



Infrakos

2020

BUSINESS PLAN

Introduction

The business plan of 2019 conceived by INFRAKOS, despite major challenges during all the year, has almost been fully realized. Therefore, thanks to our commitments, the action plan outlined from the business plan has been successfully implemented. Kosovo Railway Network managed by INFRAKOS, through which is transported certain number of passengers and goods safely and efficiently, thanks to our commitments was a successful story during the year 2019. In addition to providing services for railway operator TRAINKOS and RAILTRANS, we made strenuous efforts for providing real estate services and other services to our customers. Therefore, as a result of these commitments satisfaction of our customers has been and remains at relatively high levels.

This success brings with it two important issues: challenges and opportunities. We must continue to enhance customer satisfaction by meeting the rising demand, but always keeping the right balance between capacity, performance and costs. For this we have a responsibility to continue our work with greater efficiency towards the modernization of the rail network and the financial sustainability of the company.

Our challenges have been and remain large, while our options were, and unfortunately still remain small. We would like that our Business Plan would be fully realized because such as it is will enable the development of the railway network, understood as part of an existing reality in a modest way by not asking the impossible. For this reason we need to have greater support of responsible institutions in the realization of our projects, projects that are in the good of our country.

Railway Network exists to deliver high value to taxpayers and consumers. This requires accurate identification of the company's financial opportunities and long-term investments in railway infrastructure. For this reason the Business Plan clearly defines the state of our assets, financial situation and plan for the implementation of infrastructure projects which are vital for the company.

Moreover, due to non-investment for years to rehabilitate the rail network, the condition of INFRAKOS network is not good and this requires huge investments in upgrading and full functioning of this network. For this reason, supported by the Government, EU Grants, European Bank for Reconstruction and Development, and the European Bank of Investment we have started the implementation of infrastructure development projects, so during the year 2020 is expected to follow Rehabilitation of Railway Line Fushë Kosovë - Hani i Elezit which enables modernization of these railway line. So, the year 2020 will be a year of large work implementations toward general rehabilitation of the Railway Route 10 which will be a line conform EU Standards and will enable rapid development of the railway sector in Kosovo and will be as a connection bridge with regional and EU railways.

Business Plan for 2020 comes as a result of the successfully realized tasks of the previous year with existing Business Plan 2019, therefore we are determined for the same framework of Business Plan making needed modifications and changes. In accordance with our organizational structure we have developed a detailed plan for initiatives in all sectors, therefore we expect tangible results of these initiatives.

For successfully implement of our plans, we have made changes in the way how to work, bringing to the highest level possible responsibility of each and all levels of business. We also need to change the approach of responsible institutions toward INFRAKOS, in order that once and forever to fix the form of financing and subsidizing the company. This would significantly increase the performance capacity so that the company can offer the best value for taxpayers and our customers. And to achieve this, we must gain the trust of all stakeholders providing services of the highest qualities in our rail network.

We want our solution to be best and give it greater opportunities. So, we will continue to explore new ways of working to deliver greater efficiency and create higher incomes, in order to have a stable and successful company.

The year 2019 is followed by significant challenges in terms of fall in revenues from track access charges due to decrease of freight transport and passenger trains from TRAINKOS, and non-realization of the required subsidy from the government. We would never like to repeat this situation, therefore we ask our institutions to meet their legal obligations about funding, so that INFRAKOS not come to a situation that is bound to terminate its operations.

Business Plan for 2020 is based on long term strategic business plan (2019 – 2025) which is drafted by INFRAKOS in 2018 and approved by the Board of Directors. This is an ambitious plan and clearly defines the tasks that must be performed for the company to offer a good railway network and better services to our customers and funders, while simultaneously transforming itself so that will be able to provide a long-term vision for the development of the company and the railway system as a whole.

Chief Executive Officer
Agron Thaçi

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Strategic Direction Statement

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Vision

To be leader in provision of the train paths and other infrastructure services for all railway transport operators inside and outside the country in equal, transparent and nondiscriminatory manner. To be attractive and more effective provider, of the railway network in the West Balkans Region.

Mission

Providing a competitive, sustainable and successful railway network in accordance with the needs of society, and the Kosovo economy of and beyond, as well as satisfying safety, environmental and economic requirements.

Values and principles

INFRAKOS as the only company in Kosovo responsible for management of the railway infrastructure will comply with the following principles and values:

- ➔ Provision of the train paths to all railway undertakings under the existing legal framework and the principles of fairness, equality and non-discrimination;
- ➔ Provision of all other infrastructure services for all railway undertakings equally and non-discriminatory;
- ➔ Favorable and equitable provision of our real estate for rental to all existing customers and those who want to use our property in the future;
- ➔ Provision of maximum safety for all passenger and freight trains across the rail network;
- ➔ High cooperation with the whole community, governmental and municipal institutions to provide better services and achieve the expected results.

History and performance in the future

INFRAKOS manages all Kosovo Railway Network which is extended in the territory of Republic with the length of 335 kilometers. From the beginning of construction of the first railway line in 1874 and till today, Infrastructure of Kosovo Railways has passed through many challenges, starting from maintenance up to exploitation of the railway lines.

During the year 2019, with the exception of the railway line Leshak – Mitrovicë, Prishtinë – Podujevë and Klinë - Prizren, INFRAKOS had in exploitation all other railway lines in Kosovo.

The northern part of the Railway Route ten, Leshak – Mitrovicë has been out of operation for political reasons which are related to northern Kosovo, the Prishtinë – Podujevë because of the enormous damages of this line and its inability for

rehabilitation, while similar situation prevails regarding railway line Klinë - Prizren.

Thanks to the efforts of all staff, train traffic safety and rolling stock, during 2019 was in the maximal level. This has required our additional commitments, especially given the lack of sufficient funds for the rehabilitation and maintenance of the railway infrastructure.

During 2020 INFRAKOS does not foresee major changes in terms of introducing the function of other railway lines or rehabilitation of existing lines (except the following of general rehabilitation of the line Fushe – Kosove – Hani i Elezit and start of the rehabilitation for line Fushë Kosovë – Mitrovicë), because the cost of rehabilitation and maintenance of railway infrastructure is very high, so according to financial possibilities will also be maintenance and exploitation of railway lines.

While in terms of performance, the company will engage in the improvement of all services, so that our customers are satisfied with the provision of these services.



Environment and impacts in the Railway developments

Railways, respectively railway infrastructure is an industry that provides services to different markets and different clients. All they expect to provide the best possible service and at a price as low as possible. Therefore, to achieve this goal, we need clear policy and strategy for development of the company, respectively unreserved support of the Government of the Republic of Kosovo.

In short, the Government should establish proper policies and strategies for the maintenance and development of railway infrastructure in order to provide this infrastructure conditions, quality, capacity and maximum safety with regard to train paths and other infrastructure services.

To achieve such an environment, government policies need to be oriented towards the development of the railway infrastructure, and our policies will be oriented

towards maximum delivery of appropriate services, based on the principle of fairness and transparency with public as we have done in previous years.

Reflection of possibilities in Business Plan

Opportunities for the maintenance and development of railway infrastructure are enormous. INFRAKOS has developed the Business Plan based on the real needs of the company and the reality created for infrastructure development. This plan sets out clearly the need of the company and investment opportunities to be realized as planned investments in terms of maintenance and better delivery of infrastructure services.

The INFRAKOS seeks neither less nor more than the realization of investments and subsidies provided by the railway sector development strategy and the Law on Kosovo Railways.

For this purpose, our goal is to make in our Business Plan a clear definition of our needs, requirements and the ability to fulfill these requirements for the whole year of 2020.

Company objectives for railway network

Above is described vision and mission of INFRAKOS for 2020. To realize this vision and mission, INFRAKOS set out some very clear objectives to be achieved this year, and without their implementation would not have proper development of the railway infrastructure.

