

Presentation of the annual financial results of the ČD Group for 2016



Prague, 28 April, 2017



Financial results of the ČD Group

| [CZK mil.] | 2016 | 2015 |
|--------------------------------------|----------------|----------------|
| Revenues from principal operations | 33 292 | 33 083 |
| Other operating income | 4 431 | 4 544 |
| Costs | -29 401 | -30 702 |
| - purchased consumables and services | -16 210 | -16 589 |
| - personnel costs | -12 549 | -12 381 |
| - other operating costs | -642 | -1 732 |
| EBITDA | 8 322 | 6 925 |
| Depreciation and amortization | -6 088 | -6 035 |
| EBIT | 2 234 | 890 |
| EBT | 927 | -441 |
| Profit (loss) for the period | 882 | -1 352 |

(consolidated IFRS for ČD Group)

- In 2016 the ČD Group generated net profit of CZK 882 million. This is a significant improvement compared to the loss of CZK 1.352 billion in 2015. EBITDA increased year-on-year by CZK 1.4 billion to CZK 8.32 billion and EBIT increased by CZK 1.34 billion to CZK 2.23 billion.
- The year-on-year improved performance was in particular positively influenced by the following factors:
 - *A decrease in other operating costs from CZK 1.732 billion in 2015 to CZK 642 million in 2016, where 2015 was negatively affected by one-time cost items such as the costs of the dispute with Škoda Transportation and accidents (primarily the Pendolina accident in Studénka).*
 - *An increase in revenue from principal operations by CZK 208 million (0.6 %). This growth was achieved thanks to higher revenues from passenger transport by CZK 498 million (2.4 %), while this increase in revenues comes from domestic and international fares and output, as well as from higher payments from orders of public services.*
 - *A drop in consumables and services by CZK 379 million (2.3 %), which included a decrease of CZK 244 million in traction costs (traction fuel and energy), a decrease of CZK 165 million in costs for using railway infrastructure and a decrease of CZK 212 million in costs for alternative bus transportation (compared to 2015 however, on the revenue side there was less compensation for closures from the Railway Infrastructure Administration). The drop in consumables and services is driven by the freight segment, which concurrently contributes significantly to the profitability of the ČD Group.*
 - *Major sales of assets with a positive, half billion impact on profit – sale of land around Masaryk Station in Prague and station buildings disposal to the Railway Infrastructure Administrator.*
 - *Interest expenses declined year-on-year by CZK 127 million. This was primarily possible due to the successful bond issues in 2016.*

Financial results of the passenger transport segment

| [CZK mil.] | 2016 | 2015 |
|---|----------------|----------------|
| Revenues from principal operations | 21 572 | 21 074 |
| Costs | -16 466 | -16 861 |
| - <i>purchased consumables and services</i> | -8 911 | -9 009 |
| - <i>personnel costs</i> | -7 321 | -7 068 |
| - <i>other operating costs</i> | -234 | -784 |
| EBITDA | 5 106 | 4 213 |
| <i>Depreciation and amortization</i> | -4 691 | -4 553 |
| EBIT | 415 | -340 |
| Profit (loss) for the period | -644 | -1 422 |

(financials of the passenger transport segment according to IFRS)

- **Revenues from principal operations in the passenger transport segment increased year-on-year by CZK 498 million (2.4 %):**
 - *The number of passengers transported increased by 1.78 million (to 171.5 mil.) and traffic performance increased by 210 million passenger-kilometres (to 7,380 million passenger-kilometres).*
 - *Revenues from regional and long-range transport also increased, similarly to revenues from domestic and international transport.*
 - *Domestic revenues were positively affected by growth of ČD's share on revenues realised from integrated transport systems.*
 - *Revenues from international transport increased mainly due to fulfilling of the long-term contract with Deutsche Bahn for operation of EC trains on the Prague – Hamburg line.*
- **Costs fell year-on-year by a total of CZK 395 million (2 %). This was mostly due to a CZK 550 million drop in other operating costs in 2016. In 2015 this item included the costs of the dispute with Škoda Transportation and accidents (especially the Pendolina accident in Studénka). Costs that rose included personnel costs (by CZK 253 million) and depreciation (by CZK 138 million).**
- **The year-on-year decline in consumables and services by CZK 98 million was achieved mainly due to lower costs for alternative bus transport and due to lower fuel and energy costs. Consumption of materials and repair costs were indeed higher, but this is also connected with a greater proportion of repairs performed internally.**
- **In particular the aforementioned factors led to a significant year-on-year improvement in the performance of the passenger transport segment. Net loss declined by CZK 778 million and for 2016 totalled CZK 644 million. Similarly, the EBIT and EBITDA indicators improved.**

