



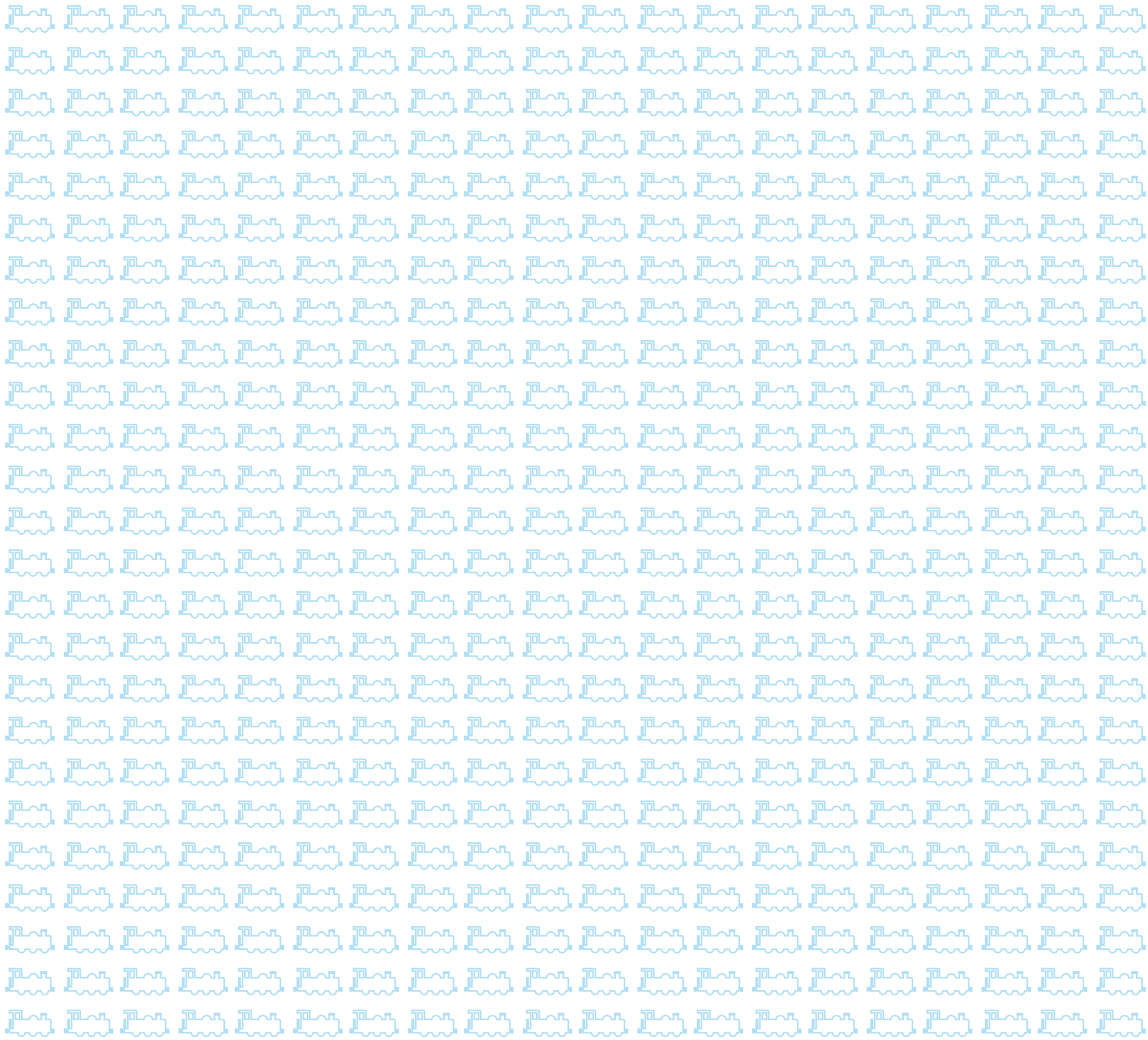
Česke dráhy



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Annual report 2009
Česke dráhy group









We are changing according to the needs of our customers and we will become modern and financially stable passenger carrier with the ability to compete on the Czech liberalized market with the ambition to provide profitable passenger transportation



Základní odbavení
Domestic Tickets
Innerstaatliche Fahrkarten
Vnitrostátní
Otevřeno od 8.7.2009
SAMSUNG

Základní odbavení
Domestic Tickets
Innerstaatliche Fahrkarten
Vnitrostátní jízdenky
Otevřeno od 8.7.2009

Základní odbavení
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Základní odbavení
Domestic Tickets
Innerstaatliche Fahrkarten
Vnitrostátní jízdenky
Otevřeno od 8.7.2009

We issued corporate bonds at the value of CZK 2 billion to finance the modernization of ČD rolling stock

Introduction, vision and goals

About us

We are a transportation enterprise which operates passenger and freight railway transport, including:

- ▶ Provision of regional, long-distance and international passenger railway transportation services;
- ▶ Provision of comprehensive freight transportation services across Europe;
- ▶ Provision of railroad operation services to Správa železniční dopravní cesty, s.o.;
- ▶ Provision of telecommunication and IT services to railway transportation companies and railway infrastructure administrators;
- ▶ Provision of comprehensive repair services for railroad vehicles and railroad infrastructure;
- ▶ Provision of testing services, railway transportation research and development; and
- ▶ Provision of railway catering services.

Our goal

ČD will become a modern, financially stable railway enterprise of first choice on the liberalised Czech market.

How to attain our goal

- ▶ We are customer-oriented and try to make our services simple and easy to use.
- ▶ We invest in the modernisation of our rolling stock and include new railroad vehicles in our operations.
- ▶ We invest in the modernisation of station buildings and make rail travel more pleasant.
- ▶ We implement modern technologies in ticket sales and traveller check-in.
- ▶ We decrease operating costs per operating unit on a long-term basis.
- ▶ In mid-2009 we started the Vision 2012 programme, which is designed to reverse the historical lack of coordinated steps in the area of passenger railway transport funding and to obtain at least an additional amount of CZK 4 billion. In 2009, passenger transport reported positive EBITDA amounting to CZK 2.6 billion for the first time. The Vision 2012 programme predominantly covers the following areas:
 - ▶ Customer focus;
 - ▶ Relationships with clients;
 - ▶ Development of commercial activities;
 - ▶ Operational efficiency improvement; and
 - ▶ Modern organisation and human resources.

The České dráhy group

► **THE ČESKÉ DRÁHY GROUP**, including the parent company ČD, a.s. and its subsidiaries, offers comprehensive railway operation-related services, including the operation of passenger and freight transport and additional activities predominantly relating to repairs, railway research, testing, telecommunication and IT, accommodation and catering services.

► **ČESKÉ DRÁHY, A.S. (ČD)** is the largest Czech passenger railway transport operator with a long tradition. Based on orders and contractual agreements, ČD ensures the operation of the national and regional railway network administered by the state organisation SŽDC, s.o. (Railway Transport Route Administration). Thanks to the volume of passenger transport, ČD ranks among the 10 most important railroad businesses in the European Union. The most important customers in passenger transport are individual regions as well as the state represented by the Ministry of Transport of the Czech Republic. In a growing number of cases, customer services are provided on the basis of tenders.

► **ČD CARGO, A.S. (ČDC)** provides for transportation of industrial and agricultural products, raw materials, fuels, goods, containers and oversized loads. It also ensures rental of freight cars, and industrial and other transportation services. The future activities of ČDC will be focused on investment in the development of infrastructure to support the linkage of industrial areas with railway transport by building combined transport terminals and logistics centres. The services provided by ČDC were certified by Moody International, s.r.o. on 19 February 2007.

► **ČD - TELEMATIKA A.S. (ČD-T)** offers telecommunication and IT services. ČD-T operates the second largest telecommunication infrastructure in the Czech Republic, central data storage, server farms, development, service and other specialised workplaces. The most significant customer of ČD-T is ČD; other important cus-

tomers include major telecommunication operators and significant companies with decentralised administration.

► **DPOV, A.S. (DPOV)** provides repair services for railway vehicles, including the latest ones which ČD operates. In addition to the ČD Group, the customers of DPOV include foreign railway companies, predominantly from Germany and Poland.

► **VÝZKUMNÝ ÚSTAV ŽELEZNIČNÍ, A.S. (VUZ)** provides special testing services. The main activities include certification and compliance-assessment of products and quality systems with a special focus on products and subsystems for the interoperability of the railway system. VUZ is recognised as a respected certification entity which is authorised to inspect all structural subsystems.

► **TRAŤOVÁ STROJNÍ SPOLEČNOST, A.S. (TSS)** provides machine and repair capacities, and technological transport within repair, maintenance and investment activities on routes for construction companies in the Czech Republic and abroad. The company is primarily focused on the operation of special railway machines and equipment for the construction, renovation and maintenance of railways, including their repair and the production of spare parts.

► **JÍDELNÍ A LŮŽKOVÉ VOZY, A.S. (JLV)** provides accommodation and catering services in railway passenger transportation. The company also offers gastronomy, catering and retail services.

Major indicators of the České dráhy group

KEY INDICATORS	2009	2008	DIFFERENCE	INDEX
ČD Group				
Total revenues	44,281	59,559	-15,278	74
Operating profit/loss	-464	-5,330	4,866	9
Profit/loss for the reporting period	-1,003	2,344	-3,347	-43
Total assets	59,529	58,765	764	101
CAPEX	6,900	7,900	-1,000	87
Amortisation and depreciation	3,105	3,037	68	102
Indebtedness (%)	38	36	2	106
Liquidity (%)	20	43	-23	47
ROCE (%)	-1.0	-11.8	10.8	8
Average recalculated headcount	41,081	48,592	-7,511	85
Passenger transport (ČD, a.s.)				
Number of travellers (mil.) *	163	175	-12	93
Transportation performance (mil. person-kilometres)	6,462	6,759	-297	96
Traffic performance (mil. train-kilometres)	125.2	120.9	4.3	104
Average transportation distance (km)	40	39	1	103
Utilisation of the offered capacity (%)	22	23	-1	96
Freight transport (ČD Cargo, a.s.)				
Transportation volume (mil. tonnes)	68.37	86.19	-17.82	79
Transportation performance (mil. tariff tonne-kilometres)	12,581	15,977	-3,396	79
Traffic performance (mil. train-kilometres)	26.1	32.4	-6.3	81
Average transportation distance (km)	184	185	-1	99
Operational management (ČD, a.s.)				
Observance of schedules (%)	91.1	90.8	0.3	100
Length of operated routes (km)	9,420	9,430	-10	100
Trains monitored in the SŽDC network (thousand)	5,276	5,072	204	104
DPOV, a.s.				
SOP – Average actual repair period (days)	98.88	100.42	-1.54	98
ODKP – Average additional repair period (days)	98.76	95.04	3.72	104
Weighted average calculated from (SOP) – (ODKP)	-0.46	5.17	-5.63	-9

* In 2010, methodology of traveller calculation was revised due to the wide connection of railway transport in integrated transport systems in the surroundings of the big cities.

“Vize 2012” Transformation Programme

„ČD will become a modern, financially stable railway enterprise of first choice on the liberalised Czech market.”

ČD used this motto to introduce a new transformation programme entitled “Vize 2012” in April 2009. Officially, the programme was launched on 1 June 2009 to respond to ČD’s current situation as the needs of its customers have significantly changed and, at the same time, the railway transportation market is facing deregulation and liberalisation, which results in the growing competition. In this situation, ČD’s financial standing is not clear. As compared to other railway enterprises, ČD’s customers are not very satisfied. The company must change in order to be successful among its competitors.

Vision and Objectives

The objective of the Vize 2012 Transformation Programme is to significantly increase customer satisfaction, decrease the age of the rolling stock, and increase train punctuality. With respect to the related economic aspects, ČD is to increase the income per passenger train kilometre, decrease aggregate costs per train kilometre, and increase the number of train kilometres per an employee. Concurrently, ČD will develop commercial activities focusing on the best possible economic result. In relationships with transport orderers in the public transport service, ČD will seek to conclude the most advantageous long-term contracts. The principal ambition of the programme is to operate profitable railway transportation with a margin of approximately 5%. In 2009, the transformation project resulted in an economic benefit of CZK 500 million.

5 STRATEGIC AREAS TO FULFIL THE VISION

- ▶ Increase revenues through more consistent focus on the customer;
- ▶ Increase revenues from relationships with the state, regions and public service;
- ▶ Develop commercial activities;
- ▶ Increase operating effectiveness; and
- ▶ Create a modern organisation and quality employee policy.

The transformation programme is composed of 15 projects for which the project leaders are responsible. Each project has clearly defined principal objectives and key tasks. The coordination among projects is provided by the Coordination Committee, the members of which are the representatives of the Ministry of Transport, labour unions, external experts and ČD management. The programme is managed by the Operative Management Group, whose composition is effectively the same as the composition of ČD’s Board of Directors. When the programme was launched, more than 100 ČD employees were involved and the number will continue to increase.

15 DEFINED PROJECTS

- ▶ Increase in the level of services and satisfaction;
- ▶ Optimisation of differentiated pricing;
- ▶ Creation of a long-term plan of outputs;
- ▶ Action plan for commercial transport;
- ▶ Optimisation of the number of organisational levels;
- ▶ Preparation of bus transport development;
- ▶ Increase in the effectiveness of processes;
- ▶ Programme on selection, development and remuneration;
- ▶ Increase in procurement effectiveness;
- ▶ Transparency of internal financial management;
- ▶ Transparency of external financial reporting;
- ▶ Optimisation of asset management;
- ▶ Programme on the development of railway stations;
- ▶ System integration (IT); and
- ▶ Completion of transition to the holding structure.

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> **CEO** Ing. Petr Žaluda

01 Opening statement of the chairman of the board of directors

Ladies and Gentlemen,

You hold in your hands the annual report of České dráhy for the year ended 31 December 2009, which was a turning point for the Company. The conclusion of an agreement between the Ministry of Transport and the regions solved the issue of regional transportation funding. The lack of funds to settle compensations of losses from regional transport in the past was the reason why České dráhy could not heavily invest in modernising its rolling stock and renovating its railway station buildings. On the contrary, the Company funded passenger transport by, for example, selling some of its assets. Long-term contracts concluded with the public transport orderers at the end of the year opened our way to EU funds and commercial funding. Thus, we can use tens of billions of crowns to purchase and modernise locomotives and train cars over the next 10 years. In 2009, we invested CZK 4.2 billion and we plan to invest another CZK 5 billion in 2010. The qualitative change is already visible in suburban and regional transport where old units are being rapidly replaced by new trains of the CityElefant or Regionova type.

To ensure transparency, we introduced clear and transparent economic practices. Binding internal guidelines newly include the obligation to invite independent professionals in conducting the above-limit tenders. A clear proof of transparency and effective operation of České dráhy was the successful bond issue of CZK 2 billion for trains' modernisation. No private investor would take the risk of investing billions in a non-transparent and ineffective company. The next step is to obtain an independent international rating.

A fundamental change in how České dráhy is managed resulted in savings and additional income amounting to CZK 700 million in 2009. Cost savings measures are part of the Vision 2012 transformation programme which was publicly introduced in April. All of the measures are expected to bring CZK 4-6 billion by 2012.

I must also address the much-criticised marketing expenses, which on its appointment the new management team calculated at CZK 450 million per year. Last year, we managed to save CZK 100 million through revisions and terminations of onerous contracts and we plan to save a similar amount in 2010. We have decided not to participate in golf tournaments or filmmaking and we also terminated our cooperation with celebrities. In this area, we are principally concentrating on promoting specific products in order to increase revenues.

As a result of these measures, České dráhy reported a profit of CZK 1 billion in 2009 and for the first time in its history the Company ended in the black in the area of passenger transportation as measured in terms of EBITDA. The improvement was achieved thanks to the above-mentioned savings of approximately CZK 700 million, higher revenues of approximately CZK 350 million, and additional compensations of the passenger transportation obligation amounting to CZK 3.2 billion.

However, not even the railway managed to deal completely with the impact of the economic crisis. The financial statements of ČD, a.s. were fundamentally influenced by ČD Cargo, a.s.'s failure to pay dividends and the suspension of the sale of certain non-core properties.

Nevertheless, from the economic perspective the year 2009 can be considered as very good for České dráhy.



Ing. Petr Žaluda

Chairman of the Board of Directors and CEO



01	02	03
04	05	

- 01** | Ing. Petr Žaluda
- 02** | Ing. Michal Nebeský
- 03** | Ing. Jiří Kolář, Ph.D
- 04** | Ing. Antonín Blažek
- 05** | Ing. Milian Matzenauer

02 Statutory bodies and management of the company

Board of directors

Petr Žaluda

► CHAIRMAN OF THE BOARD OF DIRECTORS (SINCE 1 FEBRUARY 2008) AND CEO (SINCE 1 FEBRUARY 2008), AGE: 43.

Petr Žaluda graduated from the Technical University in Brno and completed study programmes at Utrecht University and the Sheffield Business School.

He worked as a Country Manager for Stork Demtec. Between 1993 and 1996, Petr worked as a Branch Office Manager in Ernst & Young. In 1998, he became the CEO and Chairman of the Board of Directors of Winterthur, penzijní fond. Between 2002 and 2006, he managed the Winterthur Group in the Czech Republic and Slovakia. In 2007, Petr became Country CEO of AXA for the Czech Republic and Slovakia.

Michal Nebeský

► MEMBER OF THE BOARD OF DIRECTORS (SINCE 12 SEPTEMBER 2008) AND DEPUTY CEO FOR FINANCE (SINCE 1 SEPTEMBER 2008), AGE: 42

Michal Nebeský graduated from the University of Economics in Prague, Faculty of International Trade and Finance. From 1991 he worked at Citibank where he was appointed Risk Manager for the Czech Republic in 2003 and Risk Manager for Central Europe in 2005.

Jiří Kolář

► MEMBER OF THE BOARD OF DIRECTORS (SINCE 10 MAY 2005) AND DEPUTY CEO FOR OPERATIONS (SINCE 1 FEBRUARY 2008), AGE: 46

Jiří Kolář graduated from the Faculty of Operations and Economics of the Transport University in Žilina where he majored in transport operations and economics. In 1983, he joined the then Československé státní dráhy (Czechoslovak State Railways) where he performed various duties relating to railway operations. Between 1993 and 1999, he worked as stationmaster in Kladno. In 1999, he completed postgraduate studies at the University of Par-

dubice. Between 1999 and 2004, he was the Director of OPŘ Ústí nad Labem.

Antonín Blažek

► MEMBER OF THE BOARD OF DIRECTORS (SINCE 14 MAY 2009) AND DEPUTY CEO FOR PASSENGER TRANSPORTATION (FROM 17 MARCH 2009), AGE: 46

Antonín Blažek graduated from the Faculty of Mechanical Engineering at the Czech Technical University in Prague where he majored in transport and handling technology. In 1987, he joined the then Československé státní dráhy (Czechoslovak State Railways) at the Praha-Libeň railway yard. He was the head of the PJ Praha-Libeň (DKV Praha-sever) operations in 1994 and 1995 and then worked as a stationmaster of PJ Praha-Libeň until 1996. From 1997, he worked at the ČD headquarters as a Consultant to Deputy CEO for Assets Administration and then at the strategic department, where he managed the international projects department. From 2003 to 2005, as a technical consultant to the Deputy CEO for Business and Operations, he managed a compliance committee for approval of trains of the 680 line for international operation. In 2005 he was the director of the infrastructure department and director of the office of the Deputy CEO for Transport Routes. Since November 2005, he has been in the position of the Chairman of the Board of Directors of Výzkumný Ústav Železniční, a.s. (VUZ). Between 2005 and 2009, he held the position of CEO of VUZ. Since 2009 he has been a member of the Board of Directors of EUROSIG-NAL, a.s.

Milan Matzenauer

► MEMBER OF THE BOARD OF DIRECTORS (SINCE 14 NOVEMBER 2008) AND DEPUTY CEO FOR ASSET ADMINISTRATION (SINCE 1 DECEMBER 2008), AGE: 59

Milan Matzenauer graduated from the Technical University in Brno, where he majored in transport buildings and structures. Prior to joining ČD, a.s. he worked as a Sales Director in Skanska DS.

Changes in the Board of Directors and Company Management

On 16 March 2009, Petr Moravec resigned from the position of Deputy CEO for Passenger Transportation. On 17 March 2009, the Board of Directors of ČD, a.s. appointed Antonín Blažek the Deputy CEO for Passenger Transportation. On 16 April Petr Moravec resigned from the position of member of the Board of Directors of ČD, a.s. On 13 May 2009, Milan J. Ruttner resigned from the position of Deputy CEO for Human Resources. On 14 May 2009 the Supervisory Board of ČD, a.s. appointed Antonín Blažek a member of the Board of Directors. On 20 May 2009, the Board of Directors of ČD, a.s. appointed Pavel Švagr Deputy CEO for Human Resources. On 3 December 2009, the Steering Committee approved a change in the Articles of Association of České dráhy a.s. reducing the number of members of the Board of Directors from six to five, with effect as of 11 December 2009. On 8 December 2009, Josef Bazala resigned from the position of a member of the Board of Directors.

Supervisory board

Jaroslav Král

Chairman of the Supervisory Board (since 17 June 2009), (member since 4 June 2009) age: 58

Ministry of Transport of the Czech Republic, Deputy Minister

Pavel Škvára

Member of the Supervisory Board (since 19 February 2009), age: 32

Ministry of Transport of the Czech Republic, Deputy Minister

Karel Březina

Member of the Supervisory Board (since 20 April 2007), age: 37

Chairman of the Supervisory Board of Žižkov Station Development, a.s., Member of the Prague Council

Tomáš Chalánek

Member of the Supervisory Board (since 23 June 2004), age: 53

Owner of ProMedica, spol. s r.o., Prostějov, owner and statutory executive of MEDIHOPE s.r.o. Prague.

Zdeněk Prosek

Member of the Supervisory Board (since 20 April 2007), age: 59

Member of the Chamber of Deputies of the Parliament of the Czech Republic, member of the Economic Committee

Vladislav Vokoun

Member of the Supervisory Board (from 1 January 2009), age: 50

Vice-Chairman of the Confederation of Railroad Unions (OSŽ)

Antonín Leitgeb

Member of the Supervisory Board (from 1 January 2009), age: 51

Secretary of the Confederation of Railroad Unions for ČD, a.s. Company Committee

Jan Bitter

Member of the Supervisory Board (from 5 May 2006), age: 53

Chairman of the Coordination Committee of the Confederation of Railroad Unions at DKV Prague, and a member of the Company Committee of the Confederation of Railroad Unions for ČD, a.s.

Changes in the Supervisory Board

On 18 February 2009, Vojtěch Kocourek resigned from the position of the Chairman and member of the Supervisory Board. On 18 February 2009, Jan Černohorský was recalled from the position of a member of the Supervisory Board. On 19 February 2009, Zdeněk Žák was elected the Chairman and member of the Supervisory Board. On 28 April 2009, Zdeněk Žák was recalled from the position of the Chairman and member of the Supervisory Board. On 10 December 2009, Martin Roman resigned from the position of a member of the Supervisory Board.

Steering committee

Roman Boček

Chairman of the Steering Committee; Deputy Minister of Transport of the Czech Republic
Appointed Chairman following resolution of the Czech Government no. 555 of 27 April 2009

Pavel Škvára

Vice-Chairman of the Steering Committee; Deputy Minister of Transport of the Czech Republic
Appointed following resolution of the Czech Government no. 161 of 2 February 2009 and appointed Vice-Chairman following resolution of the Czech Government no. 505 of 20 April 2009

Eduard Havel

Member of the Steering Committee; Deputy Minister of Trans-

port of the Czech Republic. Appointed following resolution of the Czech Government no. 505 of 20 April 2009

Bohumil Haase

Member of the Steering Committee; Chief of Staff of the Minister of Defence of the Czech Republic
Appointed following resolution of the Czech Government no. 1168 of 11 October 2006

Miroslav Kalous

Member of the Steering Committee; Deputy Minister for Regional Development of the Czech Republic
Appointed following resolution of the Czech Government no. 1168 of 11 October 2006

Petr Polák

Member of the Steering Committee; Chief of Staff of the Minister of Industry and Trade of the Czech Republic
Appointed following resolution of the Czech Government no. 1168 of 11 October 2006

Miloslav Müller

Member of the Steering Committee; Chief of Staff of the Minister of Finance of the Czech Republic
Appointed following resolution of the Czech Government no. 207 of 7 March 2007

Changes in the Steering Committee

By its Resolution No. 161 dated 2 February 2009, the Government of the Czech Republic revoked the authorisation for activity in the Steering Committee for Jiří Hodač, Vice Chairman of the Steering Committee, and Vojtěch Kocourek, member of the Steering Committee, and authorised Zdeněk Žák to be the Vice Chairman of the Steering Committee on 3 February 2009 and Pavel Škvára to be a member of the Steering Committee. By its resolution no. 505 dated 20 April 2009, the Czech Government revoked the authorisation for activity in the Steering Committee for Zdeněk Žák and Petr Šlegr.

