

# Presentation of the annual financial results of the ČD Group for 2015



Prague, 29 April, 2016



# Financial results of the ČD Group

[CZK mil.]	2015	2014
<b>Revenues from principal operations</b>	<b>33 083</b>	<b>33 036</b>
<b>Other operating income</b>	<b>4 679</b>	<b>3 701</b>
<b>Costs</b>	<b>-31 353</b>	<b>-28 989</b>
- <i>purchased consumables and services</i>	-16 935	-16 271
- <i>personnel costs</i>	-12 525	-12 107
- <i>other operating profit/losses</i>	-1 893	-611
<b>EBITDA</b>	<b>6 409</b>	<b>7 747</b>
<i>Depreciation and amortization</i>	-6 222	-5 885
<b>EBIT</b>	<b>187</b>	<b>1 863</b>
<b>EBT</b>	<b>-1 168</b>	<b>543</b>
<b>Profit (loss) for the period</b>	<b>-1 375</b>	<b>156</b>

(consolidated IFRS for ČD Group)

- Likewise for the year 2014, Revenues from principal operations for 2015 slightly exceeded CZK 33 billion. That was achieved despite unusually massive route closures of SŽDC (Railway Infrastructure Administration), restrictions connected with the refugee crisis, notably increasing competition in freight transport and moderate decrease of transport volume.
- The increase in other operational income by CZK 978 million was driven by increased revenues from sales of redundant assets and from leases, by compensations of closure-related expenses by SŽDC and by higher revenues generated by subsidiaries.
- The costs of the ČD Group were negatively affected primarily by the ruling of the arbitration court as part of the dispute with ŠKODA TRANSPORTATION a.s. (approximately CZK 700 million), by the expenses incurred due to route closures of SŽDC (roughly CZK 500 million), by accident events (especially of the Pendolino unit) and by gradual increases of some other cost items (e.g. costs on material grew by CZK 184 million). Staff costs increased by CZK 417 million (3.4%) year-on-year with regard to the previous stagnation in wage increases and company's collective agreement plus there was an increased need for staff resulting from the closures of SŽDC.
- The above mentioned, primarily the extraordinary circumstances (arbitration with ŠKODA TRANSPORTATION a.s. and unusually massive closures of SŽDC) caused year-on-year decrease of EBITDA by CZK 1.34 billion (17,3 %).
- The results were unfavourably impacted also by increased depreciation and amortization (by CZK 337 million) and by higher interest costs (by CZK 172 million). Earnings before interest and taxes (EBIT) of the ČD Group for the year 2015 reached CZK 187 million and total loss amounts to CZK 1.37 billion.

# Financial results of the passenger transport segment

[CZK mil.]	2015	2014
<b>Revenues from principal operations</b>	<b>21 075</b>	<b>20 723</b>
<b>Other operating income</b>	<b>0</b>	<b>0</b>
<b>Costs</b>	<b>-16 839</b>	<b>-16 204</b>
- <i>purchased consumables and services</i>	-9 009	-8 619
- <i>personnel costs</i>	-7 056	-6 877
- <i>other operating profit/losses</i>	-774	-708
<b>EBITDA</b>	<b>4 236</b>	<b>4 519</b>
<i>Depreciation and amortization</i>	-4 580	-4 397
<b>EBIT</b>	<b>-344</b>	<b>122</b>
<b>Profit (loss) for the period</b>	<b>-1 398</b>	<b>-865</b>

(financials of the passenger transport segment according to IFRS)

- Revenues from principal operations of passenger transport year-on-year increased by CZK 352 million (1.7 %):
  - *passenger transport in 2015 successfully coped with the limitations connected with unusually extensive route closures, migration crisis and with larger competition from road transport considering the low prices of fuel and energy, which impacts road carriers more favourably;*
  - *revenues from regional, long-haul, and commercial transport slightly increased. The number of passengers carried in 2015 stagnated (169.7 million as opposed to 170.1 million in 2014);*
  - *the trend of growing revenues from international fares continued, while revenues from domestic fares fell slightly.*
  
- The lower costs of fuel and energy positively impacted expenses. Year-on-year higher costs are caused by an arbitration award in the dispute with the company ŠKODA TRANSPORTATION a.s., by the expenses incurred due to route closures of SŽDC (Railway Infrastructure Administration), by accident events (mainly of the Pendolino unit), by higher expenses for the repair and maintenance of rolling stock in relation to ensuring transportation safety. Personnel costs increased by 2.6 %.
  