Financial results of the freight transport segment

| [CZK mil.] | 2016 | 2015 |
|---|---------------|---------------|
| Revenues from principal operations | 11 765 | 12 063 |
| Costs | -9 318 | -9 974 |
| - purchased consumables and services | -5 933 | -6 357 |
| - personnel costs | -3 890 | -3 978 |
| - other operating costs | 505 | 361 |
| EBITDA | 2 447 | 2 089 |
| Depreciation and amortization | -1 076 | -1 120 |
| EBIT | 1 371 | 969 |
| Profit (loss) for the period | 935 | 576 |

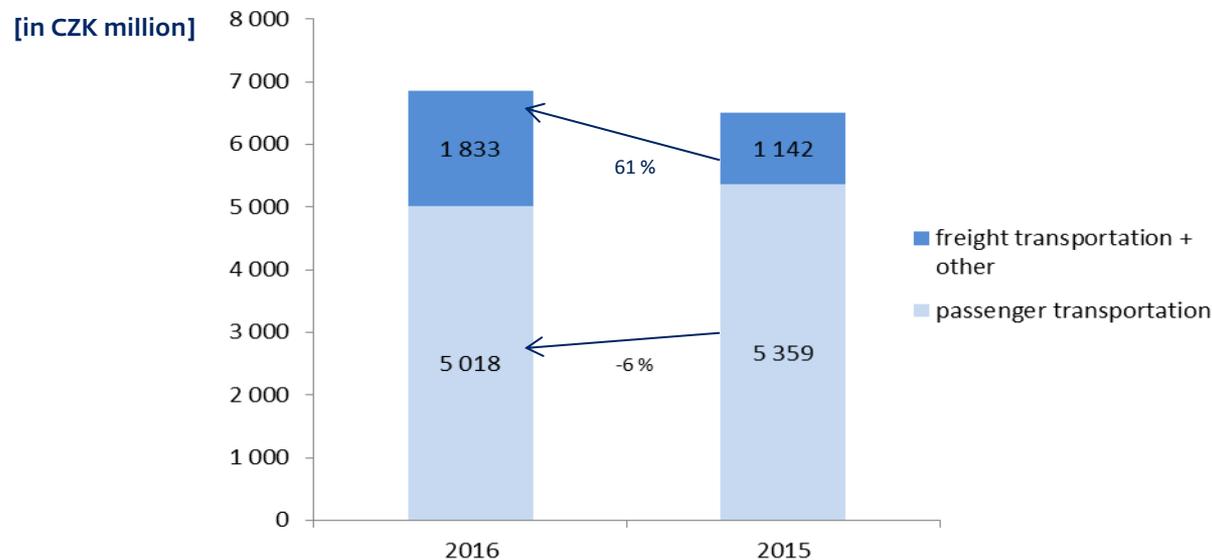
(financials of the freight transport segment according to IFRS)

- **Revenues from principal operations in the freight segment declined year-on-year by CZK 298 million (2.5 %):**
 - *Especially due to the strong competition between railway and road carriers in the territory of the Czech Republic.*
 - *Adverse factors also included the slowdown of the Chinese economy, which caused a decline in performance of most combined transport operators. Its effect had also decline in construction and metallurgical production. Decreased prices of commodities caused a drop in revenues from raw materials transport.*
 - *Positive expansion was seen in companies with capital participation of ČD Cargo, especially in Poland, which partially compensated for the declining volumes on the domestic transport market.*