03 Report of the supervisory board of ČD, a.s.

The meetings of the Supervisory Board of the České dráhy Group in 2009 took place on a regular basis according to a pre-determined plan, including 10 ordinary meetings.

The Supervisory Board oversaw proper operations of the Board of Directors and the business activities of České dráhy, a.s. (hereinafter "ČD" or the "Company") on a regular basis. At each meeting, the Board of Directors submitted written information regarding its activities and the Company's profit or loss and the Management Report of the ČD Group for the relevant period to the Supervisory Board. Via ongoing written reports: "Subsidiaries and Equity Investments of ČD", the Supervisory Board was regularly informed about the generated profit or loss and the development in the management of subsidiaries and equity investments and the current economic and other information of individual companies. Based on this written information and other information about the activities of the Board of Directors which is regularly provided by the Chairman of the Board of Directors during individual meetings of the Supervisory Board, members of the Supervisory Board gained sufficient knowledge about the impact of the economic crisis on ČD and about the prepared anti-crisis measures.

At the meetings which took place during the first quarter of 2009, all members of the Supervisory Board were informed about the Company's financial performance for the year ended 31 December 2008. The Company reported a profit before tax in the amount of CZK 1.6 billion. The beginning of the year 2009 was not positive and despite the fact that the financial performance for the first two months of 2009 was better than in the comparative period of 2008, there was still the problem of insufficient funding of regional passenger transport which caused the loss for the Company. In this respect, significant attention was paid to the preparation, discussions and approvals of suggestions for system-wide measures in order to provide the funding of passenger transport, reassess and reduce the investment plan and other anti-crisis measures. In addition to the possibility to publish and implement a tender for a new overdraft account, the Board of Directors presented the Supervisory Board with an alternative proposal for obtaining a source for the

necessary external funds for operations in the form of a promissory notes programme, the advantages and possibilities of which were further assessed on an individual basis as a result of the continuing negotiations with major banking institutions in the Czech Republic. The Supervisory Board was also discussing the possibility of issuing medium-term securities with maturity of up to three years in the maximum amount of CZK 2 billion in this respect.

Great emphasis was put on the discussion about the designed concept of passenger vehicle fleet modernisation for the period 2009-2015, as well as the newly presented ČD Vision 2012 transformation programme which predominantly reacts to the changing needs of ČD customers, increasing competition and to the need for deregulation and liberalisation. As part of this programme, 15 transformation projects were presented to the Supervisory Board which cover all key areas of business of the ČD group.

Furthermore, the Supervisory Board was concerned with the issue of the prepared restructuring of the personal transportation division of ČD; as part of this project, ČD plans to spin off passenger transport into a subsidiary. The Supervisory Board assessed the efficiency of asset management of ČD on an ongoing basis, including the assessment of profit or loss of the subsidiaries and entities in which ČD owns an equity investment. The attention was also paid to the unresolved problems related to the state organisation Správa železniční dopravní cesty (Railway Infrastructure Administration).

The Supervisory Board appropriately reviewed, took into account and recommended that the Company's Steering Committee approve the report on the management activities of ČD and the state of its assets, including the report on accounting for funds from public budgets for 2008, the financial statements for the year ended 31 December 2008 with suggestions for the allocation of profit to the reserve fund and for allocation to the social fund, to the settlement of the loss brought forward and the transfer of a portion of the profit to the "Profit brought forward" account. In 2008, the Supervisory Board did not note any wasteful or inappropriate management of the resources of ČD.

The Supervisory Board was also consistent in reviewing the submitted consolidated financial statements of ČD for the year ended 31 December 2008, it approved the "Report of the Board of Directors of ČD on the Review of the Consolidated Financial Statements of ČD, a.s. for the Year Ended 31 December 2008" and approved the conclusions of the independent auditor in the sense that the consolidated financial statements give a true and fair view of the financial position of the consolidated group of ČD as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic. Following the relevant review, the Supervisory Board approved the Report of the Supervisory Board of ČD on the review of the financial statements of individual accounting areas of ČD for the year ended 31 December 2008 and took into account the Independent Auditor's Report to the shareholders of ČD, and stated that no wasteful or inappropriate management of the Company's funds within individual accounting areas was identified. Both sets of financial statements referred to above were submitted for approval to the Steering Committee of ČD.

The Chairman of the Board of Directors and other members of senior management kept the Supervisory Board informed about the course of the negotiations and the successful conclusion of a Collective Agreement.

The Supervisory Board also paid significant attention to the discussion of the Business Plan for 2010 submitted by the Board of Directors. During the last meeting of the Supervisory Board, held in December 2009, it was possible to state that as a result of the positive trend in the second half of 2009 where positive cash flow was achieved thanks to the additional compensations of provable losses, the increase in sales and the decrease in expenses, nearly 30% of the planned investments are expected to be funded from own sources in 2010. The remaining part is expected to be covered using external funds. The Company's Supervisory Board positively evaluated the intentions of the Board of Directors to increase sales from passenger transport which are closely related to the ČD Vize 2012 project.

The Supervisory Board agreed with the suggestion to change the Articles of Association of ČD consisting of the establishment of an audit committee as a standard component of corporate governance.

In line with the Articles of Association, the Supervisory Board also provided the Board of Directors with prior consent to various projects – i.e. consent with the initiation of a public tender and the conclusion of a contract with the selected applicant on the provision of supplies and services related to the In-karta project, with the commissioning of public tenders for the supplies of new and modernised rail vehicles, with the tender proceedings for the provision of environmental services, with tender proceedings and the subsequent conclusion of a contract for the consumed electricity for 2010 and 2011 and with the public tender for railway radio communication technology services.

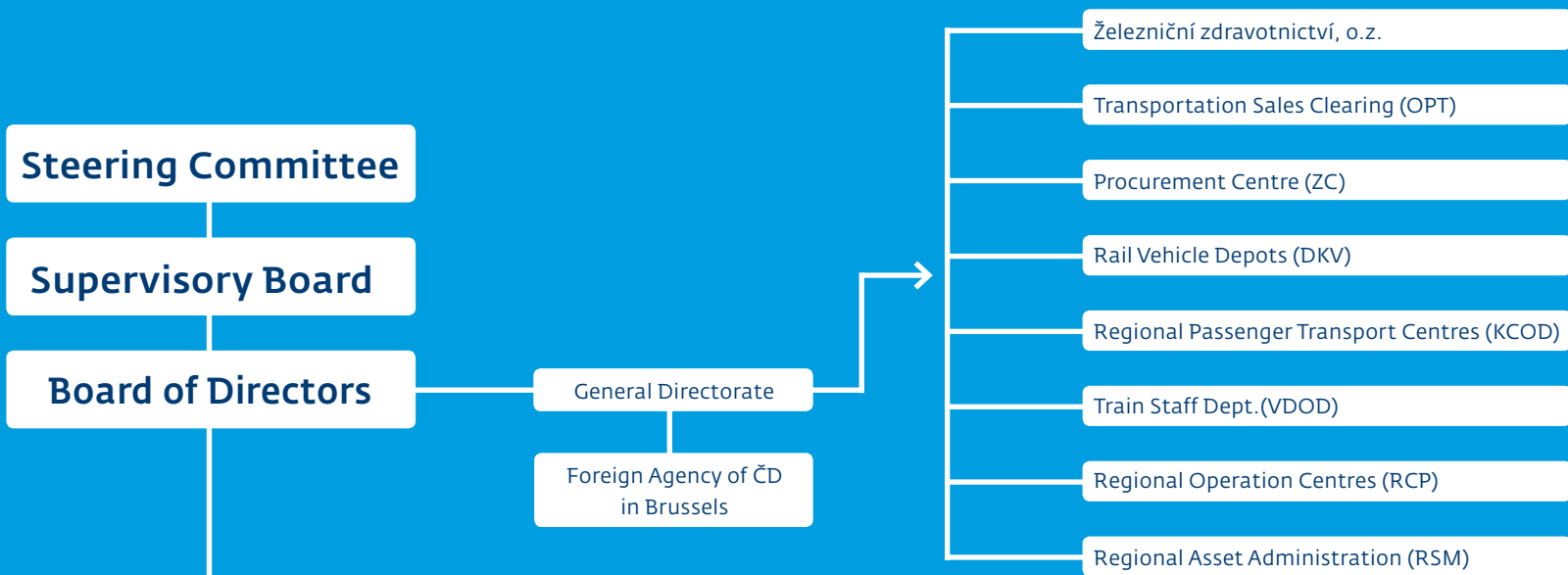
Finally, the Supervisory Board states that it had all the conditions necessary for ordinary performance of its activities and proceeded completely in line with the Articles of Association of ČD and the Commercial Code. The system of its work on the basis of mutual comprehensive and regular provision of information and the cooperation between the Supervisory Board and the senior management of the Company again proved to be highly efficient.

As part of its controlling activities, the Supervisory Board did not identify any breach of the legal regulations and the Articles of Associations of ČD by senior management, the Board of Directors or authorised managers in 2009.



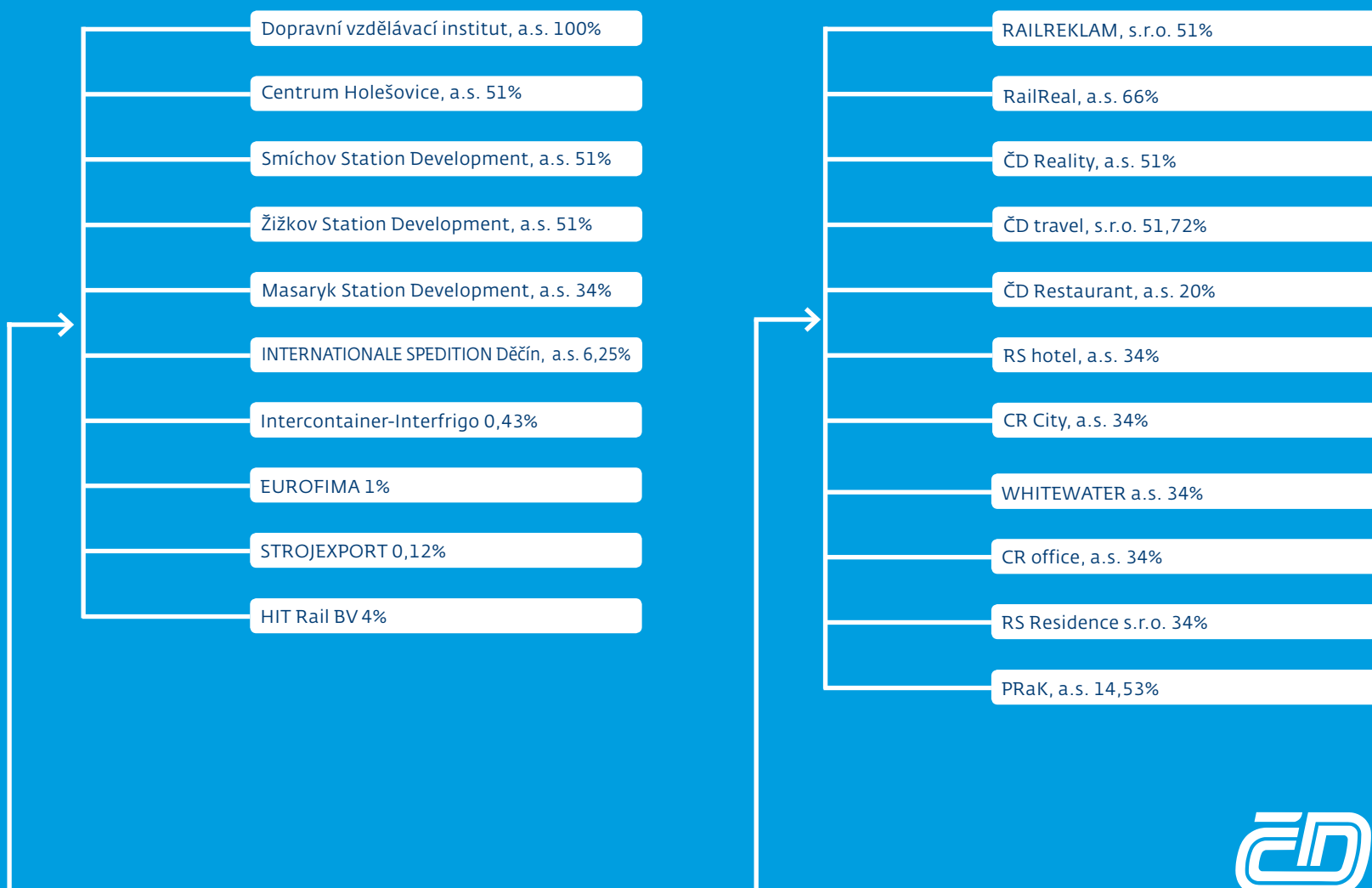
JUDr. Jaroslav Král, CSc.
předseda dozorčí rady

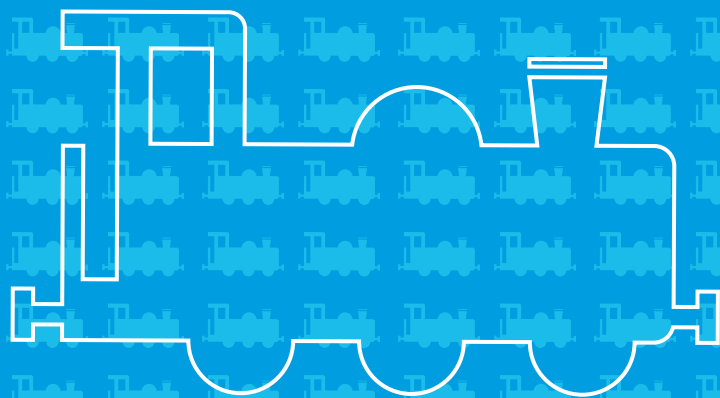
České dráhy, a.s.



ČD Consolidated Group

04 Organisational structure of the České dráhy group





05 Calendar of events in 2009

JANUARY

- ▶ ČD, a.s. and ČD Cargo, a.s. entered 2009 with new collective agreements, with the commitment to increase the average salary by 4%.

FEBRUARY

- ▶ Through Resolution No. 204 dated 16 February 2009, the Czech government approved the National Anti-Crisis Plan and charged the transportation minister with increasing costs to ensure transportation services by releasing up to CZK 2 billion.

MARCH

- ▶ ČD, a.s. started gradually to bring the colour of its trains in line with the combination of dark blue, light blue and light grey.

APRIL

- ▶ Management of ČD, a.s. introduced the Vize 2012 transformation programme, with the financial ambition to achieve no less than CZK 4 billion in savings and additional income by 2012.
- ▶ ČD, a.s., in cooperation with Siemens, s.r.o., started the fourth year of the charity project "Vlak štěstí a naděje", which focuses on children from foster homes.
- ▶ As part of the accident prevention project, ČD dispatched the PREVENTION TRAIN to České Budějovice, Písek, Plzeň and Rokycany.

MAY

- ▶ ČD, a.s. commemorated 150 years of operations on the Pardubice–Liberec track.
- ▶ ČD, a.s., in cooperation with the Zlín Film Festival, dispatched a CINEMA TRAIN for 15 stops from Znojmo to Horní Lideč.

JUNE

- ▶ Through Resolution No. 686 dated 1 June 2009, the Czech government charged the transportation minister with providing a subsidy to individual regions for funding additional transport services provided through public railway passenger transportation.

JULY

- ▶ ČD started operations of traditional nostalgia trains in the "Jihočeské léto s párou" project.

AUGUST

- ▶ Through Resolution No. 1132 dated 31 August 2009, the Czech government approved the participation of the state in funding

long-distance and regional railway passenger transport and charged the transportation minister with providing the regions with subsidies for funding transportation services through public railways passenger transport in 2010 to 2019 and conclude the contract for the public service commitment to provide transportation services of the state provided by the public railway passenger transportation. The government charged the ministers of transportation and finance in cooperation with the prime minister with concluding the memorandum on committing the state to provide regions with grants for funding transport services by public railway passenger transportation in 2010 to 2019 with the association of Czech regions.

SEPTEMBER

- ▶ As part of the celebrations of the Railway Day, ČD organised tours of its technological workplaces and offered a number of attractive discounted fares to passengers.

OCTOBER

- ▶ In Resolution No. 1350 dated 28 October 2009, the Czech government approved the memorandum for providing stable funding for transportation services by public regional railway transport. In the memorandum, the state undertook to provide regions each year with CZK 2.7 billion for regional railway transport, for no less than 10 years. The regions will pay approximately CZK 5.3 billion from their budgets. Pursuant to the memorandum, regions concluded 10-year contracts with ČD.

NOVEMBER

- ▶ Upon the finalised electrification of the Znojmo–Šatov track, the first electrical train travelled to Znojmo from Vienna.
- ▶ ČD issued three-year bonds of CZK 2 billion with maturity in 2012 with the goal of securing funds for purchasing modern railway vehicles for use as part of services for the public interest.

DECEMBER

- ▶ Gustáv Slamečka, the minister of transportation, and Petr Žaluda, the CEO of ČD, signed a contract on the commitment of the public service in railway passenger transport for the public interest to provide for the transportation needs of the state for the period from 1 January 2010 until the expiry of the schedule for 2018/19. In 2010, this involves 35 million railway kilometres with the payment of CZK 4,005 million.



**Action plan for
commercial
transportation**

06 Corporate governance

Shareholder structure

The Czech Republic is the sole shareholder of the Company. The state exercises the shareholder rights in ČD through the Steering Committee. The Steering Committee is composed of three employees from the Czech Ministry of Transportation and one employee from each of the following ministries: Finance, Defence, Industry and Trade, and Local Development, who are appointed by the government.

COOPERATION OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

► BOARD OF DIRECTORS

Operative management and corporate business governance, including proper accounting records maintenance, are performed and ensured by the Board of Directors, which is composed of five members. Members of the Board of Directors are elected and recalled by the Supervisory Board. The Board of Directors meets as needed, most frequently weekly but at least once every three months. The Board of Directors principally decides on: (i) all of the Company's affairs unless they are reserved for the General Meeting (i.e. the Steering Committee) or the Supervisory Board; (ii) whether to approve the election procedure used to elect the Supervisory Board's members by the Company's employees as negotiated with trade unions; and (iii) how to manage the Company's assets. The Board of Directors follows the general principles and instructions approved by the General Meeting (i.e. the Steering Committee), provided they are in compliance with legal regulations and ČD's Articles of Association.

► SUPERVISORY BOARD

The Supervisory Board has nine members. Two-thirds of the members are elected by the General Meeting and one-third are elected by the Company's employees pursuant to the election procedure approved by the Board of Directors following discussions with the relevant trade unions. The term of office is five years. The Supervisory Board meets as needed, but at least four times a year. The Supervisory Board supervises the execution of the role of the Board

of Directors and the Company's business performance. The most significant areas of authority include: (i) reviewing the report on the Company's business activity and the Company's financial performance; (ii) approving the business plan including the business strategy; and (iii) granting approval of asset management, if such a procedure is required by the Company's Articles of Association.

► STEERING COMMITTEE

The shareholder exercises its authority through the Steering Committee, which is the supreme body of the Company. The Steering Committee acts in the capacity of the Company's General Meeting. The Steering Committee meets at least twice a year and decides on issues entrusted to it by law or ČD, a.s.'s Articles of Association.

► AUDIT COMMITTEE

At its meeting held on 23 September 2009, the Steering Committee decided to change the Company's Articles of Association. The change involves the creation of the Audit Committee as a standard part of corporate governance that provides the following activities:

- a) Monitors the procedure of preparing the financial statements and the consolidated financial statements; in this context, the Audit Committee also monitors the integrity of the financial information provided by the Company, specifically through examining the consistency and adequacy of the accounting policies used in the Company;
- b) Assesses the effectiveness of the Company's internal control, internal audit and risk management systems. In addition, it reviews and assesses the systems of internal control, internal audit, and risk management at least annually to ensure that principal risks of the Company will be duly identified and managed, provides the Board of Directors and the Supervisory Board with recommendations with respect to issues concerning the internal audit, and supports the effectiveness of the internal audit;
- c) Monitors the process of the obligatory audit of the financial statements and the consolidated financial statements. In this context, the Audit Committee also obtains and assesses the informa-



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The new ten-year contracts with the state and the regions will allow us to introduce new trains

tion that relates to audit activities and examines the effectiveness of the obligatory audit;

- d) Assesses the independence of the statutory auditor and audit firm and specifically the provision of additional services to the audited entity. In this context, the Audit Committee monitors and assesses the independence and objectivity of the auditor, cooperates with the auditor, obtains and assesses the information that could threaten its independence, and examines the nature and scope of additional services provided by the auditor to the Company;
- e) Recommends the auditor;
- f) Receives and discusses the information, declarations and announcements based on legal regulations with the auditor;
- g) Submits regular reports on the activities of the Audit Committee to the General Meeting; and
- h) Monitors, from its position, whether the Company is heading towards over-indebtedness, or whether the Company has already become over-indebted. If it discovers that is the case, it notifies the other bodies of the Company.

According to the legal regulations and the Articles of Association, the Audit Committee's activities do not impact the activities of the Company's other bodies.

► COMPLIANCE

The Legal department is responsible for reviewing compliance with legal obligations determined by the legal regulations and compliance of the Company's internal rules with Czech legislation.

► TRANSPARENCY AND REPORTING

The ČD Group follows the transparency rules of openness, communication and responsibility. The Company's management has open negotiations, discloses financial facts in full, provides for freedom of information, budget planning and control, and conducts regular internal audits followed by immediate output solution plans and public decision making of the executive management. All documentation, materials, arguments both for and against relevant actions, decisions and decision-making processes, as well as final results, are public information and filed in publicly available archives. Trans-

parency removes the barriers that obstruct free access to corporate, political and personal information, as well as the Articles of Association, and the rules and processes that govern the Company. The transparent approach to corporate governance protects the employees, as well as the Company.

► RISK MANAGEMENT

The ČD Group monitors and evaluates all significant business risks, particularly market, credit and liquidity risks, on an ongoing and long-term basis. The principal objective of the risk management system is to promptly identify risks and take subsequent steps to minimise the adverse impacts on the Group's financial performance. The ČD Group pays utmost attention to risk areas and continues to build an integrated risk management system, which enables key risks to be quantified and the appropriate tools for the management to be selected. Management tools are selected according to clearly defined strategies of individual risks and are done so in compliance with the rules for the application of hedge accounting. By permanently monitoring key risks, the Company's management is able to stay well-informed about the current situation in risk management on a timely basis.

MARKET RISKS

a) Currency Risk

In its activities, ČD is exposed to the currency risk which involves the sensitivity of cash flows and the economic result to changes in foreign currency rates. The sources of this exposure are predominantly income and expenses from operations of the international railway passenger and freight transportation, costs of debt service and revaluation of foreign currency long-term payables. The ČD Group actively monitors its open currency position and primarily seeks to use natural hedging, i.e. income in foreign currencies is preferably used to settle foreign currency payables. The ČD Group pays permanent and systematic attention to managing currency risk. To eliminate effective impacts on the management, the Company uses a wide range of available instruments used on both a short-term and mid-term basis according to their type.

b) Commodity Risk

Traction diesel and electricity consumed by ČD and ČD Cargo for their activities constitute a significant cost item. Open positions are partially hedged by financial instruments. With respect to the traction diesel, the Company applies the strategy of mid-term hedging of an element of the exposure of this commodity. The price of traction electricity is fixed by the contractual arrangement with the electricity supplier.

c) Interest Rate Risk

In its activities, the ČD Group is exposed to the interest rate risk which involves the sensitivity of cash flows and the economic result to changes in interest rates. The principal source of the interest rate for the ČD Group is the long-term external funding with a floating rate. The interest rate risk is limited by the gradual use of debt products with a fixed rate, e.g. bond issue.