- Despite a number of one-off adverse impacts, EBITDA for the passenger transport segment decreased year-on-year only by CZK 283 million (from 4.52 billion for 2014 to 4.24 billion for 2015).
  
- Year-on-year higher costs for depreciation and interest subsequently contributed to the reported negative operating result (EBIT) of passenger transport in the amount of CZK 344 million and total loss of CZK 1.4 billion. That is a worsening compared to 2014, for which there was a reported loss of CZK 865 million, but a better result than in 2013, when the loss from the passenger transport segment added up to CZK 2 billion.

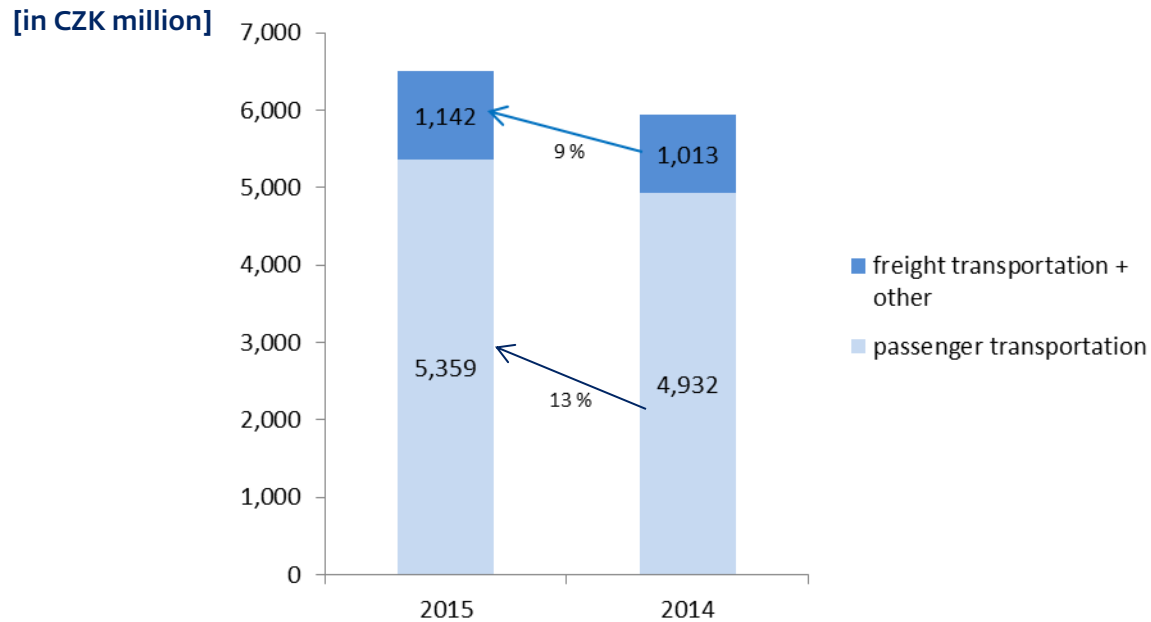
# Financial results of the freight transport segment

[CZK mil.]	2015	2014
<b>Revenues from principal operations</b>	<b>13 132</b>	<b>13 629</b>
<b>Other operating income</b>	<b>0</b>	<b>0</b>
<b>Costs</b>	<b>-10 960</b>	<b>-11 075</b>
- purchased consumables and services	-7 542	-7 735
- personnel costs	-3 978	-3 808
- other operating profit/losses	560	468
<b>EBITDA</b>	<b>2 172</b>	<b>2 554</b>
<i>Depreciation and amortization</i>	<i>-1 210</i>	<i>-1 075</i>
<b>EBIT</b>	<b>962</b>	<b>1 479</b>
<b>Profit (loss) for the period</b>	<b>480</b>	<b>877</b>