Therefore, in order to become genuine development of railway infrastructure in 2020 INFRAKOS has foreseen realization of the following objectives:

<i>Aim, why we exist?</i>	<p>The main purpose of INFRAKOS existence is related to maintenance, rehabilitation and construction of railway infrastructure, in order to ensure the safe movement of passengers and freight trains.</p> <p>INFRAKOS also made the implementation of the obligations arising from the requests of the Kosovo taxpayers, namely the relevant governmental institutions on their behalf.</p>
<i>Our role.</i>	<p>Our company's role is key for the development of rail transport, providing services to all rail operators and other customers, as the leaders who influence environmental protection, removing congestion from Kosovo roads,</p>

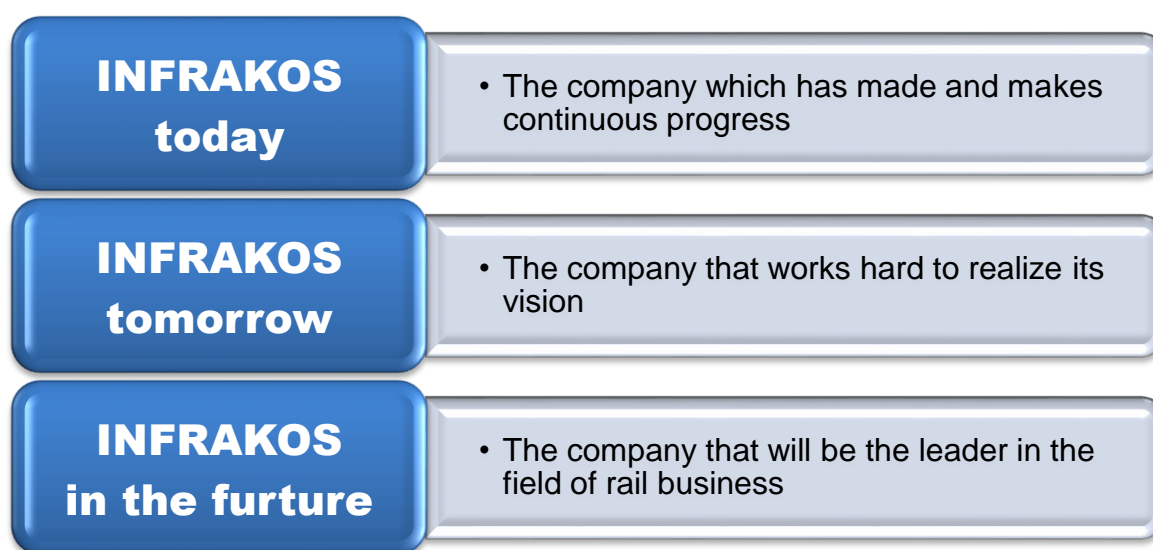
	<p>reducing accidents, and what is more important, providing opportunities like no other for large-capacity transports.</p>
<p><i>What we Like to do?</i></p>	<p>Year 2020 we called as the year of the big changes, and we have set out clear objectives that will enable the rapid development of the company. Among the many objectives will mention these:</p> <ol style="list-style-type: none"> 1. Maintenance of railway infrastructure in the highest possible level based on regulations and legislation in force. 2. Human capacity building to increase safety, quality and effectiveness. 3. Better management of existing resources for the realization of planned revenues. 4. Provision of the train paths to all railway operators in correct, transparent and non-discriminatory way. 5. Sound management of real estate as a second resource revenue generation and elimination of bad debts. 6. Continuation of works for general rehabilitation and modernization of the phase 1 of the Railway Route 10 (Fushë Kosovë – Hani i Elezit). 7. Start of works for general rehabilitation and modernization of the phase 2 of the Railway Route 10 (Fushë Kosovë – Mitrovicë). 8. Completion of the preliminary project design for the railway route 7 (Fushë Kosovë – Podujevë - the border with Serbia) 9. Completion of the of the feasibility study for the railway line (Pristina - Pristina Airport) 10. Reopening of the Northern part of Railway Route 10 from Mitrovicë to the Serbian border. 11. Establishing cooperation with local and international institutions towards the development of railway infrastructure in Kosovo.
<p><i>How to realize changes?</i></p>	<p>INFRAKOS is aware of the challenges that await the realization of the objectives set. Our policy has been and remains such that the priority number one in achieving the objectives set should be the commitment of the management of</p>

the company and all other executive staff.

We are aware of the challenges, so for the year 2020 we added our commitments to a completely different approach to our responsibilities towards responsible institutions and public. We are doing and will do additional work in persuading our institutions and other international institutions that investment in the railway network, is and should be a top priority.

Potential of our staff in realization of the vision

INFRAKOS has an old tradition and experience (renewed in years) for the implementation of the tasks set and a competent staff (conscious and able) who has set in time obligations and duties, the timeframe for realization of these tasks and how to act in order to be guaranteed success in 2020.



For this work is being done and will be done so since education, training and renewal of staff in order to go ahead with foreseen duties and their successful implementation in the year 2020.

Definition of requests for achievement of the vision

Not wanting to have potential flaws realizing our vision for the year 2020, we set out and defined all our demands, so this Business Plan is successfully implemented, which would be the realization of our vision for railways.

For this, INFRAKOS management together with the Board of Directors has correctly defined all the requirements that are expected to begin to be realized in the year 2020, so that our company reaches appropriate levels for the following items:

Safety	INFRAKOS will maximally work on infrastructure maintenance and elimination of factors that affect railway safety violations. In order to complete this successfully, we have addressed in time our demands to government institutions, so that they can make the required support to the company.
Sustainability	INFRAKOS will maximally work on the implementation of plans and development policies of the company, creating in this way convenient climate for different investors and a proper partnership, in order to have a needed sustainability of the company for safety operation.
Assets	INFRAKOS will maximally work on the proper management of all existing assets and implementation of strategic plans of the company, in order to have needed stability of the company in the field of finance, technical and in the field of technology.
Performance	INFRAKOS will maximally work on proper management of the rail network, in order to realize successfully trains traffic as per paths given to the train operators, while the performance of the company will be increasing.
Projects	INFRAKOS will maximally work on proper management of projects funded and provided by the company, but special attention will be given for projects financed by the Kosovo budget. For this reason, the company has defined in time development projects proposing funding resources so that these development projects find their way to their realization.

Reporting

INFRAKOS has established a long practice of information and reporting for all events that are related to or have a direct impact in the areas of management of the company.

One of the main virtues of our company has been and will be reliability, accurate information, transparency and



timely reporting to the company's current situation, and preparation of reports and other information for responsible institutions in accordance with legislation in force. Based on what was said above, INFRAKOS will be at the desired level and also during the second half of year 2020 will make in time reporting and information required by law to responsible institutions.



Transformation of the railway network

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Safety

INFRAKOS as a priority number one had and will have train traffic safety, respectively maintenance of infrastructure facilities and equipment so that they are at the right level without the smallest possibility to endanger safety. For our work we have implemented and will implement all technical regulations which define in details the way of maintenance, intervention in obstacles and control of railway system, signaling system, telecommunication and energy, as well as operation system and supervision of railway traffic.

With a staff with high experience in these fields, with a daily commitment and daily supervision, we have achieved in first 9 months of 2019 to have a lower number of accidents than in 2018. Most of these accidents occurred in unprotected level crossings road - rail. We are glad for the fact that none of these accidents was responsible INFRAKOS, so it is a satisfaction to all of us who work in this company.

Unfortunately, due to poor financial condition and our unmet demand for more budgetary resources, we were often forced to interventions in the maintenance and rehabilitation of infrastructure to make only emergency cases. A long continuance of this situation would be a potential threat for safety. Hence our request to the government has been and remains the same that the state must invest much more in the rail system.

INFRAKOS has mobilized all its potential to have a higher quality of infrastructure and other services in 2020 and for this all the necessary preparations have been made to all the staff and especially the staff who is directly connected with maintenance and exploitation of the railway infrastructure. In this regard, a number of measures have been prepared and is being approved document on Safety Management System which is as a guide for executive staff.

We also the year 2020 see as a dangerous issue the issue of unprotected level crossings so our commitment to this will be much greater awareness of the authorities in charge of finding a long-term solution to this problem.