LIQUIDITY RISK

The principal objective of liquidity management in the ČD Group is to provide sufficient funds to settle due payables. The key instrument for liquidity management is the assessment of the short-term and mid-term development of liquidity and cash flow. The integral part of liquidity risk management involves obtaining sufficient lending facilities from funding banks. The Group uses available overdraft loans from its local banks and allocates their limits among members of the Group as needed. The ČD Group also actively uses the issues of short-term securities through a promissory notes programme as an additional source of short-term liquidity.

CREDIT RISK

In its activities, the ČD Group is exposed to credit risk which relates to the threat of failure of the counter-party in the transaction, which may be negatively reflected in the economic result and cash flow of the Company. Receivables are monitored at regular intervals. To decrease receivables, the ČD Group actively uses the policy of offsetting mutual receivables and payables. ČD uses external legal firms to recover bad receivables. Exceptionally, risky and bad

receivables are assigned under advantageous conditions to those who are interested. Supplier prepayments that the Group is obliged to pay to suppliers based on applicable contracts are secured by bank guarantees in selected cases.

OPERATIONAL RISK

The operational risk resulting from quality and punctuality management is managed predominantly by determining maintenance plans for rail vehicles and the monitoring thereof. Significant material or financial damage is covered by liability insurance with respect to both passenger and freight transportation and by the liability of the freight wagon holder with respect to ČD Cargo.

► CORPORATE RESPONSIBILITY

Although the ČD Group had to adopt a number of cost savings measures, it did not neglect preventive work with children and young people, removing barriers for disabled people, environmental protection, and other areas that relate to the corporate responsibility of a national railway transporter. One of the most significant projects is the Prevention Train, which focuses on young people between 13 and 18 years of age. Numerous partners, including BESIP of the Transportation Ministry, Czech police and rescue units, have joined the project, the objective of which is to prevent injuries to children.

ČD is the only transporter that offers barrier-free transport to wheelchair bound people in the Czech Republic. Approximately 28% of trains that are dispatched every day are barrier-free. Also, when purchasing new or modernised old railway sets or vehicles, ČD requires all trains and vehicles to be barrier-free.

As part of the international Euroklíč project, ČD equips train station toilets with special locks and provides keys to disabled people. ČD, together with the Union of Railway Employees, also dispatches the "Train Full of Smiles" to the Zlín Film Festival and to the Brno Medical Devices Trade Fair.

As part of the Junior programme, a special ČD Cinema Train tours the country, ČD organises kite flying events (drakiáda), participates in Bambiriáda events, organises field trips for young people to interesting workplaces and provides special historical train rides in cooperation with Centres for Children and Young People.

07 Report of the board of directors

REPORT ON THE BUSINESS ACTIVITIES AND ASSETS OF ČESKÉ DRÁHY, A.S.

Operation of passenger railroad transportation

In 2009, the public passenger railroad transportation orders were dealt with in the same way as in prior years: with respect to the long-distance transportation through the order of the Ministry of Transport and with respect to the regional transportation through the orders of individual regions. 2009 was the first year when the provable loss arising from the orders of services in the public service commitment to the orderer was covered in full thanks to the special-purpose subsidy of the state intended for orderers of the regional transportation in accordance with Resolution of the Czech Government No. 686 dated 1 June 2009. This prepared a precondition for a similar measure in the mid-term.

Through Resolution No. 1132 dated 31 August 2009, the Czech government approved the share of the state in funding the long-distance and regional passenger railroad transportation and the provision of a subsidy to regions for funding public passenger railroad transportation between 2010 and 2019. In addition, the government decided to conclude the contract for the public service commitment to provide for the transportation needs of the state through passenger railroad transportation. The government charged the Minister of Transport and the Minister of Finance, in cooperation with the prime minister, with concluding the memorandum on the commitment of the state to provide regions with subsidies for funding transportation by public passenger railroad transport between 2010 and 2019 with the Association of Regions of the Czech Republic. In Resolution No. 1350 dated 28 October 2009, the Czech government approved the memorandum on the provision of stable funding for transportation by public regional passenger railroad transportation. In the memorandum with individual Czech regions, the state undertook that it would provide an annual contribution for funding regional passenger railroad transportation in the amount of CZK 2.65 billion for no less than 10 years. The regions will pay approximately CZK 5.3 billion from their budgets. In connection with the memorandum, the regions have concluded 10-year contracts with ČD, either by prolonging the existing contracts or concluding new ones. Mid-term relationships stabilised transportation models and enabled investment prospects to be prepared.

The order of the state covers the express (E) trains category and higher categories, except for SuperCity (SC) trains towed by the 680 line unit, or selected express trains pursuant to the agreement with regions. As such, the year 2009 was the first year when the commitment of long-distance trains included EuroCity (EC) and InterCity (IC) trains, although they have always been part of the interconnected system with long-distance trains of lower categories. Orders by regions include the category of passenger stopping trains, all express trains (with rare exceptions) and selected fast trains, in cases where the agreement was reached with the orderer of the long-distance transport. In 2009, the long-distance transport between Plzeň–Most and Pardubice–Liberec was provided based on the result of the tender organised by the Ministry of Transport. ČD was successful in winning the tender for transport in the Jizera Mountains railways project. Despite all the efforts, the issue of cross-border regional transport and the use of foreign railway tracks that are not included in the system of basic provision of transport by all orderers were not completely resolved.

In passenger transport, ČD makes every effort to combine the actual possibilities defined by the infrastructure conditions and the availability of appropriate rail vehicles. Priority attention was paid to the transfers between trains. The conclusion of long-term contracts resulted in significant progress in dealing with the performance quality of concluded contracts, including the detailed system of sanction arrangements.

2009 was significant with respect to the completion of the notification process of Regional Operational Programmes for renovating regional railroad vehicles. At the end of 2009, the first appeals for filing projects for using the finances from ERDF funds were announced.

During 2009, ČD managed to conclude a new contract with the railway route operator SŽDC, s.o., which covers comprehensive issues of access to the state and regional railway routes owned by ČD and its use including the capacity allocation.

The development of systems for informing passengers about extraordinary issues continued, which is one of the outputs of the



The launched transformation programme VIZE 2012 started projects of further savings

passenger transport control centre. At present, information on extraordinary issues and solutions is available on ČD's website, and the information is continually distributed to the issue system and sent to selected addresses. Currently, we are focused on finalising the system of information of the train accompaniment, which currently depends solely on the telephone connection. Preconditions should also be created by replacing the portable personal cash desks with the option of buying tickets in trains, which was completed at the end of 2009.

► ROLLING STOCK

From the start of the validity of the 2008/2009 timetable, sleeping car trains from Russia to Prague are towed by the Polish EU 07 line locomotive. Trains on the track between Prague and Vienna are towed by the three-system electric Taurus 1216 series locomotive. Two-frequency Taurus 1116 series locomotives tow international trains on the České Budějovice – Horní Dvořiště track.

In July 2009, the operations of the Herkules 223 motor series locomotives of the private transporter were started in trains from Furth im Wald to Plzeň pursuant to the approval issued by the Czech Railway Authority.

From the start of the 2009/2010 timetable, new S20 line trains go to Milovice and are towed by the modern 471 series units. Electrification was prolonged from Austria to Znojmo and the operations of returnable formations of Austrian railways began.

Ongoing supplies of the electric 471 series units enabled their use from the start of the 2009/2010 timetable in all passenger stopping trains in the Prague suburban areas on weekends and disposing of old 451 and 452 series units.

Continuing supplies of the control 954.2 series cars enabled their use from the start of the 2009/2010 timetable for all fast trains on the Kolín–Nymburk–Česká Lípa–Rumburk track, certain fast trains on the Olomouc–Krnov–Opava–Ostrava Svinov track and for transport in suburban areas in Brno.

Continuing supplies of the motor 814+914 series units enabled their use from the start of the 2009/2010 timetable for certain pas-

senger stopping trains on Č. Třebová–Zábřeh na Moravě, Doubleby–Letohrad, Děčín–Č. Lípa–Liberec tracks and others.

ČD continued to modernise the attachable 053 series cars to 054 series in Krnovské opravny a strojírny. Modernised attachable units are located in the rail vehicle depots in Brno, Plzeň and Praha. Together with the modernised inserted four-axle Bdtm series vehicles (originally 054 series) and the modernised motor Bfbrdtn and ABfbrdtn series (originally 954 and 954.2 series), they enable creating variable-capacity returnable motor formations (without the need for by-passing at end stations).

ČD is preparing to re-motorise and modernise the 37 four-axle motor cars of the 842 series, which should increase their operational reliability. As part of the modernisation described above, ČD is also considering certain interior refurbishments to increase the standard of travelling.

The remodelling of 30 passenger cars of the Bte series to the 961 series control cars is in the phase of technical negotiations both for regional and long-distance transport. ČD is considering creating formations composed of the control car, a variable number of classic construction cars, and a traction vehicle of either the 163 or 363 series, which will be the subject to partial renovations for this purpose. Formation with the 242 series traction vehicle is also being considered; however, this is also conditioned by a partial renovation that allows communication with 961 series vehicles.

ŽOS Vrútky is modernising six cars of the second series with the restaurant unit from the BRma and BRcm series to the ARmpeer series snack bar coaches. The coaches will be equipped with a first class compartment and a snack bar compartment. The first vehicles were already transferred for modernisation, and they are expected to be available in the following period.

The electric 680 series Pendolino units are subject to principal repairs for the first time after 1.2 million kilometres. After repairs that primarily focused on the units' undercarriages and inspections of the principal functional components, the scope of repairs is currently extended to include other significant technological units, such as the tilting mechanism.

S Sever | North | Nord



WC



Nástupiště
Platforms
Bahnsteige



čDKurýr

čDCentrum



Railway stations
development
programme

The completed renovation of locomotives from the 150 series to the 150.2 series increased the number of traction vehicles with a maximum speed of 140 km/hour. One exception was the 150.023-0 locomotive, which was remodelled to the 151 series as a substitute for the 151.018-9 locomotive that was disposed of after the accident at Studénka given the scope of the damage. In 2009, ČD completed the first renovation of the dual-current locomotive of the 363 series to the 362 series without the use of engine trucks of 162 series lo-

comotives. This will gradually increase the number of locomotives with a maximum speed of 140 km/hour.

In order to reduce the noise burden level near railway tracks and increase the comfort of travelling in modernised 814 series motor units, ČD started testing the non-metallic break blocks.

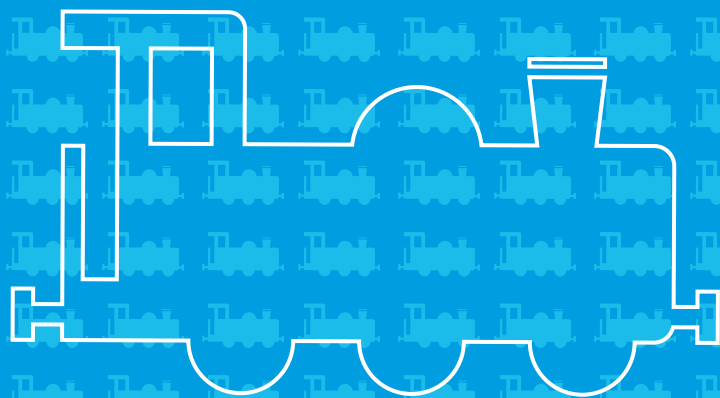
In May 2009, ČD introduced new interiors of its renovated first class vehicles designed by Najbrt studio and is introducing a uniform paint coat according to the Najbrt studio design on a gradual basis.

➤ Aging Structure of Traction Vehicles

TRACTION VEHICLES			NUMBER OF TRACTION VEHICLES						
			Records of traction vehicles by age					On-duty need	Operating condition
			Total	0-10 years	11-20 years	21-30 years	Older		
TR. 00	Integrated el. cars + motor units		301	96	6	0	199	200	254
TR. 10		ss	207	0	79	34	94	99	152
TR. 20	Electric engines	medium	105	0	0	36	69	72	88
TR. 30		Multisystem	90	0	23	67	0	71	84
TR. 40		ss	198	55	4	0	139	123	169
TR. 50	Electric motor units	medium.	20	0	0	0	20	14	17
TR. 60		Multisystem	28	28	0	0	0	20	24
TR. 70	Motor engines		402	10	91	65	236	123	282
TR. 80	Motor vehicles		733	186	68	183	296	505	657
TR. 90	Control cars TR.40+914		152	152	0	0	0	131	146
Total traction vehicles			2,236	527	271	385	1,053	1,358	1,873
			100%	24%	12%	17%	47%	61%	84%

➤ Aging structure of towed passenger train units

PASSENGER TRAIN UNITS		NUMBER OF PASSENGER TRAIN UNITS						
		Inventory Count by Aging ing structure					Timetable need	Operating condition
		Total	0-10 years	11-20 years	21-30 years	Older		
Total passenger train units of selected groups of which		3,104	94	421	1,175	1,414	1,845	2,949
Sleeping and restaurant units		114	12	10	57	35	86	105
International transport units (RIC)		6,332	66	0	416	150	505	616
Four-axle units for intrastable transport (except for four-axle service units)		1,451	0	366	362	723	933	1392
Attachable and individual control		907	16	45	340	506	321	836
Other passenger units		245	0	0	9	236	18	87
Total passenger units		3,349	94	421	1,184	1,650	1,863	3,036
		100%	2,81%	12,57%	35,35%	49,27%	55,63%	90,35%



► SALES IN PASSENGER TRANSPORT, INTEGRATED TRANSPORT SYSTEM AND TARIFF

Since 1 October 2009, ČD has made another step in an active addressing of individual customer segments. The Products and Sales Department (O28) was formed as part of the Section of the Deputy CEO for Sales and Marketing, which integrated three key areas for strategically building relationships with customers: pricing, product strategy, and the newly-formed sales division. The Products and Sales Department is also responsible for the tariff policy, including the development of sales collected from the end users, administration of long-distance and regional transport products (SC Pendolino, EC, IC, Esko) and implementation of an active sales strategy. The strategy for 2010 was approved by ČD's Board of Directors under the name "ATAK 307" and its objective is to obtain additional sales from the end users in excess of CZK 100 million in 2010.

ČD's strategy in pricing, products and sales is based on the segmentation of individual groups of customers and the creation of offers corresponding to their demand and specific requirements.

For this reason, ČD prefers price offers to price increases in its pricing policy, which will enhance these efforts. Principal milestones for 2010 within the remit of the O28 division include the following:

- Introduction of the "dynamic component of the tariff infrastructure" – corresponding to the demand for connections on individual tracks;
- Increase in sales through alternative distribution channels and through the Internet;
- Strengthening of standardisation in the quality of products offered to the customers; and
- Creation of offers for new customer groups, motivating them to experience ČD's services.

Activities include necessary support which comprises the effective sales reporting system and the profitability of individual services. All the steps referred to the above have already shown positive results, as reflected in the development of sales and in the year-to-year increase of more than CZK 40 million.

Railway infrastructure Operations

The railway infrastructure operations owned by the Czech Republic are managed by the Operational Management and the Organisation of the Railway Transport Department (O11) and the Regional Centres of Operations (RCP), ČD's organisational units. Since 1 July 2008, activities have been governed by the Railway Infrastructure Operations contract concluded between SŽDC and ČD, which assigns the role of the Railway Infrastructure Operator to ČD.

In compliance with the duties related to railway route operations, ČD has the following goals:

- To contribute to the high-level and sustainable fulfilment of the train transport flow chart (GVD); observance with the overall timetable in 2009 was 91.1% (2006: 87.6%, 2007: 88.0%, 2008: 90.8%);
- To enable the standard maintenance and massive investments in the railway infrastructure and to minimise the impacts of track closings in the compliance with GVD;
- To chair the "Operating rules" group in the E corridor project;
- To take part in the work of the ERA agency "Control-Command & Signalling Support Group";
- To take part in the work of the TSI team "Operation Support Group".

Significant achievements of ČD during 2009 included the completion of the remote control of the transport security system on the Přerov–Polanka nad Odrou, Zdice–Břežnice, Plzeň–Klatovy, Praha–Hostivař–Benešov u Prahy and Stříbro–Cheb tracks. In addition, ČD participated in finalising the interoperability on the Brno–Břeclav track, renovating the Znojmo train station, and renovating the Tábor train station. In cooperation with ČD, routine operations of 40 new installations of the Electronic Transport Diary (EDD) applications and 46 new installations of the Graphic-Technological Upgrade (GTN) were launched. The application titled the Fulfilled Train Transport Flow Chart (SGVD) was operated in standard regime on all required tracks. As of 31 December 2009, the total of 587 EDD applications in 649 transport points (of which 7 applications were for control activities), 141 SGVD applications (of which 69 were transfer-in-time applications) in 235 transport points, and 252 GTN



In 2009 the transformation showed a positive effect in gains of CZK 500 million

applications in 307 transport points were operated, which in certain transport points replaced the EDD and SGVD applications. ČD started to implement a system for managing the quality of railway infrastructure operations according to ISO 9001.

As a qualified, internationally involved and experienced national railway company ČD creates and makes ongoing improvements (in accordance with technical development and development of international standards) to technical, technological and legislative rules, which allow safe operations of the state railway route and regional railway routes owned by the Czech Republic to SŽDC, and also supports liberalised operations of railway transporters on the railway route.

Asset management

In 2009, ČD oversees approximately 7,000 buildings (of which approximately 990 were station buildings) and approximately 4,000 apartments. The number of redundant buildings as of 31 December 2009 decreased by 344 and the balance of apartment units decreased by 165. In total, ČD concluded approximately 52,000 external lease contracts (buildings and land) and approximately 25,000 internal lease contracts. The income from asset management amounted to approximately CZK 1.3 billion.

ČD owns almost 1,000 station buildings in train station areas, which are necessary for railway transport operations and providing services to passengers. They are a significant expense item for ČD. The technical conditions of the train stations and specifically the station buildings are often poor.

Optimization of how the train station buildings are managed is, among other things, conditioned by a system solution for payments for operations of publicly accessible premises (VPP). Train station buildings and train stops are, regardless of their owner, part of the railway infrastructure in accordance with the Act on Railways and related implementation regulations. In accordance with the legislation, ČD is obliged to enable access to VPP to other transporters

in a non-discriminatory manner but not free of charge. At present, ČD bears the majority of the costs relating to the publicly accessible premises, although their provision to passengers is not obligatory for ČD. No other transporter or railway route operator contributes to funding of VPP, although the publicly accessible premises of ČD can be used by passengers of all potential transporters.

ČD must find a way how to equally allocate costs of administration, maintenance and cleaning and other services relating to VPP among transporters. The financing of VPP operations and related services, at least in the amount of provable costs, is a common interest for ČD and SŽDC. Without finding an appropriate financial source, it is not possible to improve or maintain the existing scope of services provided to passengers at train stations.

In 2009, ČD earned approximately CZK 385 million from the sale of real estate, the most significant of which was the sale of the logistics terminal in Brno–Horní Heršpice, set of real estate in Prague–Vinohrady, the former area of SNV in Opava and the rotunda in Nymburk. External lease contracts generated approximately 370 million. In total, 145 redundant buildings were sold.

Numerous railway buildings are oversized in terms of current needs. To justify their existence economically, they have to undergo the reconstruction to optimise their size and serve not only for the provision of required services relating to the transportation, but also for the provision of individual services and other potential commercial activities. The investment strategy is based on the comprehensive solution of train station localities, i.e. in addition to the renovation of the building or its infrastructure, the entire area and the area in front of the train station was dealt with (removal of non-functional, unsightly annex buildings, warehouses, dumps, vegetation etc).

In 2009, ČD started to renovate 35 train stations. In total, the costs of maintenance, repairs and investments amounted to CZK 640 million. Station buildings in Praha–Čakovice, Čelákovice, Telč, Liberec, Rumburk, Břeclav, Kladno, Jablonné v Podještědí, Blatná, Třeboň, Kozolupy and others were renovated.

Of the completed renovations in 2009, the overall renovation of



**Increase of the quality
of services and
customer satisfaction**

the Telč train station is specifically worth mentioning. It included the renovation of the cladding structure, new plastering, insulation of buildings and creation of a new facade, new windows and doors, roofing including tinsmith elements, assemblies and common TV aerial distribution, renovation of restrooms, and construction of access for the wheelchair-bound people.

In 2009, the lessee Grandi Stazioni S.p.A. completed the first stage of the Prague main station renovation (November 2007 to June 2009). Renovation work was divided into seven stages and the final building approval is planned for 2012. The final works specifically included the construction of a new centre for ticket sales, a new luggage room, and a registry of shipments. The northern lower and upper surfaces of the new train station hall were renovated and the premises were adjusted for commercial use and another public restroom was built. The overall renovation of the northern and central part of the facade of the new train station hall at the western entrances from the park was completed.

In the following years, ČD will focus on the rational management of real estate. The objective is to improve the conditions of train station buildings to enable quality services to be offered to the passengers. In addition, the surroundings of entire localities of the train stations should be developed. The priority will be the cooperation with towns and regions. This predominantly involves bringing the moving bus stations and stops closer to train station buildings, building P+R parking lots, and improving the overall areas in front of the train stations. Public transport terminal stations will be built for which the towns can obtain funds from the European Union.

As part of the train station renovations, ČD started to reconsider the Live Railway Stations project in 2009. The key aspect of the project is to simplify contractual relationships with external partners and focus on rapid and tangible results in the buildings of the most significant train stations. Real estate projects based on the cooperation with external business companies were subject to a strict analysis and only those that prove to be perspective will continue.

Other activities

► EMPLOYMENT POLICY AND SOCIAL PROGRAMME

In 2009, the process of ČD's transformation to become an effective company providing high-quality services in the area of railway transport that commenced in previous years continued. HR work focusing on optimising the staffing structure and the socially sensitive reduction of the headcount while maintaining the employment rate necessary for the effective functioning of the Company and providing services to the public corresponded to this concept.

The average headcount recalculated to full-time employees amounted to 28,569 from January to December 2009, which represents a decrease of 6,116 employees compared to the preceding period (January to December 2008). As of 31 December 2009, the Company had 27,952 employees, which represents a decrease of 1,341 compared to 31 December 2008.

Total staff costs in 2009 amounted to CZK 13.5 billion, out of which the wages and salaries were CZK 9.9 billion. The average salary in 2009 amounted to CZK 27,071, which represents a 5.15% increase in the nominal salary and a 4.11% increase in the actual salary compared to the preceding year (with the consumer prices index amounting to 101.0%).

Other personnel costs include financial payments to leaving employees that exceed the Labour Code requirements (severance pay according to the Collective Agreement of ČD, a.s., and the costs of implementing the complementary social programme) totalling CZK 557,927 thousand.

As of 31 December 2009, severance payments were made to 1,750 leaving employees as per the valid and effective Collective Agreement for 2009. The cost of the severance payments according to the Collective Agreement amounted to CZK 260,710 thousand.

As of 31 December 2009, payments under this complementary social programme included the following: an additional payment according to the Government Decree Nos. 322/2007 Coll. and 370/2007 Coll., amounting to 40% was made to 1,414 employees for the years ended 31 December 2007 and 2008; a contribution according to the Government Decree No. 370/2007 Coll., amounting to 60% or 100% was paid to 990 employees for the years ended 31 December 2007 and 2008. Aggregately, payments amounting to CZK 204,151 thousand were provided under the complementary social programme, of which the cost of the additional payment according to the Government Decree No. 322/2007 Coll. amounted to CZK 88,178 thousand and the costs of the contribution according to the Government Decree No. 370/2007 Coll. amounted to CZK 115,973 thousand.

The headcount optimisation will continue in 2010. Also, the implementation of the complementary social programme in terms of providing payments according to the Government Decree No. 370/2007 Coll. (provision of an additional payment according to the Government Decree No. 322/2002 Coll.) was effectively terminated in September 2009. Emphasis on the social acceptability of reducing the headcount in cooperation with the trade unions will remain one of HR's priorities in 2010.

In line with the legislation and in cooperation with the trade unions, another priority involved the monitoring of employees' medical fitness and the impact of performing their jobs on the employees' health. In 2009, 30,893 preventive medical examinations including 3,515 examinations prior to the inception of a comprehensive health holiday were completed. Seven hundred and eighty-four examinations were completed as part of preventive care at the workplace.

