Engineering Administration
SŽDC	– Správa železniční dopravní cesty, státní organizace
TEN-T	– Trans-European Network – Transport
TRS	– Track radio system
TSI	– Technical specification for Interoperability
UIC	–International Union of Railways
HV	– high voltage
RI	– railway infrastructure

Týniště nad Orlicí



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
Phone:	972 235 711
E-mail:	szdc@szdc.cz
Website:	www.szdc.cz



Správa železniční dopravní cesty