*We will never allow
having an
infrastructure that
would endanger safety
of train traffic*

Sustainability

By placing sustainability at the center of each work that we carry, we think that will create a sustainable rail system, so that future generations have it easier. We do not pretend that this Business Plan and existing conditions will change many things, but with this and the way we gradually started to build we will build a better future for rail infrastructure.

Achieving a good stability in the year 2020 we will do achieving key tasks set out in this Business Plan as follows:

- ➔ By implementing the development strategy for the railway sector;
- ➔ By placing priority on railway infrastructure investment;
- ➔ Providing sustainable financial resources;
- ➔ By reducing into the maximum extra costs;
- ➔ Implementing daily, weekly and monthly working plans in all sectors;
- ➔ Training existing staff for the competent execution of tasks; and
- ➔ Managing and overseeing the utmost care throughout the process chain works in the company.

A number of the issues mentioned above are related to state institutions and their access to the railway system, but we will do our best to convince these institutions that investment in railways is necessary and it is time to act with urgency. Needless to say investment in railways is expensive, but the return of these investments is manifold.

Asset management

INFRAKOS is one of the companies with the highest number and the highest extension of assets throughout the Republic of Kosovo. With 335.079 kilometers of main railway lines, 105,784 km lines in stations, 103.4 km industrial lines, 115 bridges, 759 culverts, 257 level crossing, 850 hectares of land, 32 railway stations and many objects and warehouses; the company provides a high and valuable potential for economic development of the country.

According to estimates made by Deloitte & Touche in 2005, INFRAKOS property is estimated at approximately 20,500,000.00 €. However, we consider that this was not a realistic assessment, because this value according to market parameters should be multiple higher. For this reason one of our priorities will be the registration and real evaluation of the company property, bringing the company under a monitoring system that will properly manage all changes to the assets, so that at any moment we know their real situation.

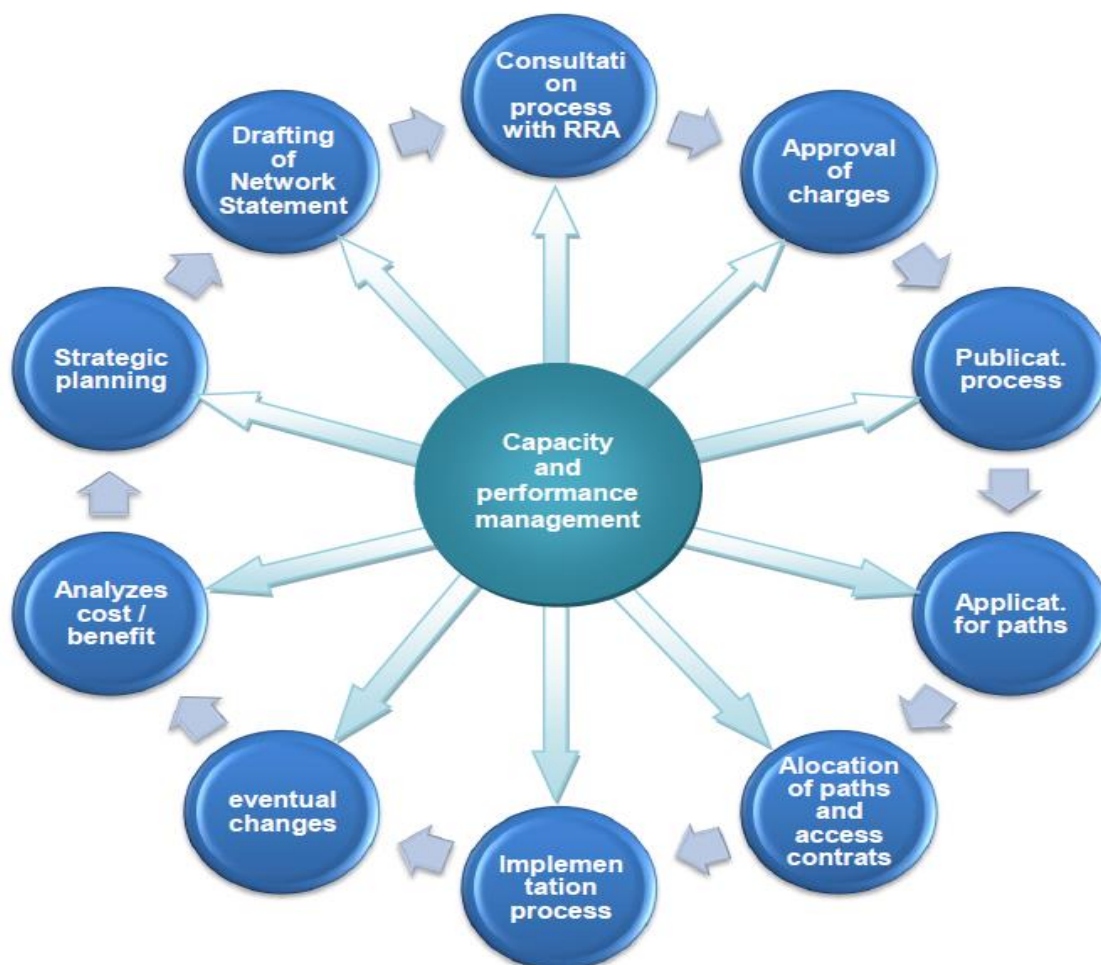
So during 2020, INFRAKOS will see possibility to find funds for purchase a software for implementation of the asset management plan for our company so that this issue is resolved once and for all.

Capacity and performance management

Our primary task has been and remains offering of the sufficient capacities of train paths to the railway operators, so that transport of passengers and freight to be implemented successfully. During the year 2019, the INFRAKOS has successfully implemented the provision of all necessary capacities for TRAINKOS and RAILTRANS always realizing ad hoc requests for additional paths. Similar is the case with other services providing access to the railway network.

During the year 2020 we will also provide adequate capacities for access and other services to the railway network for train operators, but at the same time we are ready at any moment to offer this type of capacities and other services for other eventual new railway operators. So, we have made an appropriate preparation and are always willing to accept other railway operators in our lines.

Therefore, in the year 2020 we expect that through a proper traffic management and planning process to make short and long term successful implementation of existing rail capacity utilization, not forgetting the fact that even 10 % of our capacity is not used by the current operator TRAINKOS and RAILTRANS.



Development projects

INFRAKOS has clearly defined development projects that will be realized during 2020, based on financial and opportunities created by relying on government funding.

Our ambitions have always been bigger than the value of the funds from the Kosovo budget or limited access to the company's budget.

Supported by Kosovo, EBRD, EIB and WBIF budget, during the year 2020 is expected to realize these projects:

Financing	Name of the project	
<i>Projects financed by Kosovo Budget</i>	Supply with spare parts, machinery and equipment for maintenance of railway infrastructure	800,000.00
	Total costs	800,000.00
<i>Priority Projects without possibility for Investments</i>	Opening of the Railway Line (Fushë Kosovë – Mitrovicë – Leshak – Border with Serbia)	500,000.00
	Reopening of the railway line Klinë - Prizren	700,000.00
	Realization of project on financial reporting according to international standards (IFRS)	125,000.00
	Purchase of the software for Navision system	400,000.00
	Total costs	1,725,000.00

Projects financed by Kosovo budget - INFRAKOS has planned that during 2020 to undertake a number of capital projects funded by the Kosovo Budget. It should be said that the aforementioned capital projects are determined through the Mid Term Expenditure Framework of the Kosovo Budget, which means that their funding is secured, so we expect to make in 2020 a successful implementation of these projects, as in previous years.

Projects funded by the Kosovo Budget provide for the purchase of spare parts and material for the maintenance of rails, bridges, tunnels, culverts, canals, level crossings, signaling, telecommunication and energy equipment, as well as the purchase of machinery for the maintenance of railway infrastructure.

It is worth noting that the requirements of INFRAKOS have been and are many times larger, while the budget for capital projects is too small.

Projects expected financed by EBRD, EIB and WBIF - As a main project in 2020 we consider continuation of general rehabilitation for phase 1 (Fushë Kosovë – Hani i Elezit), start of works for the rehabilitation of the phase 2 of Route 10 Fushë Kosovë – Mitrovicë, detailed design for the rehabilitation of the railway line Fushë Kosovë – Podujevë and feasibility study for railway line (Pristina – Pristina Airport). These projects will be financed by the EBRD, EIB and EU grants.