Apart from healthcare and improving employees' social conditions, emphasis was also placed on increasing the quality of the work environment and improving the workplace relations, including the relations of the management of all management levels towards their subordinates. Basic principles are set out and described in ČD's Code of Ethics.

Furthermore, a close cooperation with selected educational institutions continued, including 13 high schools and 7 universities. A total of 131 high school students participated in the Čédes scholarship programme in 2009. The goal of the cooperation, which will continue next year, is to increase the attractiveness of ČD as an employer and also to rejuvenate the aging structure of employees, in particular in certain areas (e.g. train drivers).

► INTERNATIONAL RELATIONS

In the area of international relations, ČD principally revised the level of participation in the international organisations and limited the level in cases where ČD activities did not unequivocally contribute to the creation of optimum conditions for integrating the Czech railway network to the European networks or where the achieved results did not correspond to the funds incurred.

ČD's interests were advanced in particular in the Community of European Railway and the Infrastructure Companies (CER), which became the most significant European railway organisation having a major impact on the creation and application of the European railway legislation. In addition to its own representatives, who are active in a number of work panels, where they influence the preparation of essential documents so that they comply with the interests of the Company, ČD used all available instruments resulting from the membership of the Czech Republic in the European Union (including European Parliament members) to enforce its own standpoints in documents which are valid across Europe.

In the other renowned railway organisation, the International Union of Railways (UIC), ČD strived through its representatives in individual bodies to maximize the increase of this organisation's work productivity and at the same time minimize the related expenses. In 2009, ČD strove to decrease its expenses involved in the participation in the UIC's activities. Participation in the UIC project resolution was revised in this respect, and ČD only participates in projects that are necessary in view of the interoperability and inclusion of ČD in the European railway network or that would provide internal savings in resolving capacities.

Regarding bilateral relationships with neighbouring railways (DB, PKP, ŽSR/ZSSK), the Contract for the Cooperation in Cross-Border Railway Passenger Transportation between ČD, a.s. and DB Regio AG and the Contract for Cooperation in Cross-Border Railway Passenger Transportation between ČD, a.s. and DB RegionNetz Verkehrs GmbH, Erzgebirgsbahn both came into the effect on 13 December 2009. In November 2009, discussions with GR ŽSR, as the successor of the former monopoly ŽSR, took place based on the method of terminating the agreement from 1997, which was replaced by contractual documents signed with ŽSR, ZSSK and ZSSK Cargo during 2008. These new contracts regarding the cross-border railway transport both better reflect the situation which arose after the division of railway companies into transportation companies and railway route administrators and respect the conditions determined by the EU directives.

In 2009, ČD representatives participated in numerous significant meetings of international railway organisations. They predominantly included the CER's annual meeting connected with an award presentation to renowned persons of European railways (20-21 January), the meeting of the new EU member states' railway representatives with the European Commission DG TREN CEO Matthias Ruet (3 February), the UIC's extraordinary general meeting that represented a significant milestone in the life of this organisation (31 March), OSŽD's CEO conference in Moscow (23-24 April), CER's General Meeting at the TRAKO international railway expo in Gdańsk (14 October), and the UIC's regular general meeting in December.

► **MARKETING**

ČD's marketing department underwent a major change in 2009. First, it was merged with the price making department and newly the business department was established. The merger of the product development with the promotion and the sales is expected to make the sale of the existing and the generation of new business offers more effective and is directly connected with the preparation and implementation of the new ATAK 2010 business and marketing strategy that is to be launched in early 2010.

Marketing activities predominantly focused on promoting specific products in order to increase revenues, without the Company having to increase fares across-the-board. They included in particular the In-karta, RegionNet ticket and eTickets abroad campaigns. Newly, a specific manager is responsible for each campaign and its effect is subsequently evaluated. Additionally, new selling channels are being opened, such as supermarkets, travel agents, companies and institutions. All these changes are reflected in the year-to-year increase in revenue that amounted to CZK 353 million. In 2010, it should grow by another CZK 300 million.

In addition, marketing activities and expenses were consolidated. Based on the results of the audit of contracts and invoices, contracts were revised in order to significantly decrease expenses. Certain long-term contracts that had been concluded in the past were terminated and the number of magazines published by ČD has also decreased. The Grand Pendolino magazine is now published only four times a year and the cancelled magazines were replaced by the modern, all-colour ČD pro Vás (ČD for you) that is published monthly and which cost is significantly lower than the cost of the cancelled press. The year-to-year decrease in marketing costs amounted to CZK 76 million and went down to 171 million in 2009. ČD terminated its cooperation with golf tournaments, celebrities and filmmakers. Consequently, the marketing expenses could be cut by another CZK 100 million in 2010.

Fundamental changes in ČD's marketing and business in 2009 included:

- Revision and termination of less beneficial contracts;
- Decrease in expenses by central procurement of advertising in media and limitation of sport/cultural marketing, termination of cooperation in filmmaking, golf tournaments, etc.;
- Monitoring the real impact of campaigns on the perception of the brand and development of revenues;
- Switching to the project management; and
- Shared responsibility for passenger transportation revenues and establishment of the sales department and inclusion of price and product development in the new department of business and marketing.



**EBITDA of the
passenger transport
division reached
profit of CZK 1.1 billion**

The launch of the new website in December 2009 that includes many applications designed to help passengers better understand the tariff represented an important shift in communication with the customers. The price assistant, for instance, will find the cheapest fare after only basic data is input. The eShop sales of the advantageous eTickets abroad also developed quickly. Thanks to this, the sale of tickets abroad significantly increased in 2009.

► ENVIRONMENTAL PROTECTION

In 2009, ČD actively participated in the environmental protection with a key focus on respecting environmental legal regulations, gradually reducing the negative environmental impacts arising from the railway operation, limiting ecological risks, removing pollution sources and legacy ecological burdens.

Performance of legal obligations by ČD also included:

- Solving extraordinary (emergency) situations with an impact on the environment;
- Drinking and sewage water monitoring;
- Authorised measuring of stationary air pollution sources, check of heat source effectiveness;
- Record keeping of waste production;
- Maintenance of greenery and weed eradication;
- Solving complaints regarding noise and vibrations;
- Check, prevention and training in the area of individual fields of environmental protection;
- Execution of soil and groundwater reclamation including subsequent monitoring; and
- International cooperation within the UIC platform for ecology, environment and sustainable development.

Analysis of risks at selected ČD localities was completed in 2009 as part of the mapping and evaluation of ecological burdens. Based on the results of the risk analysis and in compliance with the relevant conditions of the call by the Ministry of Environment for submis-

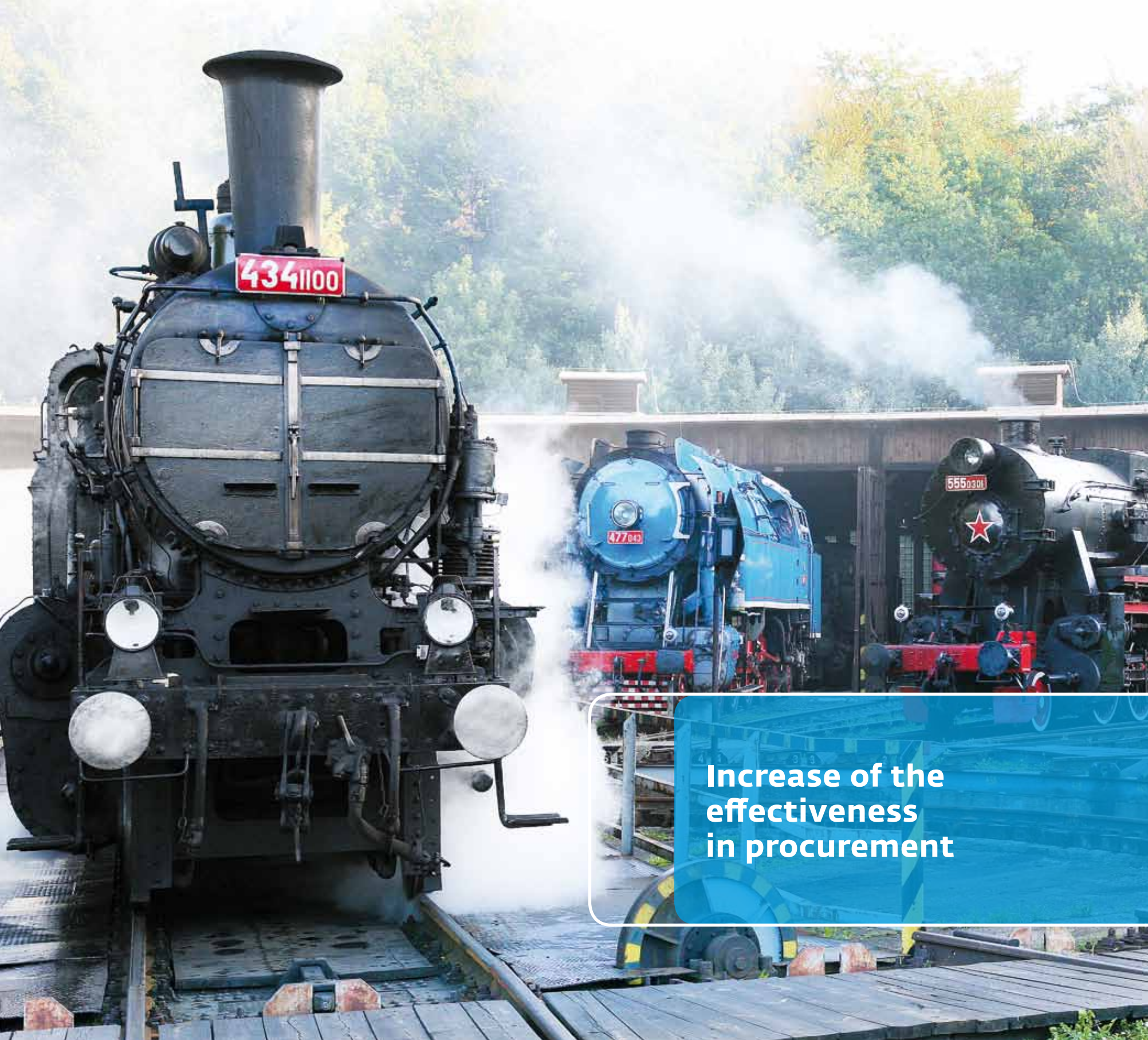
sions of subsidy applications under the Environment Operational Programme, a subsidy application for co-financing the legacy ecological burden reclamation in Brodek u Přerova was submitted. This request was received and formally approved by the State Environmental Fund of the Czech Republic.

Each year, ČD prepares an internal environmental audit whose results are used for statistical purposes stipulated by the legislative regulations and also for an internal comparison of the development of individual environmental fields including proposed measures for the next period.

► RESEARCH AND DEVELOPMENT

In 2009, the ČD group was active in research and development. The activities of the ČD Group can be categorised into three principal categories:

- Participation in the UIC Research Coordination Group – the UIC work group active across UIC forums seeks to define the most significant issues of individual railways for other calls announced for projects in the Framework Programme for Science and Technological Development.
- Scientific and research projects – with respect to science and research, this group includes InteGRail, 2TRAIN, Innotrack, Radom and IDMAIN projects. These projects were governed under the Sixth Framework Programme of the European Commission for Science and Technological Development and under the Grant Programme of the Ministry of Industry and Trade.
- Interoperability – in 2009, ČD continued to implement the European Train Control System (ERTMS). ČD's traction vehicles were equipped with GSM-R radio receivers. In addition, ČD continued the pilot project for equipping the Poříčany-Kolín track with the ETCS train safety system. Installation of the ETCS system is prepared for the 380-series locomotives. ČD Group employees participated in the implementation of interoperability in working groups for individual TSI.



Increase of the effectiveness in procurement

INFORMATION TECHNOLOGY

During 2009, ČD continued implementing the process of changes in the information technology area. The principal goal is to change the information technology to a professional and functioning system to support the Company's development and modernisation. Therefore, IT integration is included among the VISION 2012 programme strategic projects. During the project, attention will be focused on the five most important areas that will encompass all IT activities and will lead to changes in IT management. Such areas particularly include the methodology and process setting, acquiring the control over the application portfolio, IT operation consolidation and the change in IT economic management.

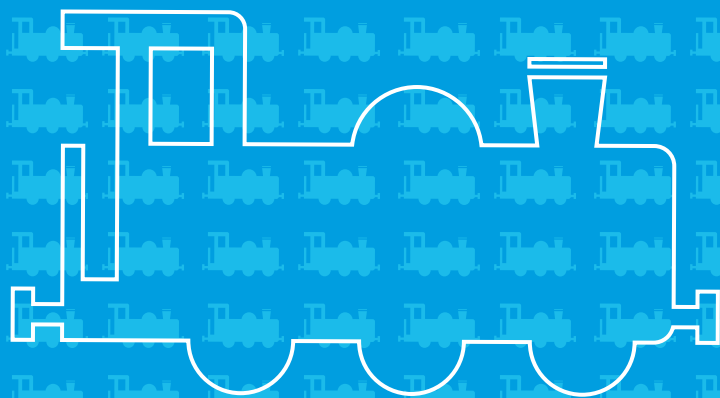
The project is planned to last three years. At the beginning of 2009, the IT procurement process supervision and management was set with the effect of decreasing expenses. In 2009, the application portfolio was analysed and, as a result, the AS-IS status at ČD was described and 31 opportunities for the change were identified. Some of them will be implemented in 2010.

The most significant IT investments in 2009 included:

- ▶ SAP HR – the new module for calculating wages and HR, which will allow centralised processing, modernise the HR and wages area and will allow HR development;
- ▶ EDO – the new attendance system that was successfully introduced as of 1 July 2009 in the whole Company will allow unified process of the attendance;
- ▶ Data warehouses (DTOP, P602, ADPV and Product CO) – the data base for revenues, expenses and work done linked to the basic object train, usable by ČD controlling. The first part was concluded in 2009 and provides exact documents for funding public passenger railway transportation in the Czech Republic;
- ▶ www.cd.cz – new websites for customers that include interesting applications such as price assistant, connection finder, etc;

- ▶ POP – exchange of portable personal check desks replacing 700 Casio IT 2000 with the new Casio IT 3100, thus providing modernisation in the area of passenger check-in;
- ▶ Train documentation – the functionality of portable points of sale was expanded by the recording of the train composition and malfunctions, which allowed mutual recognition of this documentation with Slovakia; and
- ▶ Travel journal – the application allowing electronic gathering of information on train departure and arrival entered its final phase, 587 travel journals out of the total 640 have already been installed.

In 2010, ČD plans major changes in the IT area ensuing from the VISION 2012 transformation programme, primarily in the area of passenger transportation, preferentially the passenger transportation dispatcher. For the area of the operation management, implementing the EU TAF TSI standards will continue as well as the modernisation of communication with clients via the Internet. In addition and apart from the further development of the www.cd.cz website, the unified authentication of users will be implemented to ČD applications. E-shop will also undergo a major change; In-karta will provide customers with railway tickets and B2B cards for companies. During the course of the year, the strategy of passenger check-in and the possibility to use ticket vending machines will also be considered. Data warehouses will be established and central reporting for the whole Company will be introduced. The documents and invoices electronic distribution project will also be launched. We are planning a new version of the SAP RE Flexible module in the area of real estate. As for the infrastructure, domain centralisation has been launched and a unified platform and IT rules for the whole Company will be progressively introduced in order to achieve savings in IT operating costs. We will also concentrate on IT security. Internally, IT project management and change management methodology that will allow for the effective use of IT investments will be introduced.



08 Subsidiaries

České dráhy, a.s. is the controlling entity with the factual influence in the subsidiaries management through the shareholder rights without controlling agreements. The influence over the management of the controlled entity usually arises from the majority ownership. ČD subsidiaries and equity investments management has been, as of 1 September 2008, included in the equity investments management department, which is directly managed by the Company's CEO.

ČD's equity investments portfolio includes a total of 26 companies, 13 of which have majority ownership. No ČD Group company shares are publicly tradable on the financial market. The transferability of shares or equity investments is limited by the Articles of Association, or the Memorandum of Association. Three of the companies adopted the German management model. The other companies follow the Anglo-Saxon management model.

In 2009, companies that did not support ČD's main area of operation or that did not bring any benefit to the holding were excluded from the holding. The process of optimising control relationships as part of the factual holding type (the ČD Group) actively continued during 2009. A revision of the Articles of Association (unequivocal definition of the remit of individual bodies, strengthening the control function of the supervisory bodies) and contractual relationships between ČD and the subsidiaries, optimisation of the number of representatives in the bodies of the subsidiaries, application of IFRS within the consolidation group, etc. took place.

Changes in the equity investments portfolio and changes in the share capital of subsidiaries and equity investments in 2009:

- ▶ During 2009, the process of decreasing the share capital of ČD Cargo, a.s. started. The process was completed at the beginning of 2010. The company's registered capital was decreased from CZK 8,800,000,000 by CZK 306,000,000 to CZK 8,494,000,000. The nominal value of each share was decreased by CZK 3,060,000, ie to the new nominal value of CZK 84,940,000; and

- ▶ In the resolution dated 28 January 2009 the general meeting of STROJEXPORT, a.s. approved a complete takeover of participation shares by the company's main shareholder in return for payment. ČD had a minor capital interest in this company amounting to 0.12%.

Consolidated ČD Group

The consolidated ČD Group is defined by the ČD CEO's decision and consists of České dráhy, a.s. (parent company), ČD Cargo, a.s. (subsidiary), DPOV, a.s. (subsidiary), ČD - Telematika a.s. (subsidiary), Traťová strojní společnost, a.s. (subsidiary), Výzkumný Ústav Železniční, a.s. (subsidiary) and JLV, a.s. (associate).

ČD Cargo, a.s. was formed on 1 December 2007 by making a contribution of part of the business of ČD, a.s. Its main area of operation is the operation of railway freight transport. The Company is the leader on the market of bulk material transport, predominantly solid fuels and iron ores ranking among the top five EU transporters. ČD Cargo maintains 487 electric locomotives and 479 diesel locomotives to provide for operations of freight trains. The goods can be transported in 27,000 wagons of various series, and the number can be increased, according to the needs, by the lease. In 2009, the company acquired, among other things, 60 Talls series vehicles, 350 vehicles of the Falls 54th construction group, 100 Rils vehicles and 200 Laaps and 50 Laais two-wagon trains. Regarding the traction vehicles, supplies of the modernised line 753.7 locomotives took place, with 19 supplied at the end of the year. In addition, seven 230-series locomotives were modernised. ČD Cargo, a.s.'s economic results for 2009 were significantly influenced by the global economic crisis, which was reflected most significantly in the decrease of the transport of metallurgical products, with a significant drop in fuel and construction material transport. Transport for clients from the car industry did not register any significant decrease. The best results in 2009 are reported by food and agricultural products; combined transports were also

Firefox Soubor Úpravy Zobrazení Historie Záložky Nástroje Okno Nápověda
http://www.cd.cz/spojeni/conn.aspx Vyhledávac spojení ČD - Vyhledaná vlaková spojení
Google

ČD
Úvod | Informace

Vlakem po ČR Převést cestování Vlakem do zahraničí ČD on-line Výhody pro cestující Kurýr Volný čas

Vyhledání spojení Rázení vlaku
Spočítat cenu Poloha vlaku
Koupit jízdenku Služby na nádraží

Průvodce on-line službami ČD
Vyhledávání spojení
Hledat spojení
Odjezdy a příjezdy
Vlaky
Jak vyhledat spojení
Cenový asistent (Spočítat cenu)
eShop ČD (Koupit jízdenku)
Rázení vlaku
Poloha vlaku
Seznam stanic
eMapa ČD
ČD-Kurýr on-line
Omezení provozu

Účty / ČD on-line / Vyhledávání spojení
Vyhledaná vlaková spojení
1 VYHLEDÁNÍ SPOJENÍ 2 JIZDA DOPLAK 3 NÁKUP EŠOP 4 PLATBA

Návod
Pamatuj! Jízdní lístky: 13.12.2009 - 11.12.2010

Odkud: Praha hl.n. Přes: Hradec Králové
Kam: Trutnov
Datum: 3.6.2010 Čas: 17:01
 Odjezd Příjezd Pouze přímá spojení

Seřazení hledání **Vyhledat**

Ukázat do PDF Doporučit známému Vytisknout

Datum	Stavice	Příjezd	Odjezd	Plaz.	Spoj
3.6.	Praha hl.n. -> Hradec Králové hl.n.		18:10		18:10
	Trutnov hl.n.	19:51	20:02		17:18
		21:39			

Cena: 232 Kč / 174 Kč (žákaznické jzdné)

Optimization
of differentiated
pricing

stable. ČD Cargo, a.s.'s investment activity in 2009 was limited to ensure the proper operation of the organisation. The aggregate volume of the 2009 investments was CZK 2.041 billion, predominantly in the renovation and modernisation of the rolling stock, and also in the machinery, building and other investments. Since its formation, ČD Cargo has continued to implement measures designed to increase the work productivity. As part of these measures, it continued optimising headcount with the objective of improving the aging and professional structure while maintaining the effective employment. With effect from 1 January 2009, the Board of Directors approved the Code of Ethics for the Employees of ČD Cargo, a.s.

DPOV, a.s. is engaged in the maintenance, repair and modernisation of rail vehicles. Its production programme predominantly includes repairs of higher level of most series of locomotives and engines operating on the Czech railway routes. Furthermore, the production programme includes repairs of individual spare parts and technological units, such as gears, combustion engines, wheel sets, etc. DPOV, a.s. provides surface treatment of rail vehicle bodies for both repair and advertising purposes. The priority in investments is to equip the company with new strategic technologies in the repairs of wheel sets and an increase the capacities of individual workplaces. During 2009, the company successfully dealt with the impacts of the global crisis and reported a profit for the year ended 31 December 2009.

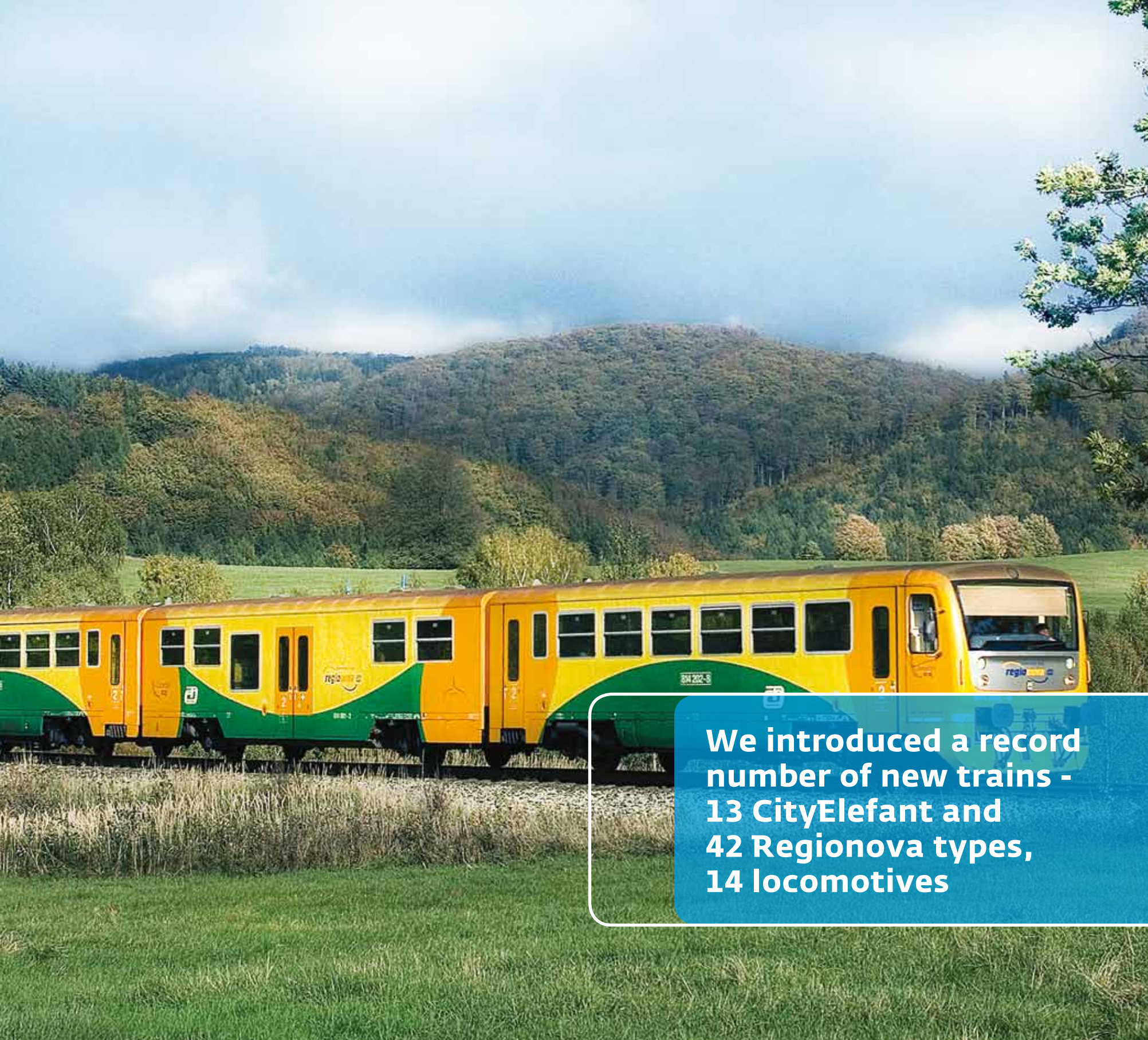
The principal activities of **Výzkumný Ústav Železniční, a.s.** (VUZ) include the testing of railway cars in the VUZ Testing Centre in Velim. VUZ also functions as a provider of numerous accredited tests. These include tests of the cars' driving, dynamic and traction features, tests of security devices, electromagnetic compatibility tests, noise tests, etc. In addition, VUZ is engaged in assessing elements of the interoperability and verification of the sub-systems with the technical requirements for interoperating the railway

system in all of its principal areas – infrastructure, energy, management and security and rail vehicles. As part of the extensive investment initiative involving the VUZ Velim test centre modernisation, VUZ officially activated a modernised substation that is able to operate in all common traction systems on 23 November 2009. VUZ met all basic economic and financial indicators set out in the Business Plan for 2009 and reported a profit for the year ended 31 December 2009.

