

Presentation of the interim financial results of the ČD Group for 2017



Prague, 31 August 2017



Financial results of the ČD Group

[CZK mil.]	1st half of 2017	1st half of 2016
Revenues from principal operations	16 731	16 330
Other operating income	2 040	3 168
Costs	-14 861	-15 128
- services, material and energy consumption	-8 027	-8 098
- personnel costs	-6 442	-6 155
- other operating expenses	-392	-875
EBITDA	3 910	4 370
<i>Depreciation and amortization</i>	<i>-3 010</i>	<i>-2 974</i>
EBIT	900	1 396
Profit (loss) for the period	537	410

(consolidated IFRS for ČD Group)

- **Revenues from principal operations grew by CZK 401 million (2.5 %) year-to-year, mainly in the segment of passenger transport (by 3.3 %):**
 - **in the 1st half of 2017, passenger transport was successful with increasing of fare collected from passengers (both from international and domestic transportation), compensations from public service ordering parties (regions and state) increased relatively moderately;**
 - **the freight transportation segment managed to stop the continuous decrease of the previous years and showed year-to-year increase in revenues from principal operations (by 1 %).**

- **For the 1st half of 2017, other operating incomes are noticeably lower (by CZK 1 128 million) compared to the 1st half of 2016, when significant sales of assets, release of reserves and higher revenues of subsidiaries were realized. Indeed, these effects are partially compensated in other operating expenses which decreased by CZK 483 million on year-to-year basis.**

- **Total operating costs decreased by CZK 267 million (1.8 %). For example material consumption was lower, but repair and maintenance costs increased. Traction fuel and energy costs grew only marginally year-to-year. With respect to the result of collective negotiations, ČD's personnel policy and the employment rate in Czech Republic, personnel costs increased by 4.7 % year-to-year.**

- **Primarily the above mentioned influences caused the year-to-year decrease of operating result (EBITDA and EBIT indicators). On the contrary, the improvement of financial result by CZK 525 million (especially lower interest costs on bonds and exchange gains from the valuation of issued Eurobonds) significantly contributed to the ČD Group's year-to-year increase in net profit by CZK 127 million (31 %) to CZK 537 million.**

Financial results of the passenger transport segment

[CZK mil.]	1st half of 2017	1st half of 2016
Revenues from principal operations	10 923	10 577
Costs	-8 458	-8 091
- services, material and energy consumption	-4 608	-4 417
- personnel costs	-3 722	-3 584
- other operating income/expenses	-128	-90
EBITDA	2 465	2 486
Depreciation	-2 266	-2 265
EBIT	199	221
Profit (loss) for the period	29	-341

(financials of the passenger transport segment according to IFRS)

- **Revenues from the principal operations increased year-to-year by CZK 346 million (3.3 %):**
 - revenues from international transportation significantly increased, revenues from domestic transportation grew also solidly, compensations from public service ordering parties (regions and state) increased relatively moderately. The main reasons for the increase in revenues from passenger transportation are tariff measures enhanced by increased mobility of the population as well as the growth in revenues from ČD shares from tickets sold abroad and from domestic integrated transportation systems. Improving quality of the trains and marketing communication (e.g. promotion of the South express and Slovak express lines, Euroweekends or New e-shop) have a favourable effect too;
 - the number of passengers transported increased by 1.3 million (to 86.9 mil.), the transport performance by 146 million person-kilometers (to 3,702 mil. person-kilometers) and other key indicators grew at a similar pace.

- Along increasing revenues, similarly increased operating costs – by CZK 367 million (4.5 %). The increase is mainly influenced by year-to-year higher costs of services, material and energy consumption (by 4.3 %) and personnel costs (by 3.0 %). The amount of depreciation is almost unchanged year-to-year.

- For the 1st half of 2017, the passenger transport segment achieved an operating profit before depreciation (EBITDA indicator) of CZK 2,465 million and operating profit of CZK 199 million (EBIT indicator), which is a slight decrease compared to the 1st half of 2016. Favourable financial result (especially lower interest costs on bonds and exchange gains caused by strengthening of the Czech crown) significantly contributed to the net profit of CZK 29 million, which is a year-to-year improvement by CZK 370 million.

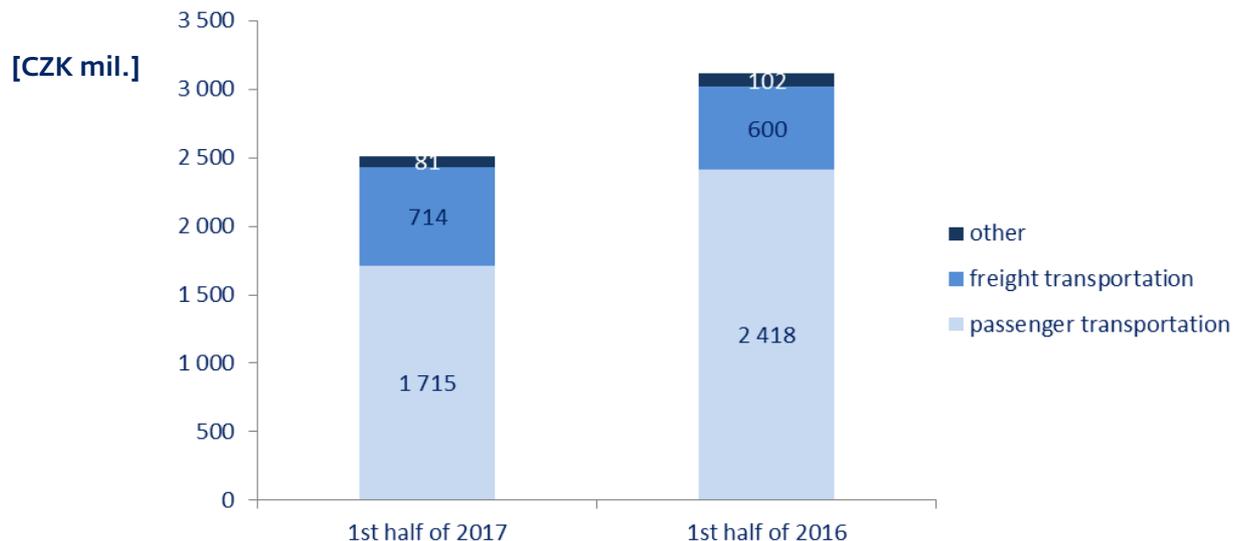
Financial results of the freight transport segment