Non-Financing Projects - In addition to projects from the Kosovo Budget and EBRD, EIB and WBIF, we have foreseen two very important projects for which there are no financial resources. This is the reopening of the Fushë Kosovë - Mitrovicë - Leshak railway line at a value of 500,000.00 € for spare parts of the infrastructure for the refurbishment of this railway line. In case of reaching a settlement between Kosovo and Serbia for opening this railway line for international transport, then the financial means could be requested from the EU.

Considering that the Klinë - Prizren railway line is out of function and given the importance of the functioning of this railway line, which is very important for rail and passenger transport, INFRAKOS has decided to use the material and spare parts of the railway line Fushë Kosovë - Hani i Elezit which will be modernized in order to functionalize the railway line (Klinë - Prizren). The cost of this project is estimated at 700,000.00 €.

The other project of special importance for which there is no financial means is related to the drafting of procedures and the construction of the system which would enable the implementation of the International Financial Reporting Standards. This is required by the EBRD and the EIB, so it is expected that funds will be available in the amount of 125,000.00 € for the realization of this project.

The fourth most important project for which there are no funds has to do with the purchase of software for incorporation into the INFRAKOS Navision system so that the Company's Asset Management Plan and the Track Access Charges System can be implemented, including the railway infrastructure maintenance plan with detailed maintenance costs. This is required and is also one of the tasks set out in the Action Plan of the Technical Committee on Railways of the Treaty Establishing the Transport Community.

Organizational changes

In previous years the whole railway system has undergone major changes by adapting existing trends in market transportation. However, due to insufficient focus of the institutions responsible for this type of transport, the results so far have not been satisfactory. In order to monitor the movements of rail transport market and the most recent changes in the system of European railway infrastructure we have discussed the possibility of changing the organizational structure of the company.

INFRAKOS is always prepared to change the infrastructure management system trying to create a proper system of management for the company in order to achieve our vision and mission. Even in 2020 we will implement all procedures on

Management System that will be compatible with European and International standards.

Our main focus is to create appropriate and competent structures in all areas, so that the INFRAKOS have an advanced management system in order that the company within the shortest possible time can act according to the European Standards.

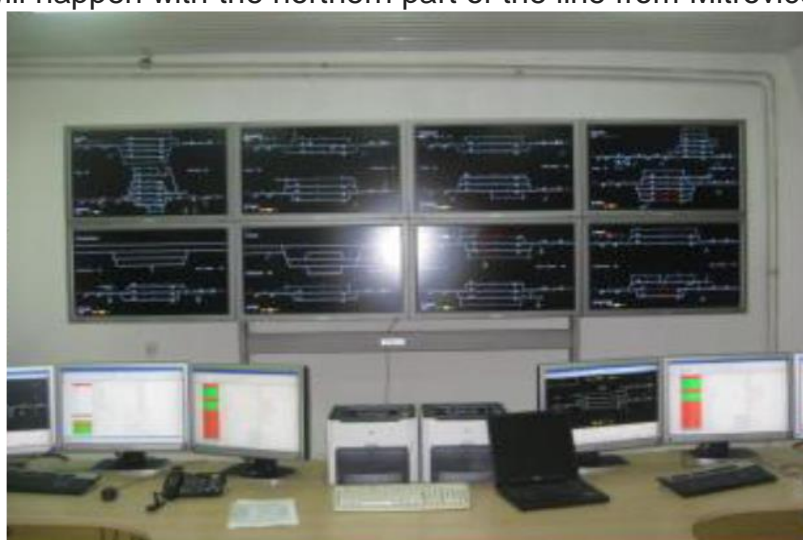
Technology and innovations

A big step has been made and will continue to take place in 2020 for the modernization of railway lines, signaling safety equipment, telecommunication, and equipment for control of movement of trains and equipment and machinery for maintenance of railway lines.

We have in place one of the most modern systems of central train control on the line Mitrovicë – Hani i Elezit, digital telecommunication network for the whole territory, the railway lines which are in a poor condition, and now one renovated machinery for their maintenance.

Therefore, our strategy is to make the modernization of the entire rail network, so during 2020 will continue general rehabilitation for railway line Fushë Kosovë – Hani i Elezit, will start general rehabilitation for railway line Fushë Kosovë – Mitrovicë, while in the following years this will happen with the northern part of the line from Mitrovicë up to the border with Serbia. Similarly, it will also provide stations with electronic equipment and the expansion of the centralized train control.

Our orientation is focused on proper cooperation with different scientific institutions in order to be able to incorporate innovations and new achievements in the rail system, in order to have a better quality, higher



Management of the Railway Traffic

safety and more advanced models of maintenance. For this reason since before we signed memorandum of understanding with the University of Pristina and College Tempulli, and at the same time we have a good cooperation with the infrastructure managers of the region, which collaboration will expand even more in 2020.

SWOT analyze

In achieving a desired success, INFRAKOS as always has made and analyzed in details what are the strengths or advantages, weaknesses or gaps, opportunities or chances and risks or threats in order that our company will succeed without problems in 2020.

By analyzing all the circumstances and the situation existing during 2019, we have not seen reason to make changes in the SWOT analysis presented in the Business Plan of 2019. So, the model of Business Plan of 2019 is also used for the Business Plan of 2020.

With this analysis we have clearly defined what our strengths are and advantages that we can compete with other types of business of this nature and which represent a priority for us.

Similarly, we analyzed the opportunities that we have to develop this business, bearing in mind the weaknesses or shortcomings that may have a significant impact on our business, while special treatment we made for risks that will accompany our business in 2020.

In the table below are presented some of these main issues mentioned above and which constitute our SWOT analysis for 2020.

Strengths (Advantages)	Weaknesses (Deficiencies)
<ul style="list-style-type: none"> ➔ The only operator that provides access to the railway lines; ➔ Connection to industrial tracks in most of mains in Kosovo; ➔ Provision of the terminal services for loading and unloading of goods; ➔ Railway Route 10 is connection line between Serbia, Kosovo and Macedonia; ➔ Existing infrastructure capacities allows entrance of other train operators too; ➔ Long experience in this business; ➔ Renting of property. 	<ul style="list-style-type: none"> ➔ Not good condition of the railway infrastructure; ➔ Nonfunctioning of the railway lines Pristina – Podujevë and Klinë - Prizren; ➔ High costs of maintenance for railway infrastructure; ➔ Missing of interlocking signaling systems in other railway lines, except in Railway route 10; ➔ Old age of employees, low work productivity.
Opportunities (Chances)	Risks (Threats)
<ul style="list-style-type: none"> ➔ Connection of all Kosovo main cities with railways, enables development of railway transport; 	<ul style="list-style-type: none"> ➔ Malfunctioning of the TRAINKOS and RAILTRANS; ➔ Insufficient financing of INFRAKOS

- | | |
|--|--|
| <ul style="list-style-type: none">→ Connection of the regional countries through Railway Route 10;→ Rehabilitation and functioning of other railway lines;→ Good infrastructure provides possibility for additional transport operators. | <ul style="list-style-type: none">development projects;→ Malfunction of the northern line from Mitrovicë to the border with Serbia;→ High investment costs for maintenance and rehabilitation of the lines out of function;→ Non signature of the five years financial contract for INFRAKOS by the government. |
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Incomes and expenditure plan

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Financial analyzes

Infrastructure of Kosovo Railways JSC - INFRAKOS despite various difficulties, during 2020 plans to conduct its business to a trend of slight improvement compared to previous years. This by considering that in addition to operating expenses necessary for company function, there is a need for financial resources for capital projects. Currently the only source for these investments is KB (Kosovo Budget) from which source is continuously funded INFRAKOS only to maintain the existing infrastructure.