ČD - Telematika a.s. provides comprehensive telecommunication and ICT solutions, and services. Its customers include a number of telecommunications operators, including the CESNET academic network operator, the state administration and other significant companies with decentralised management. In 2009, the Company focused on the long-term cost cutting and restructuring. Capital expenses are closely monitored and measured in terms of their volume and period of return. Despite the impact of the global crisis, the company reported a modest profit for the year ended 31 December 2009.

Traťová strojní společnost, a.s. (TSS) mainly focuses on working with track machines during the maintenance, modernisation and renovation of superstructures, and operating irregular railway freight transport of building materials. It also significantly participates in the repairs and renovations of special track machines. TSS provides its services to SŽDC and construction companies in the Czech Republic and abroad (Slovakia, Hungary and Poland). During 2009, the Company successfully dealt with the impact of the global crisis and reported a profit for the year ended 31 December 2009.

JLV, a.s. provides ČD customers with catering services and operates special wagons. The Company also operates outside the railway sector. Before 27 December 2009, it used the name Jídelní a lůžkové vozy, a.s. It reported a profit for the year ended 31 December 2009.



We introduced a record number of new trains - 13 CityElefant and 42 Regionova types, 14 locomotives

09 Independent Auditor's Report

TO THE SHAREHOLDERS OF ČESKÉ DRÁHY, a.s.

Having its registered office at: ___ Nábřeží L. Svobody 1222, Praha 1, 110 15
Identification number: _____ 70994226
Principal activities: ___ Railway transportation and railway route operation

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 27 April 2010 on the financial statements which are included in this annual report in chapter 11:

"We have audited the accompanying financial statements of České dráhy, a.s., which comprise the balance sheet as of 31 December 2009, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

► STATUTORY BODY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

► AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

► OPINION

In our opinion, the financial statements give a true and fair view of the financial position of České dráhy, a.s. as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

► EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the following matter:

As discussed in Note 1.2. to the financial statements, as of 30 June 2008, the Company sold part of its business to SŽDC and thereby discontinued securing the operability of the railway route. For this reason, the financial information presented for the years ended 31 December 2009 and 2008 is not fully comparable and the financial performance and cash flows for the year ended 31 December 2008 were significantly impacted by this transaction."

Report on the Consolidated Financial Statements

Based upon our audit, we issued the following audit report dated 25 May 2010 on the consolidated financial statements which are included in this annual report in chapter 10:

“We have audited the accompanying consolidated financial statements of the České dráhy, a.s. consolidation group, which comprise the balance sheet as of 31 December 2009, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

► STATUTORY BODY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

► AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

► OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the České dráhy, a.s. consolidation group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

► EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to the following matters:

As discussed in Note 1.2. to the consolidated financial statements, as of 30 June 2008, the Company sold part of its business to SŽDC and thereby discontinued securing the operability of the railway route. For this reason, the financial information presented for the years ended 31 December 2009 and 2008 is not fully comparable and the financial performance and cash flows for the year ended 31 December 2008 were significantly impacted by this transaction.

As further discussed in Note 8.2. to the consolidated financial statements, the Group conducts significant business with the state-owned company Správa železniční dopravní cesty, s.o. in respect of the use of the railway route. This business arrangement is predominantly reflected in the Group's performance in the form of fees for the allocation of capacity and use of the railway route, costs of consuming traction electricity, income arising from compensation for damage caused by traffic closures, etc. The Group accounted for the relating expenses and income on the basis of its understanding of the relevant contracts and/or the opinion of the legal counsel in respect of the consumed traction electricity. As of the consolidated financial statements date, as part of the balances receivable from and payable to Správa železniční dopravní cesty, s.o. the Group reports a receivable of CZK 86 million in compensation for damage incurred by the subsidiary ČD Cargo, a.s. as a result of traffic closures in 2008 and 2009 which has not yet been fully confirmed by the counterparty. Negotiations are also underway concerning the price of traction electricity supplied to the subsidiary ČD Cargo a.s. for 2009 where the counterparty is seeking an additional payment of CZK 240 million."

► REPORT ON THE RELATED PARTY TRANSACTIONS REPORT

The annual report does not include a report on the transaction between the controlling and controlled entities and transactions between the controlled and other entities controlled by the same controlling entity for the year ended 31 December 2009. The Company's opinion on which the management based this decision is included in this annual report in chapter 13.

► REPORT ON THE ANNUAL REPORT

We have also audited the annual report for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report is consistent, in all material respects, with the financial statements referred to above.

In Prague on 30 June 2010

Audit firm:

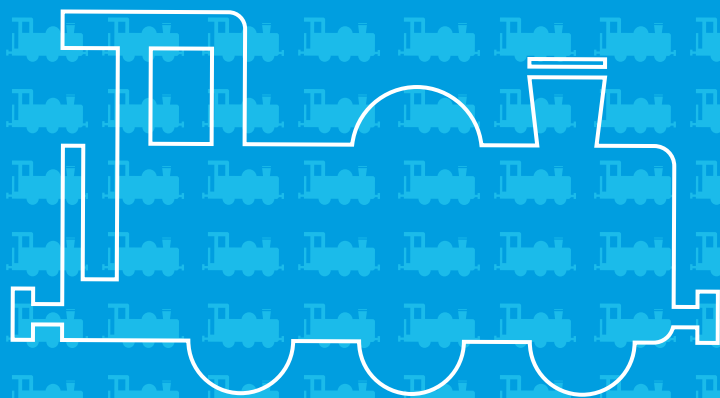
Deloitte Audit s.r.o.
certificate no. 79



Statutory auditor:

Stanislav Staněk
certificate no. 1674





10 Consolidated Financial Statements

Consolidated Financial Statements 31 december 2009

Name of the Company: _____ České dráhy, a. s.

Registered Office: _____ Nábřeží L. Svobody 1222, Praha 1, 110 15

Legal Status: _____ Joint Stock Company

Corporate ID: _____ 70 99 42 26

Components of the Consolidated Financial Statements

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► These consolidated financial statements were prepared on 25 May 2010.

► Statutory body of the reporting entity



Ing. Petr Žaluda,
Chairman of the Board of Directors and CEO

➤ Consolidated Balance Sheet full version

▶ AS OF 31 DEC 09 (IN CZK THOUSAND)		31 DEC 2009	31 DEC 2008
		Netto	Netto
TOTAL ASSETS		59,529,082	58,764,806
B.	Fixed assets	50,234,179	46,690,531
B.I.	Intangible fixed assets	693,578	666,955
B.I.1.	Start-up costs	139	377
B.I.2.	Research and development	1,046	1,611
B.I.3.	Software	176,298	331,609
B.I.4.	Valuable rights	390,073	246,843
B.I.6.	Other intangible fixed assets	440	252
B.I.7.	Intangible fixed assets under construction	125,582	79,039
B.I.8.	Prepayments for intangible fixed assets		7,224
B.II.	Tangible fixed assets	49,110,422	45,605,900
B.II.1.	Land	6,515,465	6,566,063
B.II.2.	Structures	11,240,543	11,151,330
B.II.3.	Individual movable assets and sets of movable assets	28,484,964	24,991,021
B.II.6.	Other tangible fixed assets	3,999	4,054
B.II.7.	Tangible fixed assets under construction	906,610	821,393
B.II.8.	Prepayments for tangible fixed assets	1,952,856	2,065,470
B.II.9.	Valuation difference on acquired assets	5,985	6,569
B.III.	Non-current financial assets	449,208	446,784
B.III.1.	Equity investments in subsidiaries	89,194	78,300
B.III.2.	Equity investments in associates	87,077	95,489
B.III.3.	Other long-term securities and investments	272,937	272,995
B.IV.	Goodwill arising on consolidation	-133,350	-141,937
2.	Negative goodwill arising on consolidation	-133,350	-141,937
B.V.	Securities and equity investments under the equity method	114,321	112,829
C.	Current assets	8,881,894	11,946,671
C.I.	Inventories	2,083,242	1,873,127
C.I.1.	Material	1,976,913	1,739,814
C.I.2.	Work in progress and semifinished goods	100,245	124,395
C.I.3.	Products	11	11
C.I.5.	Goods	4,456	4,653
C.I.6.	Prepayments for inventory	1,617	4,254
C.II.	Long-term receivables	93,692	71,908
C.II.1.	Trade receivables	34,722	2,228
C.II.3.	Receivables - substantial influence	14,400	
C.II.4.	Receivables from partners and association members		19,200
C.II.5.	Long-term prepayments made	14,673	1,468
C.II.6.	Estimated receivables	364	
C.II.7.	Other receivables	26,744	49,012
C.II.8.	Deferred tax asset	2,789	
C.III.	Short-term receivables	4,292,366	5,195,802
C.III.1.	Trade receivables	2,590,288	3,156,110
C.III.3.	Receivables - substantial influence	9,600	
C.III.4.	Receivables from partners and association members		4,800
C.III.6.	State - tax receivables	328,862	425,003
C.III.7.	Short-term prepayments made	206,709	147,398
C.III.8.	Estimated receivables	1,062,075	1,369,354
C.III.9.	Other receivables	94,832	93,137
C.IV.	Current financial assets	2,412,594	4,805,834
C.IV.1.	Cash on hand	53,465	43,721
C.IV.2.	Cash at bank	1,159,129	749,605
C.IV.3.	Short-term securities and investments	1,200,000	4,012,508
D. I.	Other assets	413,009	127,604
D.I.1.	Deferred expenses	411,220	125,803
D.I.3.	Accrued income	1,789	1,801

▶ AS OF 31 DEC 09 (IN CZK THOUSAND)		31 DEC 2009	31 DEC 2008
	TOTAL LIABILITIES & EQUITY	59,529,082	58,764,806
A.	Equity	34,892,699	35,774,598
A.I.	Share capital	20,000,000	20,000,000
A.I.1.	Share capital	20,000,000	20,000,000
A.II.	Capital funds	14,731,420	14,333,052
A.II.1.	Share premium	16,197,839	16,197,839
A.II.2.	Other capital funds	-919,184	-906,533
A.II.3.	Gains or losses from the revaluation of assets and liabilities	-547,235	-958,254
A.III.	Statutory funds	502,820	280,650
A.III.1.	Statutory reserve fund / Indivisible fund	177,801	29,056
A.III.2.	Statutory and other funds	325,019	251,594
A.IV.	Retained earnings	652,067	-1,187,649
A.IV.1.	Accumulated profits brought forward	652,067	
A.IV.2.	Accumulated losses brought forward		-1,187,649
A.V.	Profit or loss for the current period (+ -)	-1,003,078	2,343,501
1.	Profit or loss for the current period	-1,007,403	2,339,075
2.	Share in the profit under the equity method	4,325	4,426
A.VI.	Consolidation reserve fund	9,470	5,044
B.	Liabilities	22,827,982	21,135,641
B.I.	Reserves	324,357	294,814
B.I.1.	Reserves under special legislation	107,025	79,714
B.I.4.	Other reserves	217,332	215,100
B.II.	Long-term liabilities	8,816,674	6,252,882
B.II.1.	Trade payables	54,819	
B.II.5.	Long-term prepayments received	174,257	297,326
B.II.6.	Bonds issued	2,000,000	
B.II.9.	Other payables	6,231,671	5,748,538
B.II.10.	Deferred tax liability	355,927	207,018
B.III.	Short-term liabilities	12,210,652	11,252,574
B.III.1.	Trade payables	7,182,751	6,262,924
B.III.4.	Payables to partners and association members		169
B.III.5.	Payables to employees	1,112,790	1,070,993
B.III.6.	Social security and health insurance payables	524,612	522,177
B.III.7.	State - tax payables and subsidies	435,814	304,125
B.III.8.	Short-term prepayments received	242,845	269,958
B.III.9.	Bonds issued	1,013,500	
B.III.10.	Estimated payables	1,302,735	1,493,446
B.III.11.	Other payables	395,605	1,328,782
B.IV.	Bank loans and borrowings	1,476,299	3,335,371
B.IV.1.	Long-term bank loans	1,102,321	1,401,997
B.IV.2.	Short-term bank loans	373,978	1,933,374
C. I.	Other liabilities	337,636	422,115
C.I.1.	Accrued expenses	64,432	123,035
C.I.2.	Deferred income	273,204	299,080
D.I.	Minority equity	1,470,765	1,432,452
D.I.1.	Minority share capital	1,195,983	1,195,983
D.I.2.	Minority capital funds	959	586
D.I.3.	Minority profit funds including retained earnings brought forward	220,767	160,343
D.I.4.	Minority profit or loss for the current period	53,056	75,540

> Consolidated Profit and Loss Account

▶ YEAR ENDED 31 DEC 09 (IN CZK THOUSAND)		YEAR ENDED 31 DEC 2009	YEAR ENDED 31 DEC 2008
I.	Sales of goods	16,162	20,565
A.	Costs of goods sold	13,046	11,511
+	Gross margin	3,116	9,054
II.	Production	28,754,723	35,755,290
II.1.	Sales of own products and services	28,064,494	34,686,186
II.2.	Change in internally produced inventory	-18,930	31,221
II.3.	Own work capitalised	709,159	1,037,883
B.	Purchased consumables and services	20,016,367	24,875,317
B.1.	Consumed material and energy	7,797,353	8,770,492
B.2.	Services	12,219,014	16,104,825
+	Added value	8,741,472	10,889,027
C.	Staff costs	19,608,613	21,720,802
C.1.	Payroll costs	14,368,083	15,685,407
C.2.	Remuneration to members of statutory bodies	20,633	19,580
C.3.	Social security and health insurance costs	4,499,851	5,231,343
C.4.	Social costs	720,046	784,472
D.	Taxes and charges	29,306	53,703
E.	Depreciation of intangible and tangible fixed assets	3,104,985	3,037,394
KR.	Recognition of negative goodwill arising on consolidation	8,587	8,587
III.	Sales of fixed assets and material	1,732,141	1,118,239
III.1.	Sales of fixed assets	1,589,384	896,847
III.2.	Sales of material	142,757	221,392
F.	Net book value of fixed assets and material sold	1,145,011	400,588
F.1.	Net book value of sold fixed assets	1,069,708	302,405
F.2.	Book value of sold material	75,303	98,183
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-300,787	1,424,127
IV.	Other operating income	13,355,826	10,325,420
H.	Other operating expenses	715,325	1,034,716
°	Operating profit or loss	-464,427	-5,330,057
VI.	Proceeds from the sale of securities and investments	4,057	
J.	Cost of securities and investments sold	4,057	
VII.	Income from non-current financial assets	38,859	8,308
VII.3.	Income from other non-current financial assets	38,859	8,308
VIII.	Income from current financial assets	19,399	118,359
IX.	Income from the revaluation of securities and derivatives	1	1,350
L.	Costs of the revaluation of securities and derivatives	376,087	70,260
M.	Change in reserves and provisions relating to financial activities		
X.	Interest income	9,451	10,141
N.	Interest expenses	177,903	320,673
XI.	Other financial income	342,204	348,971
O.	Other financial expenses	256,821	475,906
°	Financial profit or loss	-400,897	-379,710
Q.	Income tax on ordinary activities	89,023	110,408
Q 1.	- due	57,768	151,003
Q 2.	- deferred	31,255	-40,595
°°	Profit or loss from ordinary activities	-954,347	-5,820,175
XIII.	Extraordinary income		11,852,101
R.	Extraordinary expenses		3,617,311
°	Extraordinary profit or loss		8,234,790
°°	Consolidated profit or loss, net of share of profit/(loss) of equity accounted investments	-954,347	2,414,615
	Consolidated profit or loss net of minority interests	-1,007,403	2,339,075
	Minority profit or loss	53,056	75,540
°°	Share of profit/(loss) of equity accounted investments	4,325	4,426
	Share in the profit or loss under the equity method net of minority interests	4,325	4,426
°°°	Profit or loss for the current period, net of minority interests (+/-)	-1,003,078	2,343,501

Consolidated Statement of Changes in Equity

► YEAR ENDED 31 DEC 2009 (IN CZK THOUSAND)

	Share capital	Share premium	Other capital funds	Gains or losses from the revaluation of assets and liabilities	Statutory and other funds from profit	Consolidation reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	Share of income from associates	TOTAL EQUITY	Minority share capital	Minority capital funds	Minority funds from profit incl. retained earnings and accumulated losses	Minority profit or loss for the period	TOTAL MINORITY EQUITY
Balance at 31 December 2007	20,000,000	16,438,595	-866,006	22,138	240,925	2,560	-509,807	-599,534	2,484	34,731,355	1,195,983	404	60,316	96,502	96,502	1,353,205
Distribution of profit or loss					78,308	2,484	-677,842	599,534	-2,484					96,502	-96,502	
Creation of the social fund with a charge against share premium		-240,756			240,756											
Creation of the social fund - other					51,255						51,255			354		354
Use of the social fund					-333,103						-333,103			-2,010		-2,010
Revaluation of non-current financial assets				65,061							65,061		182			182
Change in fair value of financial derivatives				-1,295,784							-1,295,784					
Change in deferred tax from financial derivatives				250,331							250,331					
Profit or loss for the current period									2,339,075	4,426	2,343,501					
Other			-40,527		2,509						-38,018			5,181		5,181
Minority profit or loss for the current period															75,540	75,540
Balance at 31 December 2008	20,000,000	16,197,839	-906,533	-958,254	280,650	5,044	-1,187,649	2,339,075	4,426	35,774,598	1,195,983	586	160,343	75,540	75,540	1,432,452
Distribution of profit or loss					499,359	4,426	652,067	1,187,649	-2,339,075	-4,426				75,540	-75,540	
Creation of the social fund - other					9,335						9,335					
Use of the social fund					-286,524						-286,524			-2,376		-2,376
Payment of dividends and directors' fees														-12,740		
Revaluation of non-current financial assets				3,907							3,907		373			373
Change in fair value of financial derivatives				521,977							521,977					
Change in deferred tax from financial derivatives				-114,865							-114,865					
Profit or loss for the current period									-1,007,403	4,325	-1,003,078					
Other			-12,651								-12,651					
Minority profit or loss for the current period															53,056	53,056
Balance at 31 December 2009	20,000,000	16,197,839	-919,184	-547,235	502,820	9,470	652,067	-1,007,403	4,325	34,892,699	1,195,983	959	220,767	53,056	53,056	1,470,765

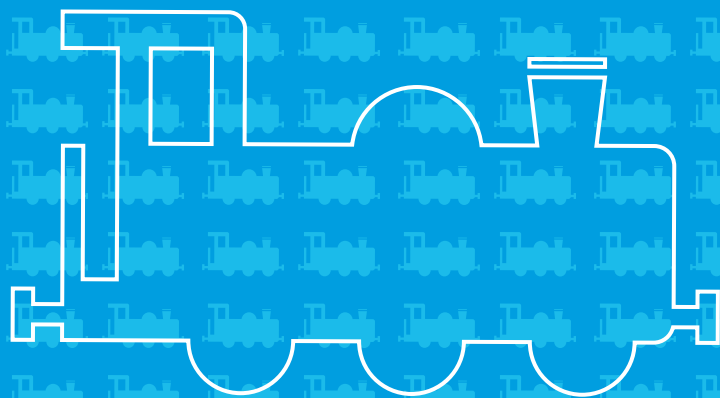
> Consolidated Cash Flow Statement

▶ YEAR ENDED 31 DEC 09 (IN CZK THOUSAND)		YEAR ENDED 31 DEC 2009	YEAR ENDED 31 DEC 2008
P.	Opening balance of cash and cash equivalents	4,805,834	955,538
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	-860,999	-5,705,341
A.1.	Adjustments for non-cash transactions	2,350,525	4,377,387
A.1.1.	Depreciation of fixed assets	3,113,572	3,046,565
A.1.2.	Change in provisions and reserves	-300,787	1,424,127
A.1.3.	Profit/(loss) on the sale of fixed assets	-519,676	-594,442
A.1.4.	Revenues from dividends and profit shares	-38,859	-8,308
A.1.5.	Interest expense and interest income	168,452	310,532
A.1.6.	Adjustments for other non-cash transactions	-72,177	198,913
A.°	Net operating cash flow before changes in working capital	1,489,526	-1,327,954
A.2.	Change in working capital	688,263	38,051
A.2.1.	Change in operating receivables and other assets	460,839	96,737
A.2.2.	Change in operating payables and other liabilities	439,619	160,686
A.2.3.	Change in inventories	-212,195	-219,372
A.°°	Net cash flow from operations before tax and extraordinary items	2,177,789	-1,289,903
A.3.	Interest paid	-165,234	-264,346
A.4.	Interest received	9,451	10,141
A.5.	Income tax paid from ordinary operations	-138,131	-148,504
A.6.	Receipts and expenditures relating to extraordinary activities		11,871,607
A.7.	Received dividends and profit shares	38,859	8,308
A.°°°	Net operating cash flows	1,922,734	10,187,303
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-6,900,161	-7,900,402
B.2.	Proceeds from fixed assets sold	1,589,384	896,870
B.3.	Loans provided to related parties		-24,000
B.°°°	Net investment cash flows	-5,310,777	-7,027,532
	Cash flow from financial activities		
C.1.	Change in payables from financing	1,325,875	972,373
C.2.	Impact of changes in equity	-331,072	-281,848
C.2.3.	Other cash contributions made by partners	9,335	51,255
C.2.5.	Payments from capital funds	-327,667	-333,103
C.2.6.	Dividends paid	-12,740	
C.°°°	Net financial cash flows	994,803	690,525
F.	Net increase or decrease in cash and cash equivalents	-2,393,240	3,850,296
R.	Closing balance of cash and cash equivalents	2,412,594	4,805,834

Notes to the Consolidated Financial Statements ČD, a. s.

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1 General Information

▶ 1.1. Background Information

České dráhy, a.s. (hereinafter referred to as the “Parent Company” or the “Company”) was incorporated following its registration in the Register of Companies on 1 January 2003 as one of the two legal successors of the former state organisation České dráhy. Additional details are presented in Note 1.5.

The Parent Company’s registered office is located at Nábř. L. Svobody 1222/12, Prague 1.

The Parent Company’s share capital is CZK 20,000,000,000.

The consolidated financial statements have been prepared as of and for the year ended 31 December 2009.