(financials of the freight transport segment according to IFRS)

- In the freight transport segment there was a year-on-year decrease in revenues from principal operations of CZK 497 million (3.6 %):
  - *the decrease in revenues was influenced by the situation in the product of single wagon loads, where freight transport battled road truck carriers, whose competitiveness gradually grew with the lowering of expenses (the price of diesel fuel). In the products of whole trains new low-cost carriers and large multinational railway companies are increasing the pressure on unit prices;*
  - *freight transport in 2015 also contended with extensive route closures of SŽDC (Railway Infrastructure Administration) and was affected, on an international scale, by the engineers' strike in Germany;*
  - *there was a decrease in shipments of metallurgical products and a partial loss in the combined transport. Conversely, the takeover of previously lost brown coal transport had a positive impact and the Group also managed to take advantage of the growth in the construction and industrial production in the Czech Republic and thus increase the volume of construction material and automotive shipments.*
- The decrease in revenues in 2015 was partially compensated by cut costs. Costs of fuel and energy declined and cost-saving measures were undertaken, especially in costs of purchased consumables and services, which decreased by CZK 193 million (2.5 %).
- For the year 2015, the freight transport segment reported EBITDA in the amount of CZK 2.17 billion and a total profit of CZK480 million.

# CAPEX of the ČD Group



- Sufficient renovation and modernization of the rolling stock is one of the basic assumptions for fulfilling the goals and vision of Czech Railways.
- ČD Group manages to maintain the size of investment (CAPEX in the amount of CZK 6.5 billion for 2015) above the level of depreciation and amortization (depreciation and amortization in the amount of CZK 6.2 billion for 2015).
- Year-on-year total investment of the ČD Group rose from CZK 5.9 billion in 2014 to CZK 6.5 billion in 2015;
  - *investments are targeted mainly on the purchase of new, the reconstruction and modernization of existing rolling stock;*
  - *a significant portion, in the amount of CZK 5.4 billion, was invested in passenger transport in a series of investment projects;*
  - *Investment in freight transport amounted to CZK 1.1 billion; for example there was a technical improvement and audit repairs of 356 freight cars.*

# Debt development

[CZK mil.]	2015	2014
ČD - bonds	28 551	25 927
ČD - Eurofima	1 622	2 914
ČD - leasing	1 904	2 356
ČD - promissory notes programme and overdraft	58	116
<b>Total ČD</b>	<b>32 135</b>	<b>31 313</b>
ČD Cargo - bonds	2 174	2 176
ČD Cargo - leasing	2 445	2 860
ČD Cargo - promissory notes programme and overdraft	0	0
<b>Total ČD Cargo</b>	<b>4 619</b>	<b>5 036</b>
debt of other consolidated subsidiaries	439	433
<b>Total debt (consolidated)</b>	<b>37 193</b>	<b>36 782</b>
cash and its equivalents	3 972	4 043
<b>Net Debt</b>	<b>33 221</b>	<b>32 739</b>

- A minor year-on-year growth of consolidated debt (1.1 %) is related to the payment of extraordinary costs incurred due to route closures of SŽDC as well as to the costs of the lost arbitration dispute with ŠKODA TRANSPORTATION a.s.
- České dráhy, a.s. issued bonds in June 2015, when bonds in a total nominal value of EUR 115.2 million in the form of private placement were issued - the issue was in two tranches in amounts of EUR 37.7 million (coupon 1.89% p.a., maturity 7 years) and EUR 77.5 million (coupon 3.00% p.a., maturity 20 years).
- In December 2015 the subsidiary ČD Cargo, a.s. repaid bonds in a total nominal amount of CZK 1 billion and issued bonds with a five year maturity in the same amount.
- in March 2015 part of a loan from Eurofima was repaid in the amount of EUR 45 million.
- 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 the promissory notes programme or overdrafts.
- Net Debt is at the level of the previous year and as of 31 December 2015 reached the amount of CZK 33.2 billion.



**České dráhy**

**National carrier**