From what has been said above is emphasized that INFRAKOS business relies on allocation of train paths (from which paths are carried out the track access charges), as well as rental of real estate. We must emphasize that our requests for payment for the value of network access and other services are reduced significantly from the Ministry of Infrastructure and Transport for the Network Statement of 2020 functioning so the same reduced rates since 2013. With this kind of Ministry approach we will not achieve even close to projected revenues from network access charges. For this we have asked the Ministry to cover the difference of revenue from track access Charges and at the same time to sign financial agreement between the government and INFRAKOS for long-term financing.

INFRAKOS in addition to revenues from network access also counts the revenues for rent of the real estate and rental optic cables under contract with PTK. Regarding incomes from real estate, in 2020 we will have additional commitments for better management of the sector.

We also plan revenues from maintenance of private industrial tracks which are in use from private companies.

Above is said that the construction, maintenance and development of railway infrastructure depends from Kosovo Budget funding. INFRAKOS demands for 2020 have been much higher than forecasts made prior to Kosovo Budget. Seeing that our needs are higher and Kosovo Budget promises does not reach the desired value, we are forced in 2020 to develop only emergency projects which are related to the safety of rail traffic.

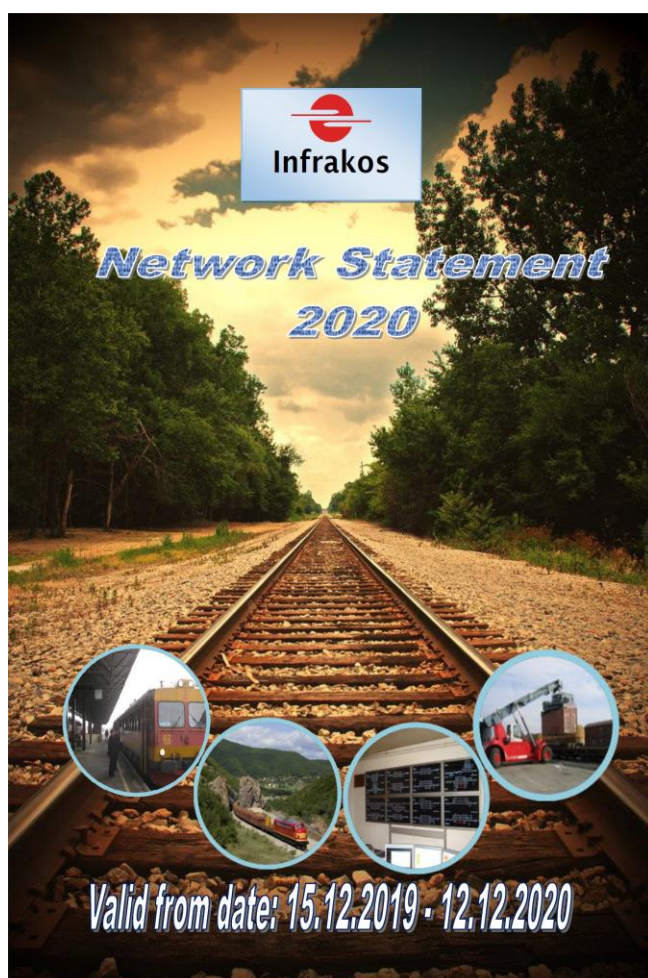
In the following table are presented the revenues that INFRAKOS plans to achieve in 2020:

No	Description	Planned Budget for 2020
1	Incomes from Track Access Charges	498,000.00
2	Incomes from the rent	720,000.00
3	Other incomes	260,000.00
4	Subvention of network difference	2,594,322.00
Total incomes		4,072,322.00

Incomes from Track Access Charges

For 2020, INFRAKOS has developed a Network Statement which is very modern, in accordance with the Law on Railways and conforms to European Standards and regulations that regulate this field.

Track Access charges represents main INFRAKOS revenues which are realized from train operators – TRAINKOS and RAILTRANS.



Track Access Charges for 2020 were calculated from the direct costs of maintaining of the existing railway network which is operational and based on the law on railways and European Directives which regulates this issue.

According to our calculations, the direct costs of maintenance of railway infrastructure for 2020 are 3,092,322.00 €. This amount should be realized by rail operators (in our case by TRAINKOS and RAILTRANS) on the name of the track access charges. However, knowing that the decision of the ministry is to remain same tariffs for TAC of 2019, then the Ministry of Infrastructure has approved Network Statement 2020 identical with NS of 2019.

Since the realization of revenues from Track Access Charges depends 100 % from the operators of rail transport (in our case TRAINKOS and RAILTRANS), given that the number of passenger trains in 2020 will be similar to 2017, knowing that freight is declining from year to year, and given the fact that the fees for track access have been reduced drastically by the Ministry of Infrastructure and Transport; but with the hope that in 2020 RUs will have an increase of freight transport, then

the maximum revenue that we expect to realize from track access charges in 2020 as per best optimistic prognoses is calculated in the amounting to about 498,000.00 €.

Based on what was said above, the difference between direct costs and incomes from TAC is foreseen at amount of 2,594,322.00 €. Therefore, our request is that this

difference is subsidized by the Ministry of Infrastructure and Transport, which has taken the decision to direct cost reduction, and this Ministry together with Ministry of Economic Development shall solve this problem in the best possible way signing five years financial agreement with INFRAKOS, which agreement will solve financial problems in longer term.

Rental Incomes

It was said earlier that the second most important sector of which INFRAKOS achieves revenues in 2020 is real estate, respectively leasing company property such as shops, warehouses, land, official apartments and optical cables used by Kosovo Telecom.

During 2019 we have undertaken the action raising the efficiency of real estate management, therefore in 2020 monitoring of the implementation of planned revenue from the property will be followed on a daily basis. According to the above table and based on incomes from the previous year, rental revenues in 2020 reach the amount of 720,000.00 €, but due to the decrease in demand for use of INFRAKOS premises INFRAKOS Management will take all necessary actions for the realization of this amount.

Other incomes

In this group of revenues are included revenues from freight terminal, revenues from industrial track maintenance of private companies and other revenues that could be realized by providing a service to third parties, including the sale of materials (scrap) which is out of use.



Terminal services and construction of the private industrial tracks

Freight Terminal which is located at the railway station Miradi during the year 2020 will work at full capacity by providing quality services, prompt, fair and non-discriminatory for all its users. Similarly we will work well for the eventual construction of private railway industrial tracks, and maintenance of existing industrial tracks. The table above indicates that INFRAKOS will realize other income in the amount of 260,000.00 €

INFRAKOS Management will take all necessary actions for the realization of this amount. This is because of the need to support company budget and its financial situation.

Subvention from the state

Above we said that the direct cost difference of infrastructure maintenance which according to the Network Statement of 2020 should be paid by rail operators TRAINKOS and RAILTRANS in the name of payments for the track access charges, due to the decision of the Ministry of Infrastructure and Transport for reduction of fees, this difference should be subsidized by the Ministry. According to the law on railways, direct costs should be taken from train operators, but since in our Network are only two operators which have very little number of trains; it appears that the cost of user charges is enormous. It is normal that track access charges would be much smaller as we would have more train operators who would use our railway lines. For this reason Ministry of Infrastructure and Transport policies should be such that by subsidizing INFRAKOS maximally downsize track access charges which will make attractive use of the network by railway operators.

According to the Law on Railways, the government would have to subsidize the other uncovered operational expenses, which for 2020 are not going to be covered, but we have requested and we ask the signature of the financial agreement for INFRAKOS financing with which would solve the issue of funding for at least five years. Therefore, revenues from the state subsidies for 2020 based on the calculated difference must reach the amount of 2,594,322.00 €.

If this required value of 2,594,322.00 € is not subsidized, INFRAKOS will be obliged to terminate the railway traffic due to the violation of the infrastructure safety and the inability to operate the company.

Expenditures

Regarding INFRAKOS expenditures for 2020, based on the table below, we have foreseen 3,742,322.00 € expenses. It is important to mention that within these expenses are all company expenses, starting from the purchase of equipment, spare parts, working tools, various machinery, consumption materials, various repairs, and up to the salaries of employees of the company. As in previous years, we will be careful to make the most of the savings in order to reduce our costs, which will enable us to function smoothly.