The sole shareholder of the Parent Company is the Czech Republic.

▶ 1.2. Principal Operations

Since 1 December 2007, the Company has been principally engaged in operating railway passenger transportation. Activities relating to the operation of railway freight transportation were spun-off into ČD Cargo, a.s. which was recorded in the Register of Companies as of 1 December 2007.

Pursuant to applicable legislation, the Parent Company also operates railway routes. The assets comprising the railway routes are in the ownership of the State, not the Parent Company. The right of management of these assets rests with the state organisation Railway Route Administration (Správa železniční dopravní cesty, státní organizace - ‘SŽDC’). As of 30 June 2008, the Parent Company sold a portion of its business to SŽDC as described in Note 1.6. For this reason, the Parent Company ceased to be responsible for securing the operability of the railway route but it continues to service the route.

Due to the sale of the part of business to SŽDC as referred to above, the financial information for the years ended 31 December 2008 and 2009 is not fully comparable.

In addition, the Parent Company performs other activities related to the operation of transportation and transportation routes.

▶ 1.3. Organisational Structure of the Parent Company

The Parent Company is organised into sections overseen directly by the Parent Company’s Chief Executive Officer (CEO) or Deputy CEOs, being:

- ▶ The section of the Company’s CEO;
- ▶ The section of the Company’s Deputy CEO for Human Resources;
- ▶ The section of the Company’s Deputy CEO for Finance;
- ▶ The section of the Company’s Deputy CEO for Passenger Transportation;
- ▶ The section of the Company’s Deputy CEO for Operations;
- ▶ The section of the Company’s Deputy CEO for Administration of Assets; and
- ▶ The section of the Company’s Deputy CEO for Sales and Marketing.

► 1.4. The Parent Company's Bodies

The Company's bodies include the General Meeting, Board of Directors and Supervisory Board.

The General Meeting is the supreme body of the Company. The sole shareholder of the Company is the State which exercises the rights of the General Meeting through the Steering Committee.

> The Company's Bodies as of 31 December 2009

	POSITION	NAME
Steering Committee	Chairman	Roman Boček
	Vice Chairman	Pavel Škvára
	Member	Eduard Havel
	Member	Bohumil Haase
	Member	Miroslav Kalous
	Member	Miloslav Müller
	Member	Petr Polák

Through its Resolution No. 161 dated 2 February 2009, the Government of the Czech Republic changed the composition of the Company's Steering Committee. The Government revoked the authorisation for activity in the Steering Committee for Jiří Hodač, Vice Chairman of the Steering Committee, and Vojtěch Kocourek, member of the Steering Committee, and authorised Zdeněk Žák to be the Vice Chairman of the Steering Committee and Pavel Škvára to be a member of the Steering Committee with effect from 3 February 2009.

In addition, through its Resolution No. 505 dated 20 April 2009 and Resolution No. 555 dated 27 April 2009, the Government changed the composition of the Company's Steering Committee. As of 20 April 2009, the Government revoked the authorisation for activity for Petr Šlegr, Chairman of the Steering Committee, and Zdeněk Žák, Vice Chairman of the Steering Committee, and authorised Pavel Škvára to be the Vice Chairman of the Steering Committee from 21 April 2009, Eduard Havel to be a member of the Steering Committee from 20 April 2009, and Roman Boček to be the Chairman of the Steering Committee from 27 April 2009.

	POSITION	NAME
Board of Directors	Chairman	Petr Žaluda
	Member	Antonín Blažek
	Member	Michal Nebeský
	Member	Jiří Kolář
	Member	Milan Matzenauer

As of 16 April 2009, Petr Moravec resigned from the position of a member of the Board of Directors. At its meeting held on 14 May 2009, the Supervisory Board appointed Antonín Blažek to be a member of the Board of Directors. On 4 December 2009, the Steering Committee approved the change in the Articles of Association reducing the number of members from six to five. As of 8 December 2009, Josef Bazala resigned from the position of a member of the Board of Directors.

	POSITION	NAME
Supervisory Board	Chairman	Jaroslav Král
	Member	Jan Bitter
	Member	Karel Březina
	Member	Tomáš Chalánek
	Member	Antonín Leitgeb
	Member	Zdeněk Prosek
	Member	Pavel Škvára
	Member	Vladislav Vokoun

On 31 December 2008, Jaromír Dušek's and Jiří Kratochvíl's terms of office as members of the Supervisory Board expired and on 1 January 2009, the term of office of the newly appointed members of the Supervisory Board, Vladislav Vokoun and Antonín Leitgeb, commenced.

On 18 February 2009, the Steering Committee of the Company approved Vojtěch Kocourek's notice of resignation from the positions of the Chairman and member of the Supervisory Board and recalled a member of the Supervisory Board, Jan Černožský. With effect from 19 February 2009, the Steering Committee of the Company appointed Zdeněk Žák to be the Chairman and member of the Supervisory Board, and Pavel Škvára to be a member of the Supervisory Board.

In addition, the Steering Committee recalled Zdeněk Žák from the position of the Chairman and member of the Company's Supervisory Board on 28 April 2009.

On 4 June 2009, the Steering Committee appointed Jaroslav Král as a member of the Supervisory Board. On 17 June, Jaroslav Král was appointed Chairman of the Supervisory Board.

Martin Roman resigned from the position of a member of the Supervisory Board on 10 December 2009.

On 4 March 2010, the Steering Committee appointed Jaroslav Palas as a member of the Supervisory Board.

► 1.5. Formation and Incorporation of the Parent Company

On the basis of Act 77/2002 Coll. on the Joint Stock Company Czech Railways, the State Organisation Railway Route Administration and the Changes to the Railways Act 266/1994 Coll., as amended, and the State Enterprise Act 77/1997 Coll. as amended (the 'Transformation Act'), the Company was formed on 31 March 2002 and the state organisation Czech Railways discontinued its activities and operations on 1 January 2003 and the Company and the state organisation Railway Route Administration ('SŽDC') were formed as its legal successors.

SŽDC largely assumed the assets comprising railway routes while the Company largely assumed assets used to operate railway transportation and railway routes. In addition, SŽDC took over the bulk of receivables, payables and loans, while the Company assumed only trade receivables and payables before their due dates and receivables and payables arising from employment arrangements with its employees. Both entities assumed the assets and liabilities at their book values.

► 1.6. Sale of Part of the Company's Business

As of 1 July 2008, a contract for the sale of part of the business between the Company and SŽDC was entered into. As of this date, 18 business units and a part of the section of the Company's CEO were spun-off from the Company and transferred to SŽDC.

In place of the Company, SŽDC secures the operability of the national and regional railway network and organises railway transportation on these routes, which includes the preparation of the railway timetable and fire brigade activities, i.e. independently performs certain railway operation activities. For this purpose, the Company's relevant material, technological and human resources were transferred to SŽDC. Other railway operation activities (railway servicing and organising railway transport under extraordinary circumstances) including the relevant capacities remained the responsibility of the Company, which delivers the activities to SŽDC, the railway operator, as a contractor.

The selling price stated in the contract for the sale of part of the Company's business was CZK 11,852,101 thousand. The price was arrived at based on an expert's valuation of the part of the business. The impact of this transaction on the economic result of the Group amounted to CZK 8,192,260 thousand.

In the third quarter of 2008, financial transactions and accounting entries based on the above-mentioned contract and relating agreements were effected. The selling price and the carrying amount of the assets of the sold part of the Company's business are presented in the extraordinary section of the profit and loss account. The sale included payables in the amount of CZK 1,758,641 thousand, which were paid by the Company based on a separate contract for the settlement of the payables to creditors.

The table below presents the carrying amounts of individual classes of assets and liabilities that were subject to the sale. The table summarises the assets and liabilities that were removed from the Company's accounts as of the sale date.

ASSETS (CZK '000)	CARRYING AMOUNT AS OF 30 JUNE 2008
Intangible fixed assets	41,053
Tangible fixed assets	3 271,415
Inventory	151,296
Receivables	181 634
Current financial assets	14 427
Other assets	16
Total	3 659,841

2 Definition of the Consolidation Group (Hereinafter also the “Group”)

The consolidation group of České dráhy for the year ended 31 December 2009 consists of the following entities:

Name	Registered office	ID	Ownership percentage	Degree of influence	Consolidation method in 2009	Consolidation method in 2008
České dráhy, a. s.	Prague 1, Nábřeží L.Svobody 12/1222	70994226	---	---	---	---
Traťová strojní společnost, a. s.	Hradec Králové Jičínská 1605	27467295	51	Control	Full	Full
ČD - Telematika a. s.	Prague 3, Pernerova 2819/2a	61459445	59.31	Control	Full	Full
Výzkumný Ústav Železniční, a. s.	Prague 4, Novodvorská 1698	27257258	100	Control	Full	Full
DPOV, a. s.	Přerov, Husova 635/1b	27786331	100	Control	Full	Full
JLV, a. s.	Prague 4, Chodovská 3/228,	45272298	38.79	Significant	Equity	Equity
ČD Cargo, a. s.	Prague 7, Jankovcova 1569/2c	28196678	100	Control	Full	Full

Changes in the Composition of the Group

There were no year-to-year changes in the consolidation group.

The date of the financial statements of companies included in the Group is 31 December 2009.

Companies Excluded from the Consolidation

The Parent Company decided to exclude the entities whose share in the consolidation group is immaterial in terms of aggregate assets, net turnover and equity even though the Parent Company exercises controlling or significant influence over these entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ČD, a.s.

Name	Registered office	Ownership percentage	Owner
Dopravní vzdělávací institut, a. s.	Prague 3, Husitská 42/22	100	ČD, a. s.
RailReal, a. s.	Prague 3, Olšanská 1a	66	ČD, a. s.
ČD travel, s.r.o.	Prague 1, Na Příkopě 988/31	51.72	ČD, a. s.
RAILREKLAM, spol. s r.o.	Prague 1, Klimentská 36/1652	51	ČD, a. s.
Centrum Holešovice a. s.	Prague 1, Revoluční 767/25	51	ČD, a. s.
ČD Reality, a. s.	Prague 6, Václavkova 169/1	51	ČD, a. s.
Smíchov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	51	ČD, a. s.
Žižkov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	51	ČD, a. s.
CR-City a. s.	Prague 3, Olšanská 1a	34	ČD, a. s.
CR office a. s.	Prague 3, Olšanská 2643/1a	34	ČD, a. s.
Masaryk Station Development a. s.	Prague 3 Olšanská 1a	34	ČD, a. s.
RS hotel a. s.	Prague 3, Olšanská 2643/1a	34	ČD, a. s.
RS residence s.r.o.	Prague 3, Olšanská 2643/1a	34	ČD, a. s.
WHITEWATER a. s.	Prague 3, Olšanská 2643/1a	34	ČD, a. s.
ČD Restaurant, a. s.	Prague 3, Prvního pluku 81/2a	40	ČD, a. s.(20%) a JLV (20%)
ČD Generalvertretung GmbH	Frankfurt am Main, Kaiserstrasse 60, SRN	100	ČD Cargo, a. s.
Koleje Czeskie Sp. Z o. o.	Warszawa, Wspólna 35/5, Polsko	100	ČD Cargo, a. s.
ČD Generalvertretung Wien	Wien, Rotenturmstrasse 22/24	100	ČD Cargo, a. s.
Generálne zastúpenie ČD Cargo, s.r.o.	Bratislava, Prievozská 4/B	100	ČD Cargo, a. s.
Terminál Brno, a.s.	Brno, K terminálu 614/11	60,5	ČD Cargo, a. s.
ČD-DUSS Terminál, a. s.	Lovosice, Lukavecká 1189	51	ČD Cargo, a. s.
ČD Trans s.r.o.	Brest, K.Marxe 19, Bělorusko	51	ČD Cargo, a. s.
RAILLEX, a. s.	Prague 1, Hybernská 1014/13	50	ČD Cargo, a. s.
ČD Logistics, a. s.	Prague 1, Opletalova 1284/37	56	ČD Cargo, a. s.
BOHEMIAKOMBI, spol. s r.o.	Prague 1, Opletalova 6	30	ČD Cargo, a. s.
Ostravská dopravní společnost, a.s.	Prague, Přívoz, U Tiskárny 619/9	20	ČD Cargo, a. s.
XT-CARD a. s.	Prague 8, Sokolovská 100/94	34	ČD-T, a. s.
CZ Servis, s.r.o.	Prague 4, Chodovská 3	100	JLV, a. s.
BK Team, a.s.	Prague 4, Chodovská 3/228	45	JLV, a. s.
JPServis, a. s.	Prague 4, Chodovská 3	20.45	JLV, a. s.
Dallmayr&JLV Automaty s.r.o.	Prague 1, Politických vězňů 1597	30	JLV, a. s.

Information from the Financial Statements of the Companies Excluded from the Consolidation Group

AS OF 31 DECEMBER 2009				(CZK'000)
Name	Aggregate assets	Equity	Net turnover	
Dopravní vzdělávací institut, a. s.	20,764	10,305	110,670	
RailReal, a. s.	4,196	-574	287	
ČD travel, s.r.o.	42,746	15,739	281,880	
RAILREKLAM, spol. s r.o.	76,856	45,457	159 545*)	
Centrum Holešovice a. s.	19,876	1,432	0*)	
ČD Reality, a. s.	28,115	7,664	14 309*)	
Smíchov Station Development, a. s.	39,318	-5,029	0*)	
Žižkov Station Development, a. s.	4,752	1,855	0*)	
CR-City a. s.	18,405	801	3 415*)	
CR office a. s.	1,251	-3,886	0*)	
Masaryk Station Development a. s.	33,481	-5,750	6,763	
RS hotel a. s.	1,260	1,507	0*)	
RS residence s.r.o.	215,003	131,944	2,259	
WHITEWATER a. s.	126	1,451	0*)	
ČD Restaurant, a. s.	25,958	19,283	33,192	

*) preliminary financial statements

The financial statements of all the companies both included in and excluded from the consolidation process are available for examination at the premises of the Parent Company located at Nábřeží L. Svobody 1222, Prague 1.

► 2.1. Subsidiaries

The following table shows information about the companies in the Group as of 31 December 2009:

Name	Place of incorporation (or registration) and operation	Ownership interest in %	Voting power in %	Principal activity
Traťová strojná společnost, a. s. („TSS“)	Pardubice	51	51	Operation of special railway machines and facilities for the construction, renovation, and maintenance of railways, including their repairs and production of spare parts
ČD - Telematika a. s. („CD-T“)	Prague	59.31	59.31	Provision of telecommunication services, software and advisory services
Výzkumný Ústav Železniční, a. s. („VUZ“)	Prague	100	100	Research, development and testing of rail vehicles and infrastructure facilities
DPOV, a. s. („DPOV“)	Přerov	100	100	Inspections, repairs, modernisation and renovation of railway vehicles
ČD Cargo, a. s. (ČDCargo“)	Prague	100	100	Freight railway transportation

Traťová strojná společnost, a.s. was recorded in the Register of Companies on 1 January 2005. The entity was formed through the investment of part of the Parent Company's business. On 15 January 2005, the contract for the investment of OHL ŽS, a.s. Brno in Traťová strojná společnost, a.s. was signed. The investment decreased the investment of České dráhy from 100 percent to 51 percent. The change was recorded in the Register of Companies on 15 February 2006.

In 2003, the Parent Company acquired a 34 percent investment in ČD – Telematika a.s. based on the contract for the assignment of a receivable with MORÁVKA CENTRUM, a.s. for the acquisition cost of CZK 230,744 thousand. In 2004, the Parent Company increased its equity investment in ČD – Telematika a.s. from 34 percent to 40 percent through the capitalisation of the receivable of CZK 297,000 thousand. In 2005, the Parent Company increased the investment in ČD - Telematika a.s. from 40 percent to

51 percent through the investment of the business part, recorded in the Register of Companies on 4 May 2005. In 2006, the investment of the Parent Company in ČD – Telematika a.s. amounted to 51 percent. On 28 June 2006, the General Meeting of ČD – Telematika a.s. decided to decrease the share capital by CZK 332,644 thousand, through the paid withdrawal of shares from circulation. This decrease in the share capital was not recorded in the Register of Companies as of 31 December 2006. It was recorded in the Register of Companies on 13 February 2007 and the investment of České dráhy, a.s. in the entity increased to 59.31 percent.

Výzkumný Ústav Železniční, a.s. was recorded in the Register of Companies on 1 July 2005. The entity was formed through the investment made by the Parent Company.

DPOV, a. s. was registered in the Register of Companies on 1 January 2007. The entity was formed through a spin-off from České dráhy, a. s.

ČD Cargo, a. s. was registered in the Register of Companies on 1 December 2007. The entity was formed through the spin-off of the part of the business of České dráhy, a. s. engaged in railway freight transport.

► 2.2. Associates

Name	Place of formation (or registration) and operation	Equity investment (in %)	Voting rights (in %)	Principal activity
JLV, a. s.	Prague	38,79	38,79	Provision of accommodation and catering services

On 28 June 2006, České dráhy, a. s. purchased the investment held by the Czech National Property Fund in Jídelní a lůžkové vozy, a. s. This transaction was approved by the European Commission on 22 June 2006. The Parent Company thus became the owner of the 38.79 percent equity investment in Jídelní a lůžkové vozy, a. s.

Pursuant to the registration in the Register of Companies on 28 December 2009, Jídelní a lůžkové vozy, a.s. was renamed to JLV, a.s.

3 Accounting Policies and General Accounting Principles

The consolidated financial statements are prepared and presented in accordance with Accounting Act 563/1991 Coll., as amended, and Regulation 500/2002 Coll., which provides implementation guidance on certain provisions of Accounting Act 563/1991, as amended, for reporting entities that are businesses maintaining double-entry accounting records, as amended, and Czech Accounting Standards for Businesses, as amended.

The accounting books and records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis with certain exceptions as described in Notes 4.2. and 4.14., the accruals principle, the prudence concept and the going concern assumption. The assets and liabilities assumed by the Company as of 1 January 2003 under Act 77/2002 Coll., as amended (the 'Transformation Act') were entered into the Company's books and records at their book values.

These financial statements are presented in thousands of Czech crowns (CZK'000), unless stated otherwise.

▶ 3.1. Scope of Consolidation and the Consolidation Method

Consolidation is performed using the direct consolidation method. Direct consolidation involves consolidating all of the accounting entities of the Group at once without using the any consolidated financial statements presented for consolidation sub-groups.

The Group of companies consists of the Parent Company, České dráhy, a.s., and its subsidiaries (ČD-T, TSS, VUZ, DPOV and ČD Cargo) and an associate (JLV), refer to Notes 2.1 and 2.2. The definition of subsidiaries and associate is as follows:

Subsidiaries

- ▶ Investments in enterprises in which the Parent Company has the power to govern the financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in subsidiaries'.
- ▶ For consolidation purposes, a subsidiary is a company where the Parent Company has a controlling influence through the ownership of more than 50 percent of shares/capital interests.
- ▶ These companies are consolidated using the full consolidation method.

Associates

- ▶ Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in associates'.
For consolidation purposes, an associate is a company where the Parent Company has a significant influence, i.e.:
 - ▶ It holds more than 20 percent of shares/capital interests and does not exercise controlling influence.
 - ▶ These companies are consolidated using the equity method of accounting.

▶ 3.2. Full Consolidation Method

▶ 3.2.1. Description of Full Consolidation Method

The full consolidation method involves:

- a) Inclusion, after possible reclassifications and adjustments, of each item of the balance sheet and profit and loss account of subsidiaries in the balance sheet and profit and loss account of the Parent Company;
- b) Elimination of accounting transactions between accounting entities of the Group which express mutual relations;
- c) Presentation of goodwill arising on consolidation, if any, and its amortisation;
- d) Allocation of equity of subsidiaries and their profit or loss among the equity interest attributable to the Parent Company and the equity interest attributable to minority holders of equity securities and equity interests issued by consolidated entities; and
- e) Elimination of equity securities and equity interests issued by the subsidiary and the controlling entity and the equity of the controlling equity which relates to the eliminated equity securities and interests.

► 3.2.2. Stages of the Full Consolidation Method

Reclassification of and adjustments to items of financial statements of the Parent Company and subsidiaries.

The reclassification of the Parent Company's and subsidiaries' information is made taking into account items added to the consolidated balance sheet and the consolidated profit and loss account and their economic substance.

The adjustments are made following the valuation principles stated in the consolidation rules. These adjustments are only made in subsidiaries whose valuation principles differ from the valuation principles set out in the consolidation rules and would have a material impact on the valuation of the assets in the consolidated financial statements and the reported profit or loss.

Adding the financial statements data of the Parent Company and subsidiaries.

The Parent Company adds reclassified and adjusted information from its financial statements to the reclassified and adjusted information from the financial statements of its subsidiaries.

Elimination of mutual transactions between the Parent Company and its subsidiaries.

Elimination of transactions which do not influence profit or loss.

Mutual intercompany receivables and payables and expenses and income which have a material impact on assets, liabilities and profit or loss items in the consolidated financial statements are fully eliminated.

Elimination of transactions which influence profit or loss.

Upon the preparation of the consolidated balance sheet and the consolidated profit and loss account, mutual transactions between the Parent Company and subsidiaries or between subsidiaries which have a material impact on the profit or loss of the Group are eliminated, among others, in the following cases:

- a) Intercompany sale and purchase of inventory
- b) Intercompany sale and purchase of fixed assets; and
- c) Payment of dividends or profit shares.

When the full consolidation method is used, mutual transactions between the Parent Company and subsidiaries and between subsidiaries are eliminated.

The elimination of mutual transactions which influence the profit or loss is carried out in accordance with the stated consolidation rules.

When the profit or loss arising from intercompany purchases and sales of inventory is eliminated, the valuation of inventory and revenue arising from the sale of inventory is adjusted in the consolidated balance sheet and the consolidated profit and loss account. For the purposes of adjusting these consolidated financial statements items, in adjusting income and the change in valuation of inventory, the average supplier return on sales from the total profit or loss or operating profit or loss can be used or industry or product yield return of the supplier or an alternative, more accurate, procedure can be used. When the profit or loss arising from the purchase and sale of fixed assets is eliminated, the revenues from the sale of fixed assets are adjusted to reflect the difference between the sales price and the supplier's carrying value. Accumulated depreciation of fixed assets in the consolidated financial statements is also adjusted.

Goodwill arising on consolidation.

Goodwill arising on consolidation represents the difference between the cost of an investment in a subsidiary and its value determined on the basis of the Parent Company's interest in the fair value of equity which arises as a difference of fair values of assets and fair values of liabilities as of the date of acquisition or as of the date of a further capital increase (a further increase of securities or investments). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated company.

Goodwill arising on consolidation is amortised on a straight line basis over 20 years if there are no reasons for a shorter amortisation period. The selected amortisation period must be clearly provable and must not breach the principle of the true and fair presentation of the subject-matter of accounting and the financial position of the company. Goodwill arising on consolidation is debited to the positive consolidation goodwill in expenses on ordinary activities or credited to negative consolidation goodwill in income on ordinary activities as appropriate.

Amortisation charges of goodwill arising on consolidation are recognised in a special consolidated profit and loss account line item.

Division of consolidated equity and elimination of equity securities and equity interests.

The division of equity in the consolidated balance sheet involves the separation of majority equity interest consisting of the sum of the Parent Company's equity and its interest in the equity of subsidiaries from minority interests, i.e. the remaining equity interests of other shareholders and owners of these consolidated entities.

Equity interests issued by a subsidiary and the equity of a subsidiary related to the equity interests held by the Parent Company are eliminated from the consolidated balance sheet.

Minority equity

These are liability balance sheet items where minority equity interests in subsidiaries are presented and classified into interest in share capital, capital funds, funds from profit, retained earnings/accumulated losses and profit or loss for the current period.

Distribution of consolidated profit or loss for the current period

The Group's profit or loss for the current period is distributed in the consolidated profit and loss account between the consolidated profit or loss for the current period attributable to the Parent Company and the minority share in profit or loss attributable to other subsidiary shareholders and owners as appropriate.