- **The decline in revenues from principal operations was compensated by a significant reduction in costs, by CZK 656 million (6.6 %). Within consumables and services, this primarily involved lower costs for traction energy and fuel. A reduction in the fee for railway use of single-wagon shipments helped as well. Lower costs were achieved also as a result of continued optimization of some transport activities which have impact on employment and other costs.**

- **Likewise passenger transport segment, the freight transport segment accomplished significant year-on-year improvement. Net profit increased by CZK 359 million and for 2016 totals CZK 935 million. Similarly, the EBIT and EBITDA indicators improved.**

CAPEX of the ČD Group



- **Total CAPEX of the ČD Group increased from CZK 6501 mil. in 2015 to CZK 6 851 mil. in 2016, i.e. by 5 %.**
- **Largest amount of financial resources is regularly invested in passenger transport, to the purchase of new and reconstruction of existing rolling stock. In total over CZK 5 billion were spent in passenger transport (ČD, a.s.) in 2016 - investments were focused on long-distance transport – on modernization of almost two hundred coaches as well as on purchase of 8 new InterPanter units. The amount of 2016 CAPEX includes also an extra payment (inflationary increase) in the amount of CZK 628 million for 20 locomotives class 380 on the basis of arbitration ruling.**
- **CAPEX in the freight transport (ČD Cargo Group) increased year-on-year substantially. In 2016 investments reached CZK 1.8 billion (compared to CZK 1.1 billion in 2015) and were primarily focused on rolling stock reconstruction and modernization. Among the most important investments are the purchase of five modern multisystem locomotives Vectron, repairs of locomotives and wagons and technical improvements of current rolling stock. Considerable CAPEX related as well to the purchase of older locomotives 163 from the mother company České dráhy, a.s., which also significantly strengthened the tractive fleet for the freight transport.**

Debt development

| [CZK mil.] | 2016 | 2015 |
|---|---------------|---------------|
| ČD - bonds | 31 072 | 28 551 |
| ČD - Eurofima | 811 | 1 622 |
| ČD - leasing | 1 460 | 1 904 |
| ČD - promissory notes programme, overdraft, other | 192 | 58 |
| Total ČD | 33 535 | 32 135 |
| ČD Cargo - bonds | 1 999 | 2 174 |
| ČD Cargo - leasing | 2 016 | 2 445 |
| ČD Cargo - promissory notes programme and | 0 | 0 |
| Total ČD Cargo | 4 014 | 4 619 |
| debt of other consolidated subsidiaries | 256 | 438 |
| Total debt (consolidated) | 37 805 | 37 192 |
| cash and its equivalents | 7 654 | 3 972 |
| Net Debt | 30 151 | 33 220 |

- Year-on-year increase in the ČD bonds' value is related to the Eurobonds issue in May 2016 when Czech Railways capitalized on the favourable market conditions and replaced payable EUR 300 million (Eurobonds from 2011 with 4.5 % p.a. coupon) by a new 7-year issue in the amount of EUR 400 million with a notably lower interest (coupon) of 1,875 % p.a.
- EUR 30 mil. of the Eurofima loan were repaid in April 2016 according to the repayment schedule.
- In June 2016, ČD Cargo issued CZK 500 million domestic bonds (with 1.28% p. a. coupon and 5-year maturity). Proceeds were used to refinance their maturing bonds worth of CZK 658.3 mil. Subsequently, in December 2016, ČD Cargo issued CZK 500 million bonds (with 1.26% p.a. coupon and 7-year maturity). Proceeds were used to refinance their maturing bonds in the same nominal amount.
- 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.
- Cash and its equivalents increased also in connection with the realized property sale for CZK 3.39 billion (station buildings disposal to the Railway Infrastructure Administrator). The amount of total (consolidated) debt year-on-year went up slightly (by CZK 613 mil., i.e. 1.6 %) while net debt decreased by CZK 3.07 billion (9.2 %).



České dráhy

National carrier