No	Description	Planned expenses 2020
1	Equipment	65,800.00
2	Expenditures on premises (buildings)	96,600.00

3	Electric energy	180,000.00
4	Diesel	67,800.00
5	Oils, lubricators etc.	8,232.00
6	Operative consumable material	29,600.00
7	Repairs	74,200.00
8	Operative services	2,160.00
9	Official trips	66,060.00
10	Marketing and publications	18,800.00
11	Office and consumable material	33,000.00
12	Telephone, mail and internet	28,740.00
13	Risk expenditures	87,600.00
14	Representation / consumable	38,800.00
15	Security	55,430.00
16	External staff	17,000.00
17	Staff and employees	2,369,500.00
18	Other operative expenditures	503,000.00
Total operational expenses		3,742,322.00

It is worth mentioning that the expenditure requirements are much higher, but because of the limited budget we have been forced that in 2020 to do drastically cuts of expenses, planning only necessary maintenance.

Concerning expenditures it is also worth noting that the salaries of INFRAKOS employees are in line with Article 27 of the Law on Public Sector Salaries No. 06 / L-111.

The table above shows that the total amount of reviewed expenses in 2020 will be 3,742,322.00 €, compared with projected revenues of 4,072,322.00 € is for 330,000.00 € lower, without calculation of the demurrage incomes and depreciation.

Risk analyzes

Extension of our objectives top - down to all staff of the company, is a clear line of responsibility for each and an obligation that eventual failure of planned duties would jeopardize the realization of revenues envisaged which would violate the company's existence and thus the achievement of our vision.

For this reason, from the management up to smaller units of the company, is requested to make an action plans and control mechanisms, in order to ensure the expected results and the company to operate successfully. Depending on the scope of each sector are presented clear objectives and are developed action plans to be implemented in 2020, so we expect every ring in the acting chain will have positive results.

Possible failure to realize the objectives of the Sector for Maintenance of Railway

Lines, Sector for SS, TC and EN, Traffic Sector and the Real Estate Sector, would endanger the realization of the planned revenues that would affect the safety of the trains traffic.

However, the main risk lies in not having signed the five years Financial Agreement from the government which will guarantee regular operation of INFRAKOS.

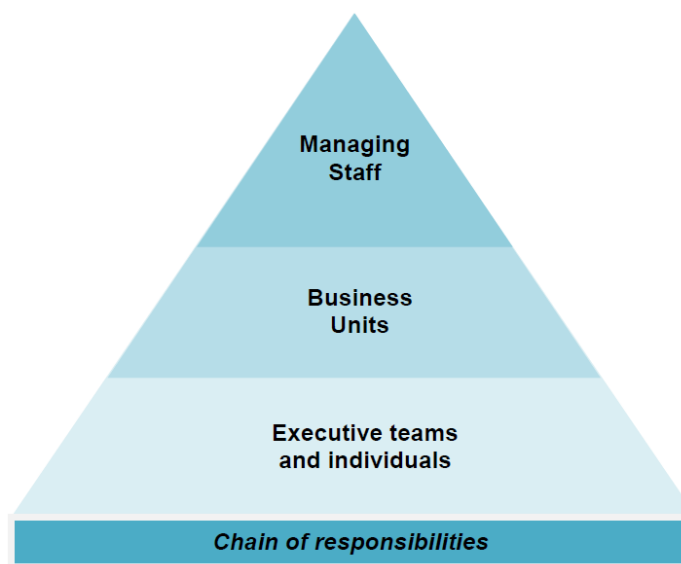


Outcomes

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Our contribution in achievement of results

During the year 2020 INFRAKOS management engagement will be much larger, so that the business plan is successfully realized and the results of these engagements are visible. All executive sectors starting from each individual will maximally contribute to the successful implementation of foreseen duties provided in the maintenance of railway lines, SS TC and EN, as in organizing of the safe movement of trains. Similar will do also other administrative support sectors starting from human resources, to finance and logistics.



We have developed a proper system of control through which will be supervised, analyzed and evaluated the work and contribution of each employee. Although our results are dependent and influenced by many other factors, external and institutional, we are confident that our efforts will bring the maximum expected results that in 2020 we have a better and more suitable infrastructure.

Increase of the safety level

Priority over all INFRAKOS priorities in year 2020 will be to increase the level of safety for our employees, passengers and the public. We think that as safer is railway infrastructure, the higher will be its performance.

Accidents with trains - For the year 2020 we have undertaken all necessary steps to realize the foreseen tasks in order to achieve maximal safety. In this way we aim to reduce into the maximum and tend to completely eliminate the number of train accidents. Luckily so far we have not had accidents of passenger trains, but have been cases of small derailments of the freight wagons mainly during maneuvering. The responsibility of these derailments mainly attributable TRAINKOS employees, but there were times when the guilty have been our employees. For this reason we have increased responsibility of each employee, making continuously education / training with executive staff, taking disciplinary measures against those responsible and strictly asking TRAINKOS to do the same thing for its employees. This will definitely affect the number of accidents in 2020 to reduce to the maximum with tendency to avoid them.

Risks in level crossings - One of the main concerns in recent years has been quite large number of accidents at unprotected crossings road - rail in certain cases where

there was loss of human lives. Unfortunately, in all cases of these accidents are guilty participants of road traffic because they did not implement traffic rules when crossing the unprotected level crossings. It is known that all these unprotected level crossings have relevant road signs which warn the intersection of rail and road traffic, so the participants must apply these signs.



Accident in unprotected level crossing

Another problem here is the large number of unprotected level crossings and considering the very high cost of protecting them with safety equipment and financial inability of INFRAKOS for protection of these level crossings, the situation remains very difficult.

A separate problem is the large number of illegal level crossings that we constantly have eliminated and eliminate them, sending to the competent courts individuals who make such a constructions.

We have already begun intensive work, while for 2020 we have planned to intensify a campaign let say more information and educational in the schools and the media, so that road traffic participants have higher care when crossing through level crossings. We will also expand cooperation with other relevant institutions such as the Ministry of Infrastructure and Transport, Kosovo Police and Municipalities in terms of protection, information and finding best practice models to improve safety in road / rail level crossings. Within this, funded by the Ministry of Infrastructure and Transport during 2020 we will protect a number of level crossings on the Fushë Kosovë - Pejë railway line.

Provision of new capacities

In 2020 INFRAKOS-i has provided for use to the train operators following railway lines:

- ➔ Prishtinë – Fushë Kosovë;
- ➔ Fushë Kosovë – Hani i Elezit;
- ➔ Fushë Kosovë – Mitrovicë;
- ➔ Fushë Kosovë – Pejë; and
- ➔ Magurë – Bardh.

Railway lines Pristina – Pejë and Kline - Xërxe - Prizren due to very large damages are out of use, while lines Mitrovicë - Leshak due to the political situation in northern Kosovo is also out of the use.

During 2020, INFRAKOS claims to put in full function the northern line Mitrovicë -

Leshak, this is hoping in the progress of the technical dialogue with Serbia, because putting in the full function of this line (which represents Northern part of the Railway Route 10) benefits will be multiple, for passenger and freight transport too.