▶ **3.3. Consolidation using the Equity Method of Accounting**

▶ **3.3.1. Description of Consolidation using Equity Accounting**

The equity method of accounting represents the following adjustments to the financial statements information of the entity with significant influence:

- a) Eliminating equity interests issued by an associate from the balance sheet of the entity exercising significant influence and replacing them by a stand-alone balance sheet item of interests valued using equity accounting in the amount of equity interests in the associate;
- b) Settlement of the difference between the valuation of interests and the consolidation balance sheet item of the equity-accounted interest through the recognition of:
 - ba) The consolidation reserve fund which represents accumulated shares in the profit or loss under equity accounting for the prior periods of associates from the date of their acquisition. The consolidation reserve fund also includes subsidiary interests in total changes in other equity (i.e. net of profit or loss) for the relevant period.

Share in profit or loss under equity accounting.

Share in profit or loss under equity accounting relates to the profit or loss of the associate for the current period and its amount is arrived at based on the investment of the entity exercising significant influence over the associate and based on the actual profit or loss of the associate for the period from the acquisition date to the end of the reporting period when the associate was acquired. In the following years, consolidated profit or loss under equity accounting is calculated as the product of the equity investment and the profit or loss of the associate for the period.

If consolidation is carried out using the direct method, the proportionate part of the profit or loss of the associate attributable to the investment of the entity exercising significant influence over the associate is taken over based on direct and indirect investments.

If the method of equity accounting is used, clearly determinable mutual relations which have a significant impact on the value of equity and profit or loss of the associate for the current period are eliminated.

Goodwill arising on consolidation is treated on the same basis as under the full consolidation method.

4 Summary of Significant ACCOUNTING POLICIES

► 4.1. Tangible and Intangible Fixed Assets

Fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand (tangible assets except for land and buildings) and CZK 60 thousand (intangible assets) on an individual basis. Land and buildings are treated as fixed assets irrespective of their cost valuation.

Intangible fixed assets are valued at acquisition cost. The Parent Company's logo is valued at the price determined by an independent appraiser. Land acquired prior to 1992 is stated at a value prescribed by the regulation issued by the Finance Ministry ruling at the date of acquisition of assets. Land acquired after 1992 is valued at acquisition cost.

Other tangible fixed assets are stated at acquisition cost. The acquisition cost includes interest on loans provided to fund the acquisition of assets before commencement of their use and other costs attributable to their acquisition.

Tangible and intangible assets produced and generated internally by the Company are stated at the cost of production comprising direct costs and an element of production and/or administrative overheads.

Tangible assets with an acquisition cost greater than CZK 500 but less than CZK 40 thousand and intangible assets with an acquisition cost of less than CZK 60 thousand are expensed in the period of acquisition and are maintained only in the underlying operational records.

The cost of fixed asset improvements exceeding CZK 40 thousand for the period increases the acquisition cost of the related fixed asset.

Replacement costs are used in valuing gifts and assets identified based on physical inventory which were previously not recorded in the accounting books and records.

The acquisition cost of assets acquired subsequent to 1 January 2003 is reduced to reflect the amount of the grant received to finance the acquisition of the asset.

The assets acquired under finance or operating lease agreements (and related liabilities) are not recorded on the balance sheet according to the applicable accounting regulations. Costs incurred in respect of finance and operating leases are charged to the profit and loss account in the period to which they relate on an accruals basis.

Depreciation and amortisation is calculated on a straight line basis over the estimated useful economic lives of the fixed assets. The estimated useful economic lives for the major categories of assets are as follows:

	Number of years
Buildings	30 – 50
Constructions	20 – 50
Locomotives	20 – 25
Passenger coaches	20
Wagons	25 – 33
Machinery and equipment	8 – 20
Optical fibres	35
Intangible assets	1, 5-6

At the consolidated balance sheet date, the Parent Company recognises provisions against fixed assets on the basis of an assessment of fair values of individual components or groups of assets.

► **4.2. Non-Current Financial Assets**

Non-current financial assets principally consist of equity investments in subsidiaries and associates, long-term securities and debt securities with maturity exceeding one year, long-term provided loans and loans to subsidiaries and associates.

Upon acquisition, securities and equity investments are carried at cost. Equity investments that were acquired in exchange for the non-cash contribution invested in the entity are valued at the carrying value of the non-cash investment.

At the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments in subsidiaries and associates or debt securities held to maturity, or securities and equity investments available for sale.

Investments in enterprises in which the Company has the power to govern the financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investment in subsidiaries'.

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in associates.'

Equity investments in subsidiaries and associates have been recorded at the value established using the equity method of accounting. The equity investment is recognised at cost upon acquisition and subsequently revalued at the consolidated balance sheet date to reflect the value equivalent to the Company's proportion of a subsidiary/associate's equity.

Other non-current financial assets have been valued at cost reduced by provisions.

► **4.3. Inventory**

Purchased inventory is valued at acquisition cost which also includes costs attributable to the acquisition, such as transportation costs, customs duties and other related indirect costs.

Inventory produced internally is valued at the internal costs of production including direct costs and an element of production overheads.

Inventory is issued out of stock at costs determined using the weighted arithmetic average method.

Inventory identified during the stock count and previously unrecorded in the accounting records, inventory originating from excess material from the disposal or repairs of fixed assets or any possible donations are stated at replacement cost.

At the consolidated balance sheet date, provisions are made against inventory on the basis of stock taking results. Each type of inventory is assigned a percentage indicating the estimated temporary impairment due to the likelihood of this inventory not being usable for the Company's internal purposes or being disposed of at a price lower than cost.

► 4.4. Receivables

Upon origination, receivables are stated at their nominal value. Receivables acquired through assignment are carried at cost.

Receivables due within one year from the consolidated balance sheet date are reported as short-term balances. Other receivables are recorded as long-term.

At the consolidated balance sheet date, the Parent Company records provisions of 20 percent against receivables that are past due by greater than six months, full provisions against receivables registered for recovery under bankruptcy and settlement proceedings and receivables where court proceedings against the relevant debtor have been initiated. The Group does not recognise provisions against receivables from subsidiaries and SŽDC, s. o.

► 4.5. Payables

Upon origination, payables are stated at their nominal value. Payables acquired through assignment are carried at cost.

Payables due within one year from the consolidated balance sheet date are reported as short-term balances. Other payables are recorded as long-term.

► 4.6. Loans

Loans are stated at their nominal value.

The portion of long-term loans maturing within one year from the consolidated balance sheet date is included in short-term loans.

Borrowing costs arising from loans attributable to the acquisition, construction or production of fixed assets incurred until the assets are brought into use are added to the cost of those assets. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

► 4.7. Equity

On 31 March 2002, the date of the Company's formation, the contribution to the Company involved assets specified in the Establishment Deed, predominantly composed of tangible fixed assets at their original book values. The value of these assets stated in the Establishment Deed as of the Company's formation date was reported as the Company's share capital and share premium.

The change in the value of the assets comprising the contribution between the formation date of the Company and its incorporation date as of 1 January 2003 was reported as a component of other capital funds. As of the incorporation date, pursuant to the Transformation Act, the Company assumed not only the assets that comprised the contribution but also other assets and liabilities. The aggregate net value of these other assets and liabilities was also reported as a component of other capital funds. Given that the aggregate net value of assets and liabilities assumed as of 1 January 2003 was lower than the value of the contribution as of 31 March 2002, the reported balance of other capital funds as of 1 January 2003 and subsequently also as of 31 December 2004,

31 December 2005, 31 December 2006, 31 December 2007, 31 December 2008 and 31 December 2009 is negative.

Valuation gains and losses from the revaluation of assets and liabilities include the value of revaluation of the non-current financial assets using the equity method of accounting.

The Company and ČD Cargo, a.s. have created a social fund. The creation of and drawing from the fund are governed by the Parent Company's internal guidelines.

► 4.8. Reserves

Reserves are intended to cover future obligations or expenditure, the nature of which is clearly defined and which are either likely to be incurred, but which are uncertain as to the amount or the date on which they will arise.

The reserve for a potential impact of legal disputes is recognised based on an estimate of the anticipated results of the ongoing legal disputes.

The reserve for payments made as compensation for job-related accidents and diseases and bonuses to pensions of certain former employees are established pursuant to a statistical analysis of available historical information as equal to the present value of estimated future payments arising from claims that originate before the consolidated balance sheet date.

The reserve for outstanding vacation days is established on the basis of a reasonable estimate as equal to the estimated future cash outflows triggered by the use of vacation days that remained outstanding at the year-end.

The reserve for customer claims in freight transportation is recognised on the basis of the qualified estimate as equal to the estimated future cash outflows.

The reserve for repairs of assets is recognised for individual machines according to the planned repairs.

► 4.9. Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the fixed exchange rate announced by the Czech National Bank on the first day of each month. Payments are recorded at the rate prevailing on the payment date. At the consolidated balance sheet date, assets and liabilities denominated in foreign currencies are translated at the exchange rate of the Czech National Bank ruling as of that date.

Any resulting foreign exchange rate gains and losses are recorded through the current year's financial expenses or revenues as appropriate.

► 4.10. Finance Leases

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title the lessee makes lease payments to the lessor for the asset that are charged to expenses.

► 4.11. Current Tax Payable

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Parent Company's liability for current tax is calculated using the tax rate that has been enacted by the consolidated balance sheet date.

► 4.12. Deferred Taxation

Deferred tax is accounted for using the balance sheet liability method. Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when the tax liability is settled or the asset realised. The balance sheet liability method focuses on temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

► 4.13. Contractual Fines and Default Interest

In accordance with Czech legislation ruling at the consolidated balance sheet date, contractual fines and interest on late payments of receivables and payables are recorded when the receivable originates or the payable is incurred.

► 4.14. Financial Derivatives

Within the České dráhy Group, only ČD Cargo has concluded financial derivatives. The company designates derivative financial instruments as either trading or hedging. The company's criteria for a derivative instrument to be accounted for as a hedge are as follows:

- At the inception of the hedge, a decision was made regarding hedged items and hedging instruments, risks to be hedged, the approach to establishing and documenting whether the hedge is effective, and the hedging relationship is formally documented;
- The hedge is highly effective (that is, within a range of 80 percent to 125 percent); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis.

If derivative instruments do not meet the criteria for hedge accounting referred to above, they are treated as trading derivatives.

Derivative financial instruments are carried at fair value at the balance sheet date. In determining the fair value, the Company used a reasonable estimate.

The fair value of financial derivatives is determined as the present value of expected cash flows arising from these transactions. The present value is established on the basis of common market-recognised models. Parameters identified on an active market such as foreign exchange rates, yield curves, volatility of relevant financial instruments etc are subsequently included in these pricing models. Fair value changes in respect of trading derivatives are recognised as an expense or income from derivative transactions as appropriate.

Accounting policies by type of the hedging relationship are used for hedging derivatives. The Company uses the cash flow hedge method.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a legally enforceable contract, a forecasted future transaction, groups of assets, groups of liabilities, legally enforceable contracts or forecasted future transactions with similar characteristics where the same type and category of risk is the subject of the hedge. Gains or losses arising over the term of the hedge from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to the hedged risks are retained on the balance sheet. The gains or losses are taken to income or expenses in the same period in which the income or expenses associated with the hedged item are recognised. In circumstances where this takes place before the maturity of the derivative, this derivative is internally classified as a fair value hedge derivative. Gains or losses arising from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to unhedged risks are recorded as expenses or income from derivative transactions at the measurement date.

► **4.15. State Grants and Settlement of Public Service Commitments from the State Budget and Regional Budgets**

Grants received from public budgets and other sources of funding to finance the acquisition and modernisation of fixed assets are treated as a reduction of the cost of the related assets.

Grants to settle public service commitments received from the State budget and regional budgets, the Complementary Social Programme grant, and the grant to settle a provable loss on discounted student fare are included in other operating income.

► **4.16. Revenue Recognition**

Revenues related to transportation services are recognised in the period in which the transportation services are provided.

The Parent Company operates railway routes comprising assets owned by the State. Expenses and income associated with these activities are recognised in the profit and loss account in the period to which they relate on an accruals basis.

Other revenues of the Group are recognised in the period to which they relate on an accruals basis, except where accruals cannot be estimated with a reasonable degree of certainty or where accrual accounting for revenues is not required by Czech accounting regulations.

► **4.17. Use of Estimates**

The presentation of the consolidated financial statements requires management of the Parent Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the consolidated balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Parent Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

► 4.18. Extraordinary Expenses and Income

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company as well as income or expenses from events or transactions that are not expected to recur frequently or regularly. These expenses and income include, for example, corrections of expenses and income of prior accounting periods, if they are material.

► 4.19. Changes in Accounting Policies

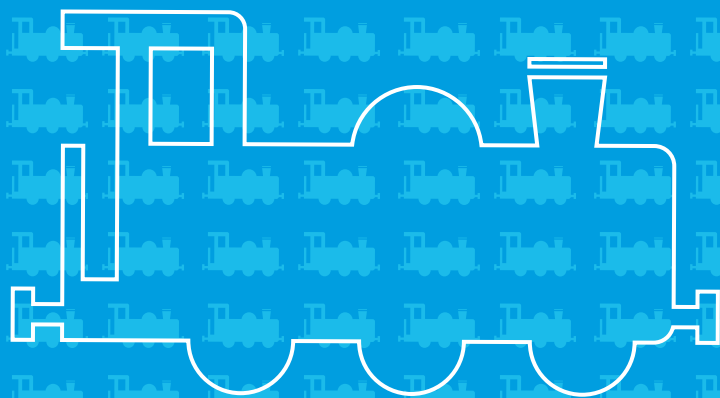
In the year ended 31 December 2009, the Parent Company did not use any accounting policies different from those adopted in the previous reporting period.

► 4.20. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

(CZK '000)	31 DEC 2009	31 DEC 2008
Cash on hand and cash in transit	53,465	43,721
Cash at bank	1,159,129	749,605
Short-term securities and investments	1,200,000	4,012,508
Total cash and cash equivalents	2,412,594	4,805,834

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.



5 Additional Information on the Consolidated Balance Sheet and Profit and Loss Account

► 5.1. Intangible Fixed Assets

(CZK '000)							
Acquisition cost	Balance at 1 Jan 2008	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Start-up costs	1,192	0	0,	1,192	0	0	1,192
Research and development	102,652	1,577	191	104,038	0	166	103,872
Software	1,548,950	239,444	468,588	1,319,806	46,867	170,950	1,195,723
Valuable rights	1,992,881	210,231	0	2,203,112	180,125	7,736	2,375,501
Other assets	1,061	270	301	1,030	242	0	1,272
Intangible assets under construction	218,118	339,241	478,320	79,039	247,839	201,296	125,582
Prepayments for intangible fixed assets	0	7,565	341	7,224	16,644	23,868	0
Total	3,864,854	798,328	947,741	3,715,441	491,717	404,016	3,803,142

(CZK '000)							
Accumulated amortisation	Balance at 1 Jan 2008	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Start-up costs	576	239	0,	815	238	0	1,053
Research and development	102,559	59	,191	102,427	565	166	102,826
Software	1,132,998	82,866	266,135	949,729	94,340	24,644	1,019,425
Valuable rights	1,765,984	191,042	757	1,956,269	36,285	7,126	1,985,428
Other assets	962	28	212	778	54	0	832
Intangible assets under construction	0	0	0	0	0	0	0
Total	3,003,079	274,234	267,295	3,010,018	131,482	31,936	3,109,564

(CZK '000)							
Provisions	Balance at 1 Jan 2008	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Software	0	38,468	0	38,468	0	38,468	0
Total	0	38,468	0	38,468	0	38,468	0

(CZK '000)			
Net book value	Balance at 1 Jan 2008	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Start-up costs	616	377	139
Research and development	93	1,611	1,046
Software	415,952	331,609	176,298
Valuable rights	226,897	246,843	390,073
Other assets	99	252	440
Intangible assets under construction	218,118	79,039	125,582
Prepayments for intangible fixed assets	0	7,224	0
Total	861,775	666,955	693,578

In the year ended 31 December 2008, the Company disposed of a part of intangible fixed assets due to the sale of a business part as of 1 July 2008. The aggregate net book value of disposed intangible fixed assets in this sale amounted to CZK 41,053 thousand.

In the year ended 31 December 2009, the Company made a significant reclassification of intangible fixed assets from the software group to the valuable rights group in the aggregate amount of CZK 169.8 million. The reclassification included adjusting the amortisation period and appropriately reclassifying accumulated amortisation charges.

Intangible fixed assets specifically comprise the Company's logo which was valued at CZK 1,729 million by an independent appraiser in 1997. The Company recognises accumulated amortisation in respect of the logo in the same amount. Intangible fixed assets additionally include software for the monitoring of trains, train traffic management, expenses relating to the SAP R/3, IS OPT, SENA, and PARIS accounting software. Additions to valuable rights predominantly include licences for access rights for software.

Intangible assets under construction primarily relate to the development of software for train monitoring, train traffic management and expenditure relating to the SAP R/3, ISOŘ, IS-PRM and IS-KADR software modules.

► 5.2. Tangible Fixed Assets

	(CZK '000)						
Acquisition cost	Balance at 1 Jan 2008	Additions	Disposals	Balance 31 Dec 2008	Additions	Disposals	Balance 31 Dec 2009
Land	7,185,514	45,924	659,500	6,571,938	20,540	72,713	6,519,765
Buildings	25,171,733	1,392,262	6,301,908	20,262,087	726,709	341,815	20,646,981
Individual movable assets	60,551,879	6,074,424	6,722,243	59,904,060	6,988,704	2,868,875	64,023,889
- Machinery, equipment, and furniture and fixture	6,532,901	412,291	3,171,538	3,773,654	664,701	206,183	4,232,172
- Vehicles	53,707,001	5,645,308	3,422,776	55,929,533	6,278,365	2,608,279	59,599,619
- Other	311,977	16,825	127,929	200,873	45,638	54,413	192,098
Other assets	4,529	0	291	4,238	2,553	2,608	4,183
Tangible assets under construction	1,805,351	7,136,468	8,120,426	821,393	7,793,021	7,707,804	906,610
Prepayments	1,000,507	1,972,148	907,185	2,065,470	2,159,468	2,272,082	1,952,856
Valuation difference	8,321	0	0	8,321	0	0	8,321
Total	95,727,834	16,621,226	22,711,553	89,637,507	17,690,995	13,265,897	94,062,605

	(CZK '000)						
Accumulated depreciation	Balance at 1 Jan 2008	Additions	Disposals	Balance 31 Dec 2008	Additions	Disposals	Balance 31 Dec 2009
Buildings	12,730,312	500,380	4,174,024	9,056,668	398,590	112,636	9,342,622
Individual movable assets	36,537,923	3,578,597	6,888,940	33,227,580	3,604,345	2,599,984	34,231,941
- Machinery, equipment, and furniture and fixture	5,123,922	358,062	2,825,700	2,656,284	372,463	350,618	2,678,129
- Vehicles	31,102,835	3,195,146	3,890,393	30,407,588	3,165,658	2,183,414	31,389,832
- Other	311,166	25,389	172,847	163,708	66,224	65,952	163,980
Other assets	402	0	218	184	0	0	184
Valuation difference	1,168	584	0	1,752	584	0	2,336
Total	49,269,805	4,079,561	11,063,182	42,286,184	4,003,519	2,712,620	43,577,083

(CZK '000)							
Provisions	Balance at 1 Jan 2008	Additions	Disposals	Balance 31 Dec 2008	Additions	Disposals	Balance 31 Dec 2009
Land	3,277	8,473	5,875	5,875	0	1,575	4,300
Buildings	64,052	54,490	64,453	54,089	18,569	8,842	63,816
Individual movable assets	326,499	1,687,125	328,165	1,685,459	1,207,227	1,585,702	1,306,984
- Machinery, equipment, and furniture and fixture	1,899	1,929	1,899	1,929	238	1,933	234
- Vehicles	324,600	1,685,196	326,266	1,683,530	1,206,989	1,583,769	1,306,750
Total	393,828	1,750,088	398,493	1,745,423	1,225,796	1,596,119	1,375,100

(CZK '000)			
Net book value	Balance at 1 Jan 2008	Balance 31 Dec 2008	Balance 31 Dec 2009
Land	7,182,237	6,566,063	6,515,465
Buildings	12,377,369	11,151,330	11,240,543
Individual movable assets	23,687,457	24,991,021	28,484,964
-- Machinery, equipment, and furniture and fixture	1,407,080	1,115,441	1,547,454
- Vehicles	22,279,566	23,838,415	26,909,392
- Other	811	37,165	28,118
Other assets	4,127	4,054	3,999
Tangible assets under construction	1,805,351	821,393	906,610
Prepayments	1,000,507	2,065,470	1,952,856
Valuation difference	7,153	6,569	5,985
Total	46,064,201	45,605,900	49,110,422

Land and buildings principally consist of immovable assets – train stations and depots for rail vehicles (including the peripheral area around train stations and depots) and other immovable assets used to operate passenger and freight railway transportation and other activities of the Parent Company. Assets comprising the railway routes owned by the State are not included in land and buildings.

Vehicles principally comprise rail vehicles (locomotives, passenger coaches, wagons and other rail vehicles) used in the course of providing passenger and freight transportation services. On the basis of stock count procedures and analyses, the Company has identified asset components where there is significant uncertainty regarding their future utilisation. These assets have been provisioned as equal to the difference between the net book value and estimated fair value (typically the net proceeds of the sale or disposal of the relevant asset). In the years ended 31 December 2009 and 2008, the Company recognised a provision against the product of the 680 series tilting trains (Pendolino) in the amounts of CZK 1,154,680 thousand and CZK 1,433,000 thousand, respectively.

Principal items of prepayments made for tangible fixed assets are prepayments for the acquisition of the 471 series electric locomotives in the amount of CZK 952,000 thousand and the 380 series electric three-system locomotives in the amount of CZK 334,366 thousand.

Principal additions to tangible assets include the acquisition of the 471 series electric locomotives in the amount of CZK 2,849,479 thousand and modernisation of the 814,914 engine locomotives of CZK 1,106,672 thousand.

During the year ended 31 December 2008, the volume of tangible fixed assets significantly decreased due to the sale of the business part. Disposals of tangible fixed assets at net book values as of 1 July 2008 amounted to CZK 3,271,415 thousand (refer to Note 1.6), of which land of CZK 517,969 thousand, buildings of CZK 2,014,436 thousand, machinery and equipment of CZK 383,018 thousand, vehicles of CZK 342,660 thousand and other tangible fixed assets of CZK 6,036 thousand and tangible fixed assets under construction of CZK 7,296 thousand.

► **5.2.1. Pledged Assets**

The Company holds assets at the net book value of CZK 3,741,925 thousand that were pledged as security, of which train sets of the 471 series amounted to CZK 2,606,156 thousand, the Ampz passenger coaches amounted to CZK 479,638 thousand and the Bmz passenger coaches amounted to CZK 656,131 thousand.

► **5.2.2. Tangible Fixed Assets not Reported on the Face of the Balance Sheet**

The aggregate amount of tangible fixed assets not reported on the face of the balance sheet as of 31 December 2009 was CZK 1,287 million (31 December 2008: CZK 1,980 million). These include items worth less than CZK 40 thousand that are recorded only in the underlying operating records. These items are recognised in expenses at the moment of acquisition in accordance with applicable legislation.

► **5.2.3. Investment Grants**

Investment grants received in the year ended 31 December 2009 amounted to CZK 371,645 thousand (31 December 2008: CZK 661,882 thousand), of which the grants from the State Fund of Transport Infrastructure amounted to CZK 53,515 thousand in the year ended 31 December 2009 (2008: CZK 240,731 thousand).