[CZK mil.]	1st half of 2017	1st half of 2016
Revenues from principal operations	5 837	5 777
Costs	-4 692	-4 548
- services, material and energy consumption	-2 921	-2 867
- personnel costs	-2 004	-1 894
- other operating income/expenses	233	213
EBITDA	1 145	1 229
Depreciation	-583	-520
EBIT	562	709
Profit (loss) for the period	384	460

(financials of the freight transport segment according to IFRS)

- **Revenues from principal operations of the freight transport segment grew year-to-year by CZK 60 million (1 %), thus the continuous performance decrease of the previous years was stopped:**
 - higher revenues are mainly the result of continued expansion abroad as well of a number of proactive business measures to support the individual wagonload shipments;
 - the continuing decline in the formerly traditional commodities of the railway freight transport, such as iron and engineering products, hard coal or chemicals, was successfully offset by shipments of timber, building materials, automotive, etc., which is also supported by the positive development of domestic economy. Situation in the combined transport stabilized.
- **Operating costs increased by CZK 144 million (3.2 %) year-to-year. Whilst the costs of services, material and energy consumption increased only moderately (by 1.9 %), personnel costs increased by 5.8 % year-to-year due to the increase in average wage. Depreciation costs increased year-to-year by 12.1% in view of the recent significant investment activity.**
- **Especially the growth in depreciation and personnel costs led to the year-to-year decrease of the operating and net result, however it supported the overall stability and future development. Despite the year-to-year decrease by CZK 76 millions, the freight transport segment generated a net profit of CZK 384 million and significantly contributed to the overall results of the ČD Group.**

CAPEX of the ČD Group



- **The total investments of the ČD Group reached CZK 2.51 billion for the 1st half of 2017, showing a year-to-year decrease by CZK 610 million. While a significant reduction was seen in investments in passenger rail vehicles, investments in rail freight vehicles increased substantially, as well as construction, IT and other investments. Significant investments in rail vehicles within passenger transport segment are planned in the following years, especially in relation to the Doprava operational program within the second program period and in the connection with the planned opening of the market in passenger railway transportation in the Czech Republic.**
- **The purchase of 47 passenger railway cars reaching the speed of 200 km/h from the Australian Railways ÖBB is the most significant investment (in long-distance passenger transport) in the 1st half of 2017. The biggest expenditure in regional transport is connected with renovation of double deck rail vehicles for suburban transport in Prague and the Central Bohemian Region. Other investments of passenger transport in the 1st half of 2017 are represented by construction investments (the most important is the new traction wiring in the area of technical-hygienic maintenance in the operating unit Bohumín), IT investments (renovation of portable personal cash registers) and machine equipment investments which should increase labor efficiency in railway depots.**
- **As for the freight transportation segment, main investments were related to the acquisition of platform wagons for innofreight technology, which uses universal freight wagons in combination with modular superstructures, and an advance for the purchase of three other interoperable Vectron locomotives was paid. Further funds were used for locomotive repairs and revision repairs of freight wagons, for renewal of manipulation and machinery equipment for internal maintenance and for development of information systems.**

Debt development

[CZK mil.]	1st half of 2017	1st half of 2016
ČD - bonds	30 359	31 277
ČD - Eurofima	0	814
ČD - leasing	1 261	1 682
ČD - promissory notes, overdraft and other	132	1 204
Total České dráhy, a.s.	31 752	34 977
ČD Cargo - bonds	2 006	2 012
ČD Cargo - leasing	1 806	2 232
ČD Cargo - promissory notes and overdraft	0	0
Total ČD Cargo, a.s.	3 812	4 244
debt of other consolidated subsidiaries	260	368
Total consolidated debt of the ČD Group	35 824	39 589
cash and its equivalents	6 416	5 977
Net Debt of the ČD Group	29 408	33 612

- Year-to-year decrease of the parent company's (ČD) value of bonds is caused by strengthening of the Czech crown in the spring 2017 (the crown valuation of issued Eurobonds decreased).
- In April 2017 the long-term credit from Eurofima was settled by the last loan's repayment in the amount of EUR 30 million according to the repayment schedule.
- In the 2nd half of 2016 the debt from short-term issued promissory notes amounting CZK 1.10 billion was paid off.
- Indebtedness from domestic bonds of the subsidiary ČD Cargo is year-to-year at the same level. Only in December 2016, new bonds in total nominal value of CZK 500 million (with 1.26 % p.a. coupon and maturity of 7 years) were issued. These proceeds were used to refinance ČD Cargo's maturing bonds in the same nominal value.
- Financial leasing is being repaid by ČD and ČD Cargo in regular instalments and the obligations are gradually being reduced.
- There was not any need to draw funds from overdrafts.
- Consolidated debt of the ČD Group decreased year-to-year by CZK 3.76 billion and net debt by CZK 4.20 billion to CZK 29.41 billion. This decrease was achieved, among others, thanks to funds gained from the sale of part of the business (the sale of "railway stations" for CZK 3.39 billion to SZDC in the 2nd half of 2016).



České dráhy

National carrier