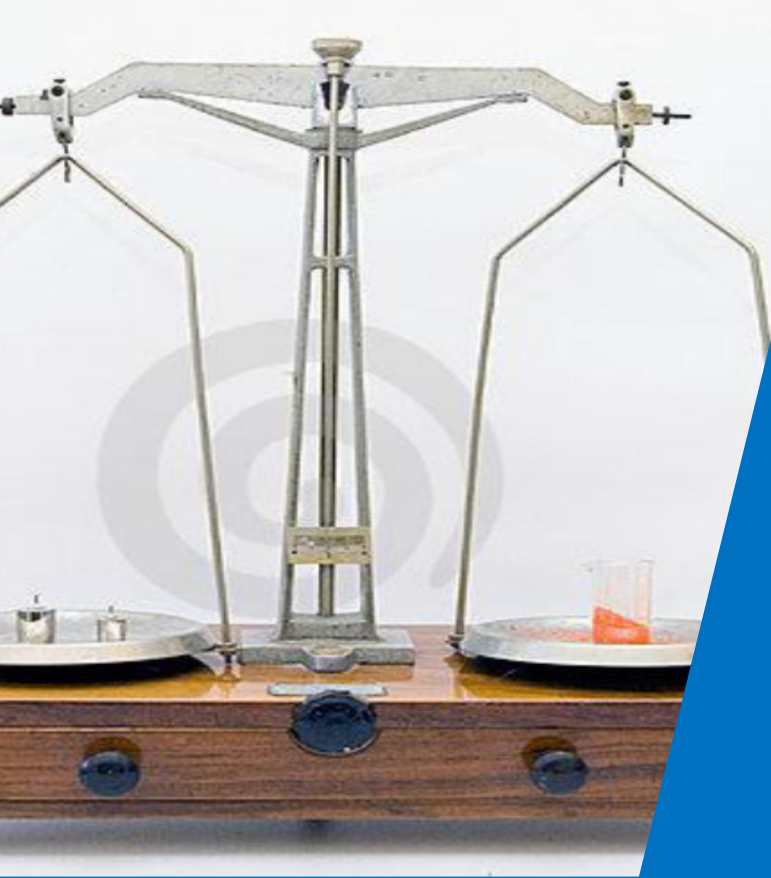
We as a company are ready at any moment to take responsibility for the introduction of full and regular maintenance of this part of the railway line 10, but it also depends on other institutions and development of events on the ground.

Provision of the access

Starting from the old motto that "The customer is always right", INFRAKOS in 2020 will provide access to railway lines to all trains of the existing rail operators TRAINKOS and RAILTRANS, and we are ready to equally offer our access to rail lines for all other railway operators.

Professionalism, preparation and proven skills of our employees are high guarantee for all railway operators that all paths shared by the Network Statement 2020 will be carried out with accuracy and highest safety. In addition, we are ready at any moment to offer the new paths, and "ad hoc" paths, because we have enough unused capacity in all our railway lines.





Delivering, risks and assumptions

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Delivering of programs

It said earlier that for 2020 we have prepared programs and action plans for each sector so implementing them we will have a successful performance in this year. In the following table are presented key tasks that will realize INFRAKOS in 2020 and their implementation during the months.

No	Description of works	January	February	Mars	April	May	June	July	August	September	October	November	December
1	Daily maintenance of railway lines SS, TK & EN equipment, and organization of the train traffic												
2	Interventions in obstacles, of SS, TK & EN equipment												
3	Winter maintenance, cleaning of the snow and ice												
4	Cleaning of the profile in all railway lines and water canals												
5	Cleaning of grass with herbicides in all railway lines												
6	Replacement of old slippers and fastening material												
7	Measuring of the track geometry with measuring machine												
8	Preparation of tenders for capital projects and their publication												
9	Realization of supplies as per tenders for capital projects												
10	Rehabilitation of the Railway Route 10, phase 1 (Fushë Kosovë – Hani i Elezit)												
11	Realisation of the procurement procedure and start of the works for phase 2 (Fushë Kosovë – Mitrovicë)												
12	Preliminary project design for Rail route 7 (Fushë Kosovë – Podujevë)												
13	Feasibility study for line to Pristina Airport												
14	Management with property (contracts, invoicing, collection of rent and previous debts).												
15	Reporting and analysis of realized tasks as per Business Plan												

Our key assumptions

In order to successfully implement our business plan for 2020, we have made a range of assumptions of events that could have an impact on our plan, thus calculating the smallest details of these events so that the final result is good. In this context we have defined some of our key assumptions which relate to possible events in 2020.

Economic situation - Is evident that in 2018 there was a reduction of freight transport. Same trends have happened in 2019 and this have had an impact in reduction of our incomes from Track Access Charges. But, if the Northern Railway Route 10 (Mitrovicë – Leshak) will be opened for traffic, than we will have an increase of the freight and passenger transport. This increase of freight also means growth of the train kilometers, so for INFRAKOS means largest collection of revenues from track access charges.

Regulatory and contractual framework - In 2020 we also expect to strengthen the regulatory framework of the railway system, where the Ministry of Infrastructure and Transport will issue regulations (Administrative Instructions) which will detail the method of adjustment of the rail system and particular ways of financing rail infrastructure. This will solve the problem of drafting and adoption of the Network Statement in the future, which for INFRAKOS would be a great convenience.

At the same time we expect that in the beginning of 2020 will be defined and signed a five-year agreement on INFRAKOS financing with what definitely will be solved problems of the company.

Technology - In the past three years we have made the modernization of track maintenance machines and this has influenced the establishment of the level of maintenance and what is more important in increasing the safety of train traffic through our railway lines. At the same time in August of 2020 has started general rehabilitation for the line Fushë Kosovë – Hani i Elezit, and thereafter in 2020 will start general rehabilitation for the phase 2 of the railway route 10 (Fushë Kosovë – Mitrovicë), implementation of project design for Railway line (Fushë Kosovë – Podujevë) too, which represents a success towards the technology improvements and increased traffic safety. During this year is expected to be finalized the feasibility study for the railway line Pristina - Pristina Airport.

Risk assessment

Similar to our assumptions we have made an analysis of the risk of non-realization of our Business Plan in 2020. We have calculated and analyzed every detail and below we present some of the key issues that could endanger the implementation of the Business Plan.

Safety and Sustainability - In our analysis this issue occupies first place and will have a negative effect if we:

- ➔ Will not do proper planned maintenance of rail infrastructure;
- ➔ Will not take the necessary actions in order to envisage damages and theft of railway infrastructure by third parties and will not undertake the envisaged actions associated with level crossings.

Company Opportunities - In our analysis as the main opportunity of the company we have segregated asset management, capacity and performance management, and development of capital projects. The risk lies in:

- ➔ Insufficient improvements in asset management;
- ➔ Late improvements of the asset database and the elimination of bad debts;
- ➔ Imbalance between performance, capacity and costs;
- ➔ Insufficient improvements in project implementation;
- ➔ Ineffective partnership Work with stakeholders; and
- ➔ Management failures to perform tasks according to the Business Plan.

Facilities - In our analysis we have also defined key facilities for the achievement of our objectives with the Business Plan which includes technology and innovation, organizational change, human resources, transparency and financing. The risk here lies in:

- ➔ Lack of improving communication;
- ➔ Lack of technological improvements;
- ➔ Lack of improvements in organizational structure envisaged by the plan;
- ➔ Lack of competent staff to accomplish tasks;
- ➔ Lack of sufficient funding from government; and
- ➔ The inability of management to adapt to changes and transformations of the railway system.



Structure, human capacities

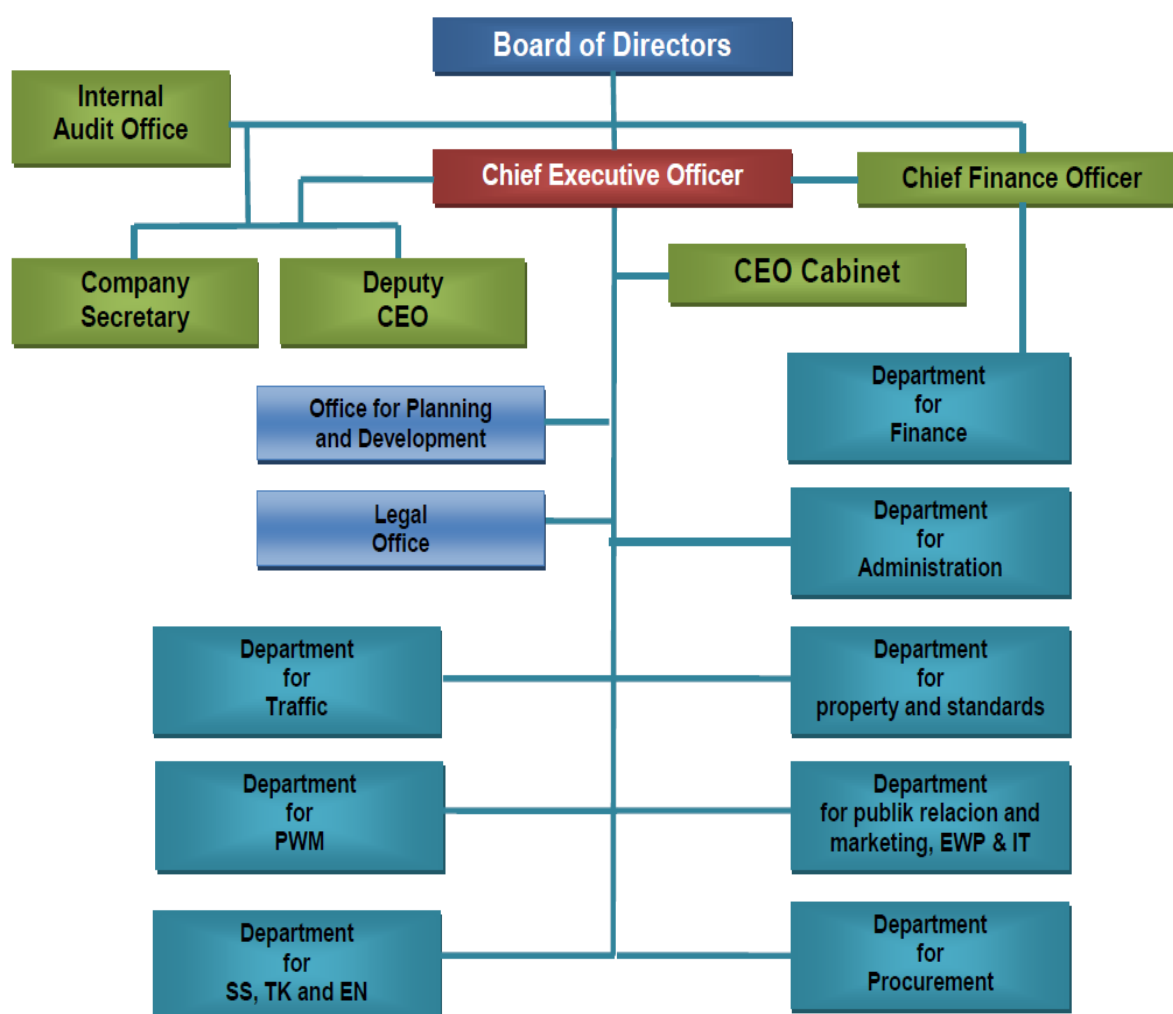
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Organizational structure of the company

Seeing a need for better management and raising the performance of the company, wishing to have the best possible results and increase the safety and quality of our services, in 2019 we didn't made any change of the company's organizational structure. We have discussed and analyzed existing structure, so it is expected that in 2020 we will analyze change of the existing organizational structure in order to guarantee expected success in the implementation of tasks for each sector.

Clearly defined job description in the regulation of systematization guarantees maximum transparency, closing the chain of command and job evaluation results for each sector and individual within the company. For this reason even in 2020 communication, information and reporting on all issues related to the company's interest level will be higher and controllable by all competent bodies.

In the following diagram is presented existing organizational structure of INFRAKOS by which structure the company is operating.



Human resources

Kosovo Railways infrastructure JSC - INFRAKOS during 2019 mainly has had operated with 300 employees spread under the organizational structure given above. Depending from small changes and movements of employees has changed more or less the number of employees to remain the number mentioned above.

Organizational structure and the number of employees has guaranteed a daily progress of the work on the railway infrastructure maintenance and the successful execution of tasks in “supporting” sectors such as finance, human resources, logistics, procurement, etc.



It is important to note that the orientation of the INFRAKOS management all the time has been oriented to have a professional and experienced staff significantly for all sectors. In particular, we have paid attention to the executive staff for infrastructure maintenance and exploitation, training and educating them, and valuing their knowledge and dedication, in order to meet the required levels and guaranteed security.

Increase of capacities in 2020

Regular management of human resources (employment, dismissal, retirement), regular and periodic education, training and development of INFRAKOS staff, organization and supervision of regular medical examinations of workers, environmental protection and health and safety at work, work discipline, drafting and change - completion of legal acts and their harmonization with the country's laws and enforcement of laws, will be among the highest priorities of INFRAKOS in 2020 too. Providing services and information needed for the workers and stakeholders, daily communication and information exchange would also represent a high priority for all of us.

However, since in 2020 we expect an increase of works and whether commitments on infrastructure rehabilitation, whether putting into the function of the northern railway line, then depending on the realization of these plans will question the necessity of hiring new employees and replacement of retired employees. So, in addition to training and education of existing staff, depending on the situation on the ground we would have to do the hiring of new experts for railway infrastructure needs. Therefore, in 2020 we have planned the hiring of new employees of various profiles in the unmet positions in the traffic sector, the railway maintenance sector,

the electro-technical sector, the legal office sector and other areas where the vacancies are unfulfilled.

If the Northern Rail Line is going to be operational, then additional technical and operational personnel will be required to operate normally.

Also, due to the absence in the market of railway profiles, INFRAKOS-will accepts the training of new trainees in executive areas, which in the future will serve for the needs of the company. The employment of apprentices shall be without salaries, so the company will not have additional expenses.



The future

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Development of railway infrastructure, long term perspective for economic development

INFRAKOS Management has taken an obligation towards shareholders and the public that it will do its best to fulfill the business plan and objectives arising from this plan. We are aware of the current economic situation of the country and the inability of major investment in rail infrastructure. However, we are consistent in our real requirements without the realization of which will not be development of the railway sector. Our orientation in 2020 stands at:

- ➔ Developing our plans for a better performance of the infrastructure in close cooperation with all stakeholders;
- ➔ Significantly improvement of our commitments to achieve the best results, helping to achieve our goals but with a lower costs;
- ➔ Further integration of the improved programs into our plans for asset management;
- ➔ Better development plans and greater commitment of each individual to realize train paths for the train operator;
- ➔ Our permanent commitments with our partners, rail operators, supply chain and other stakeholders for the implementation of the Business Plan;
- ➔ Successful realization of the rehabilitation and modernization project for Railway Route 10;
- ➔ Successful realization of the preliminary project design for the general rehabilitation of Railway Route 7;
- ➔ Successful realization of the feasibility study for Pristina airport Railway Line;
- ➔ Ongoing research to find investment opportunities and new possibilities for infrastructure improvement.

We have always wanted the state to have a higher commitment in support of railway infrastructure; therefore we expect new initiatives in this direction. This would certainly be a good initiative and a light at the end of the tunnel for a better future of Kosovo Railways Network

Why railway infrastructure?

Kosovo has a small territory, with a road infrastructure under construction, with a large number of road vehicles that circulate every day in all the country's roads. High turnover of passenger road vehicles damaging infrastructure, causing jam on the roads, endangering the safety of road traffic and pollute our environment. While growing circulation of freight vehicles, except the above mentioned damages every day made even more severe damage to road infrastructure due to overweight.

Given that Kosovo Railway Network except Gjakova and Gjilan covers all major cities of the country, then it would not comment that this is the alternative. This is a

solution to escape damages to the roads, road accidents, overcrowding, material losses and environmental pollution.

Railways has great opportunities and capacities for developing a genuine transport of passengers and goods with a much cheaper costs, with a much greater safety, with a much higher exactness and with a much more clear environment.

The railway sector is under the highest priorities of the EU and is entering under high priorities within the region, because the railway represents the backbone for economic development of the state. For this we require and we appeal to all our relevant institutions to support the development of Kosovo's railway network, so that this network is one of the country's development carriers and integration into the region and the EU.

Finally, we appreciate that at last our state has started to change approach for railways and invest in this sector vital to development. In this aspect it is worth to be appreciated highly financial support from EU, EBRD and EIB for General Rehabilitation of the Railway Route 10 (Leshak - Mitrovica – Fushe Kosove – Hani i Elezit), preliminary project design for Eastern Railway Line (Fushë Kosovë – Podujevë), and Feasibility study for railway line Pristina - Pristina Airport; which are projects of high importance which represents the beginning of modernization of the railway network of Kosovo and the integration of this network into regional end EU rail network. Finally, with these important investments Kosovo Government has opened the way of the development of the railway sector which will be as one of the main carriers of economic development.