► 5.2.4. Assets Held under Finance Leases

(CZK '000)							
	Date of inception	Term in months	Total lease value	Payments made at 31 Dec 2008	Payments made at 31 Dec 2009	Due in 2010	Due in the following years
854 series motor vehicles	Jan 2006	126	298,185	75,451	105,224	28,486	164,475
WLABmz sleeping cars	March 2007	120	859,432	167,311	253,452	81,753	524,227
28 modernised rail vehicles	Dec 2007	132	808,995	0	86,756	86,756	635,483
4 modernised rail vehicles	Dec 2007	133	125,896	0	11,541	12,590	101,765
7 modernised rail vehicles	Dec 2007	134	218,494	0	18,729	21,328	178,437
1 modernised rail vehicles	Dec 2007	135	31,868	0	2,390	3,187	26,291
Wagons: Sgnss	Jan 2007	123	423,443	75,133	117,848	42,151	263,444
1145 wagons	Dec 2009	120	1,476,505	0	261,505	121,500	1,093,500
753.7	Dec 2008	120	776,594	0	34,904	79,628	662,062
Tadnss/Tadgnss	May 2006	96	294,719	91,484	127,431	37,680	129,608
Zacns	April 2006	96	81,276	27,170	37,135	10,440	33,701
Habbilnss	Dec 2005	96	866,711	305,580	412,611	111,600	342,500
Sggrmww	Oct 2005	96	145,613	60,757	79,019	19,080	47,514
Sggrmss 90´	Dec 2007	60	381,803	44,179	104,493	60,313	216,997
Sggrss 80´	July 2008	60	709,065	19,228	129,932	112,010	467,123
709 locomotives	Jan 2007	120	56,099	11,788	17,458	5,520	33,121
Technology units	Aug 2005	48	10,843	9,262	10,843	0	0
Technology units	Sept 2005	54	10,715	7,937	10,318	397	0
Technology units	April 2006	48	8,145	5,600	7,636	509	0
Technology units	Nov 2006	60	13,606	5,896	8,617	2,721	2,268
Technology units	Dec 2006	48	11,454	5,965	8,829	2,625	0
Technology units	Dec 2006	36	463	337	463	0	0
Technology units	July 2007	36	11,689	5,845	9,741	1,948	0
Technology units	Jan 2005	60	62,205	49,764	62,205	0	0
Cars	Oct 2006	33	530	434	530	0	0
SSP 2008 SW rail plough	April 2008	60	26,423	3,523	8,808	5,285	12,330
Rail dynamic stabiliser	April 2008	60	36,758	4,901	12,252	7,351	17,155
Total			7,747,529	977,545	1,940,670	854,858	4,952,001

Assets held under finance leases are not included in the assets reported in the consolidated balance sheet. The above figures are net of VAT and include a commission to the leasing company. Only the leases of cars, where VAT cannot be deducted, include the VAT amount.

► 5.2.5. Gains and Losses Arising from the Sales Inventory and Fixed Assets among Consolidation Group Entities

The most significant sales between entities in the consolidation group were between the Parent Company and ČD Cargo where the profit of the Parent Company from the sale of oil and spare parts amounted to CZK 39,565 thousand, the profit from the sale of equipment and building amounted to CZK 5,838 thousand and the profit from the sale of land amounted to CZK 34,417 thousand. In the year ended 31 December 2008, the aggregate profits from sales between Group entities amounted to CZK 108,854 thousand.

Other significant sales were between the Parent Company and ČD – Telematika where the profit of the subsidiary from these sales amounted to CZK 3,557 thousand and CZK 9,304 thousand in the years ended 31 December 2009 and 2008, respectively.

The profit of the Parent Company from the sale of the rotunda of the subsidiary DPOV amounted to CZK 17,873 thousand.

The profit of the Parent Company from the sale of the land and buildings to the subsidiary TSS amounted to CZK 5,651 thousand in the year ended 31 December 2009 and the profit from the sale of the material to the subsidiary DPOV amounted to CZK 7,766 thousand in the year ended 31 December 2009. With respect to sales between DPOV and ČD Cargo, the profit of DPOV from the renovation of locomotives and rail vehicles amounted to CZK 13,084 thousand in the year ended 31 December 2009. Other mutual sales were immaterial. ČD-Telematika is the supplier of its proprietary software to the Parent Company which is treated as an expense of the Group for consolidation purposes.

All profits and losses from the sales between entities in the consolidation group referred to above were eliminated upon consolidation.

► 5.3. Non-Current Financial Assets

► 5.3.1. Equity Investments in Subsidiaries

AS OF 31 DECEMBER 2009							(CZK '000)	
Entity	Registered office	Cost	Revaluation	Ownership percentage	Equity	Profit or loss for 2009	Revaluation at 31 Dec 2009	
RAILREKLAM, spol. s r. o.	Prague 1, Klimentská 36/1652	29,250	-6,067	51	45,457	*)	23,183	
RailReal a. s.	Prague 3, Olšanská 1a	660	-660	66	-574	-434	0	
ČD Realty a. s.	Prague 6, Václavkova 169/1	1,020	2,889	51	7,664	*)	3,909	
Dopravní vzdělávací institut, a. s.	Prague 1, Hybernská 1014/13	3,200	7,105	100	10,305	4,094	10,305	
Smíchov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	-1,020	51	-5,029	*)	0	
ČD travel, s.r.o.	Prague 1, Hybernská 1034	7,500	638	51.72	15,739	952	8,138	
Žižkov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	-74	51	1,855	*)	946	
Centrum Holešovice, a. s.	Prague 1, Revoluční 767/25	1,020	-290	51	1,432	*)	730	
Generálne zastúpenie ČD Cargo, s.r.o.	Bratislava, Prievozská 4/B	169	5,990	100	6,159	4,617	6,159	
ČD Generalvertretung GmbH	Frankfurt am/M, Kaiserstrasse 60	1,375	6,433	100	7,808	6,485	7,808	
Koleje Czeskie Sp. Z o.o.	Warszawa, Wspólna 35/5	749	4,658	100	5,407	2,391	5,407	
ČD-Generalvertretung Wien GmbH	Wien, Rotenturmstrasse 22/24	1,126	6,233	100	7,359	2,499	7,359	
Terminál Brno, a.s.	Brno, K Terminálu 614/11	1,210	4	60.5	2,007	3	1,214	
ČD Trans s.r.o.	Prague 1, Hybernská 1014/13	756	-756	51	*	*		
ČD-DUSS Terminál, a. s.	Brest, K.Marxe 19, Bělorusko	2,040	1,000	51	5,961	-796	3,040	
ČD Logistics, a. s.	Lovosice, Lukavecká 1189	5,600 ^{**)}	5,396	56	19,638	8,516	10,996	
Total		57,715	31,479				89,194	

*) The information was not presented.

**) The equity investment in ČD Logistics, a.s. was reported in equity investments in associates as of 31 December 2008. The amount of CZK 2,200 thousand represents the increase in the equity investment of 22% during 2009. Equity and profit are preliminary unaudited results.

AS OF 31 DECEMBER 2008

(CZK '000)

Entity	Registered office	Cost	Revaluation	Ownership percentage	Equity	Profit or loss for 2008	Revaluation at 31 Dec 2008
RAILREKLAM, spol. s r. o.	Prague 1, Klimentská 36/1652	29,250	-5,658	51	46,260	*)	23,592
RailReal a. s.	Prague 3, Olšanská 1a	660	-660	66	-140	-442	0
ČD Reality a. s.	Prague 6, Václavkova 169/1	1 020	2,873	51	7,633	-1,336	3,893
Dopravní vzdělávací institut, a. s.	Prague 1, Husitská 42/22	3,200	5,418	100	8,618	2,983	8,618
Smíchov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	-1,020	51	-3,387	-1,779	0
ČD travel, s.r.o.	Prague 1, Na Příkopě 988/31	7,500	595	51.72	15,657	916	8,095
Žižkov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	-42	51	1,917	-61	978
Centrum Holešovice, a. s.	Prague 1, Revoluční 767/25	1,020	-162	51	1,683	-242	858
Generálne zastúpenie ČD Cargo, s.r.o.	Bratislava, Prievozská 4/B	169	2,115	100	2,285	2,106	2,284
ČD Generalvertretung GmbH	Frankfurt am/M, Kaiserstrasse 60	1,375	8,880	100	10,255	5,117	10,255
Koleje Czeskie Sp. Z o.o.	Warszawa, Wspólna 35/5	749	2,535	100	3,284	1,670	3,284
ČD-Generalvertretung Wien GmbH	Wien, Rotenturmstrasse 22/24	1,126	5,261	100	6,387	3,935	6,387
Terminál Brno, a.s.	Brno, K Terminálu 614/11	1,210	3	61	2,005	5	1,213
RAILLEX, a. s.	Prague 1, Hyberská 1014/13	1,000	-1,000	50	-11,348	-13,306	0
ČD Trans s.r.o.	Brest, K. Marxe 19, Bělorusko	756	127	51	1,731	-205	883
ČD-DUSS Terminál, a. s.	Lovosice, Lukavecká 1189	2,040	2,096	51	8,109	2,965	4,136
CDT International s.r.o.	Prague 3, Pernerova 2819/a	4,000	-176	24	9,561	-17	3,824
Total		57,115	21,185				78,300

*) the information was not presented

The equity investment in RAILREKLAM, spol. s r. o. was made on the basis of a Founding Deed dated 21 February 1991. On the basis of an agreement dated 28 December 2000, a 50 percent equity investment held by Österreichisches Verkehrsbüro AG was transferred to the Company for CZK 29 million. As such, the Company became the sole owner of RAILREKLAM, spol. s r. o. On 6 February 2004, RAILREKLAM, spol. s r. o. increased its share capital to CZK 13.5 million. On 6 April 2007, a contract for the investment of TARDUS, s.r.o. in RAILREKLAM was concluded. This investment decreased the equity investment of the Company from 100 percent to 51 percent. The increase in the capital was recorded in the Register of Companies on 2 June 2007. RAILREKLAM, spol. s r. o. is engaged in advertising activities specifically related to railway transportation.

RailReal a.s. was incorporated following its registration in the Register of Companies on 6 December 2000. The Company acquired the shares of RailReal a.s. on the basis of deeds of donation dated 20 December 2000. The entity is principally engaged in undertaking projection and engineering activities in investment construction.

ČD Reality a.s. was incorporated following registration in the Register of Companies on 16 November 2004. The entity is engaged in investment construction engineering activities, preparation and implementation of revitalisation projects and other related activities.

Dopravní vzdělávací institut, a.s., registered in the Register of Companies on 21 September 2005, principal activities: organisation of courses, educational events and training activities, including tutoring activities, and language courses.

Smíchov Station Development, a.s., registered in the Register of Companies on 1 June 2005, principal activities: design, renovation, modernisation and development of the Smíchovské nádraží locality.

ČD travel, s. r. o., registered in the Register of Companies on 1 August 2005, principal activities: travel agency and provision of related services. On 10 October 2006, České dráhy, a.s., as the sole owner of ČD travel, s. r. o. approved the increase in the share capital of the company of CZK 7 million through a cash contribution by OSŽ which became the new owner of ČD travel, s. r. o. The transaction was recorded in the Register of Companies on 8 March 2007. As of that date, the equity investment of České dráhy a.s. in ČD travel decreased to 51.72 percent.

Žižkov Station Development, a. s., registered in the Register of Companies on 14 December 2007. The equity investment of České dráhy, a. s. amounts to 51 percent. The entity is engaged in the lease of real estate – apartments and non-residential premises.

Centrum Holešovice a. s., registered in the Register of Companies on 2 May 2007. The entity is engaged in the preparation of the project for the revitalisation of the train station area in Holešovice. The equity investment of České dráhy is 51 percent.

Generálne zastúpenie ČD Cargo, s.r.o., registered in the Register of Companies in Slovakia on 24 September 2008. The equity investment of ČD Cargo amounts to 100 percent. Principal activities include business representation and mediation activities in transportation and services.

ČD Generalvertretung GmbH was incorporated following registration in the Register of Companies on 11 October 2004. The entity is engaged in the representation of the Company in its business and other interests abroad, predominantly conclusion and mediation of contracts relating to freight transport. The share was invested in the subsidiary ČD Cargo, a.s. which was formed on 1 December 2007.

Koleje Czeskie Sp. Z o.o., registered in the Register of Companies on 18 December 2006. The entity is engaged in the representation of business and other interests of ČD, a.s. abroad, predominantly conclusion and mediation of contracts relating to freight transport. The equity interest in the company was invested in the subsidiary ČD Cargo, a.s. which was formed on 1 December 2007.

CD – Generalvertretung Wien GmbH was formed on 30 March 2007 in Austria through the investment of České dráhy, a.s. in the amount of EUR 45 thousand. The entity is engaged in business representation. On 22 January 2008, České dráhy, a.s. sold the entity to its subsidiary ČD Cargo, a. s.

Terminal Brno, a.s., registered in the Register of Companies on 25 July 2008. The equity investment of ČD Cargo amounts to 60.5 percent. Principal activities include the storage of goods and cargo handling, technical activities in transport, real estate activities and administration and maintenance of real estate.

ČD Trans s.r.o., registered in the Register of Companies in Belarus on 23 April 2008. The equity investment of ČD Cargo is 51 percent. Principal activities include transportation and transfer of cargo, including the provision of services in the Brest terminal.

ČD-DUSS Terminál, a. s., registered in the Register of Companies on 1 March 2007. The entity is engaged in the operation of container terminals including related services. The equity investment of České dráhy, a. s. of 51 percent was invested in the subsidiary ČD Cargo, a. s.

ČD Logistics, a. s., registered in the Register of Companies on 16 June 2007. ČD Cargo held the equity investment of 34%. Since 2 December 2009, it has held 56%. Principal activities include storage and handling of material.

► 5.3.2. Equity Investments in Associates

AS OF 31 DECEMBER 2009								(CZK '000)
Business name	Registered office	Cost	Revaluation	Ownership percentage	Equity	Profit or loss for 2009	Valuation at 31 Dec 2009	
CR-City a. s.	Prague 3, Olšanská 1a	680	-408	34	801	*)	272	
Masaryk Station Development a. s.	Prague 3, Olšanská 1a	680	-680	34	-5,750	-837	0	
CR office a. s.	Prague 3, Olšanská 2643/1a	680	-680	34	3,886	*)	0	
RS hotel a. s.	Prague 3, Olšanská 2643/1a	680	-168	34	1,507	*)	512	
RS residence s.r.o.	Prague 3, Olšanská 2643/1a	68	44,794	34	131,944	61,814	44,862	
WHITEWATER a. s.	Prague 3, Olšanská 2643/1a	680	-187	34	1,451	*)	493	
ČD Restaurant, a. s.	Prague 3, Prvního pluku 81/2a	4,000	3,713	20	19,283	1,925	7,713	
RAILLEX, a. s.	Prague 5, Trnkovo nám. 3			50	-5,370	5,978		
Ostravská dopravní společnost, a. s.	Ostrava, Přívoz, U Tiskárny 616/9	30,128	-9,368	20	103,801	19,531	20,760	
BOHEMIACOMBI, spol. s r.o.	Prague 1, Opletalova 6	7,022	-3,438	30	11,945	-4,974	3,584	
XT – CARD a. s.	Prague 8, Sokolovská 100/94	6,800	2 081*)	34	26,122	2,180	8,881	
Total		51,418	35,659				87,077	

AS OF 31 DECEMBER 2008								(CZK '000)
Business name	Registered office	Cost	Revaluation	Ownership percentage	Equity	Profit or loss for 2008	Valuation at 31 Dec 2008	
CR-City a. s.	Prague 3, Olšanská 1a	680	-310	34	1,087	*)	370	
Masaryk Station Development a. s.	Prague 3, Olšanská 1a	680	-680	34	-5,615	*)	0	
CR office a. s.	Prague 3, Olšanská 2643/1a	680	-158	34	1,535	*)	522	
RS hotel a. s.	Prague 3, Olšanská 2643/1a	680	-128	34	1,574	*)	552	
RS residence s.r.o.	Prague 3, Olšanská 2643/1a	68	52,611	34	154,940	87,629	52,679	
WHITEWATER a. s.	Prague 3, Olšanská 2643/1a	680	-172	34	1,494	*)	508	
ČD Restaurant, a. s.	Prague 3, Prvního pluku 81/2a	4,000	2,846	20	17,116	*)	6,846	
ČD Logistics, a. s.	Praha 10, K Hrušovu 293/2	3,400	668	34	11,965	3,096	4,068	
Ostravská dopravní společnost, a. s.	Ostrava, Přívoz, U Tiskárny 616/9	7,000	9,854	20	84,270	42,433	16,854	
BOHEMIACOMBI, spol. s r.o.	Prague 1, Opletalova 6	7,022	-2,073	30	16,495	-2,206	4,949	
XT – CARD a. s.	Prague 8, Sokolovská 100/94	6,800	1,341	20	23,943	1,096	8,141	
Total		31,690	63,799				95,489	

*) The information was not presented

► 5.3.3. Other Non-Current Equity Investments and Securities

(CZK '000)		
Type of security and investment	Valuation at 31 Dec 2009	Valuation at 31 Dec 2008
PraK, a. s.	850	850
STROJEXPORT, a. s.	0	58
Hit Rail B.V.	4,017	4,017
EUROFIMA	262,873	262,873
INTERCONTAINER-INTERFRIGO, o.s.	5 189	5,189
INTERNATIONALE SPEDITION Děčín, a. s.	8	8
Total	272,937	272,995

The equity investment of the Company in EUROFIMA is 1 %. This equity investment allows the Company to draw finances of this institution. EUROFIMA is a multinational company engaged in the funding of purchases of rail vehicles and development of railway transportation in Europe.

► 5.4. Receivables from Partners and Association Members

ČD Cargo, a.s. provided a loan to the related entity RAILLEX, a.s. The aggregate loan of CZK 24,000 thousand includes the short-term receivable of CZK 9,600 thousand and the long-term receivable of CZK 14,400 thousand.

Entity	Relation to the Company	Interest rate	Maturity date	Currency	Nominal value	Net book value
Raillex, a.s.	Associate	1 M Pribor + 3% p.a.	20.12.2013	Kč	24,000	24,000
Total					24,000	24,000

► 5.5. Inventory

(CZK '000)		
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Spare parts for machinery and equipment	114,513	360,628
Spare parts and other components for rail vehicles and locomotives	1,322,791	723,976
Other spare parts and other minor components	199,845	256,243
Fuels and other oil products	31,606	32,108
Switches, turntables, traverse tables and components for rail superstructures	398	73
Work in progress	100,245	124,395
Prepayments for inventory	1,617	4,254
Other	347,193	399,331
Total cost	2,118,208	1,901,008
Provisions	34,966	27,881
Total net book value	2,083,242	1,873,127

The Parent Company records provisions against redundant inventory components and/or inventory that carries the risk of its net realisable value being lower than cost.

► 5.6. Short-Term Receivables

► 5.6.1. Trade Receivables

(CZK '000)									
Year	Category	Before due date	Past due (in days)					Total	Total
			0 - 90 days	91 - 180	181 - 365	366-730	731 and greater		
2009	Gross	2,257,851	192,628	68,119	64,996	80,701	100,534	506,978	2,764,829
	Provisions	1,554	2,831	39,839	28,927	56,814	44,576	172,987	174,541
	Net	2,256,297	189,797	28,280	36,069	23,887	55,958	333,991	2,590,288
2008	Gross	2,852,757	219,953	54,668	75,966	17,708	55,556	423,851	3,276,608
	Provisions	0	26	5,512	47,571	12,887	54,502	120,498	120,498
	Net	2,852,757	219,927	49,156	28,395	4,821	1,054	303,353	3,156,110

Receivables past their due dates of more than 181 days, which are not provided for, are receivables of ČD Cargo, a.s. from foreign railways. These are not treated as bad receivables.

► 5.6.2. Tax Receivables

Tax receivables largely consisted of receivables arising from VAT.

► 5.6.3. Prepayments Made

Short-term prepayments made largely consisted of prepayments made for the supply of services (electricity, heat, lease of fibres etc).

► 5.7. Estimated Receivables

	(CZK '000)	
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Cross-border rentals for passenger coaches	454,480	479,297
Cross-border rentals for freight wagons	0	157,520
Income from international transportation	255,355	386,792
Other	352,240	345,745
Total estimated receivables	1,062,075	1,369,354

Cross-border rentals for passenger coaches are billed retroactively for 12 months (passenger coaches) and 2 months (freight wagons). Other estimated receivables include the estimate of damages for the accident in Studénka of CZK 37 million.

Income from international passenger transportation represents an amount due from the transportation services provided as of 31 December 2009 which were not billed to the foreign railway organisations and an amount receivable arising from unsettled operating output in border regions in respect of the neighbouring railway organisations.

► 5.8. Equity

The Parent Company's share capital is composed of the investment made by the Czech State as the sole shareholder, represented by the Czech Transportation Ministry. The share capital consists of 20 ordinary registered shares with a nominal value of CZK 1 billion. The shares are placed with the shareholder, the Czech Transportation Ministry, and are transferable only subject to the prior consent of the Czech Government.

Information about the substance of individual equity components is presented in Note 4.7 to the consolidated financial statements.

Losses from revaluation of assets and liabilities amounted to CZK (547,235) thousand which predominantly included the revaluation of hedging derivatives to their fair value.

► **Movements in gains or losses from revaluation of assets and liabilities:**

	(CZK '000)	
	Balance at 1 Dec 2008	Balance at 31 Dec 2009
Valuation of derivatives hedging future cash flows	3,907	3,907
Change in the valuation of the asset part using the equity method	521,977	521,977
Change in the deferred tax from financial derivatives	-114,865	-114,865
Balance at 31 Dec 2009	-547,235	-547,235

The consolidated profit of the previous reporting period of CZK 2,339,075 thousand was allocated to the 2009 consolidated balance sheet as the settlement of accumulated losses brought forward of CZK 1,187,649 thousand, CZK 652,067 thousand was allocated to retained earnings, the allocation to the statutory reserve fund and social fund amounted to CZK 499,359 thousand.

The General Meeting of the Parent Company approved the presented proposal for the allocation of the net profit for 2008 in the amount of CZK 1,611,114 thousand. CZK 80,556 thousand was allocated to the reserve fund, i.e. 5 percent of the net profit of 2008 and CZK 185,014 thousand was allocated to the social fund. CZK 449,399 thousand was used to settle the accumulated loss brought forward and CZK 896,145 thousand was allocated to retained earnings.

The share in the profit of the subsidiary JLV under the equity method of accounting amounted to CZK 4,325 thousand and CZK 4,426 thousand in the years ended 31 December 2009 and 2008, respectively, of which the dividends paid out to the Parent Company for 2009 and 2008 amounted to CZK 1,073 thousand and CZK 1,301 thousand in the years ended 31 December 2009 and 2008, respectively.

► 5.9. Reserves

	(CZK '000)						
	Balance at 1 Jan 2008	Charge	Use	Balance at 31 Dec 2008	Charge	Use	Balance at 31 Dec 2009
Reserve for discounts and claims	4,500	2,500	4,500	2,500	9,752	2 500	9,752
Reserve for rents	14,153	10,819	14,153	10,819	15,220	15,386	10,653
Reserve for legal disputes	12,660	42,191	21,266	33,585	35,734	33,585	35,734
Reserve for repairs of assets	39,504	53,732	11,522	81,714	47,360	22,049	107,025
Reserve for outstanding vacation days	94,531	175,896	143,473	126,954	77,300	126,954	77,300
Other reserves	85,453	22,977	69,188	39,242	73,908	29,257	83,893
Total reserves	250,801	308,115	264,102	294,814	259,274	229,731	324,357

Other reserves include, for example, reserves for the removal of legacy environmental burdens of CZK 35,130 thousand in the Parent Company. (In the first half of 2009, the Company assessed the results of the environmental audit performed in selected localities. The audit highlighted the need to provide the clean-up of the areas in Brodkov u Přerova between 2010 and 2012. The budget of the clean-up is CZK 226,737 thousand and is planned to take three years. The funding of CZK 180,962 thousand will be provided from the Environmental Operational Programme in the form of an EU grant – Cohesion Fund and CZK 10,645 thousand will be provided from the Slovakia – Czech Republic Cross-border Cooperation Project, Chapter 15. The Company will settle the difference in total expenses of CZK 35,130 thousand from its own funds.)

All of the reserves charged in the year ended 31 December 2009 are non-tax deductible, except for the reserve for repairs of assets. This reserve is tax deductible.

► 5.10. Long-Term Payables

	(CZK '000)	
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Payable to EUROFIMA	4,366,672	4,443,396
Long-term prepayments received	174,257	297,326
Deferred tax liability	355,927	207,018
Bonds issued	2,000,000	0
Other long-term payables ^{*)}	1,919,818	1,305,142
Total long-term payables	8,816,674	6,252,882

^{*)} The item predominantly includes payables arising from leases and supplier repayment schedules.

In 2004, the Parent Company received a long-term loan from EUROFIMA to finance the purchase of rail vehicles. This loan was increased in the year ended 31 December 2006 by EUR 30 million and by another EUR 30 million in the year ended 31 December 2007. This loan is collateralised by a state guarantee. The amount of capitalised interest on the loan from EUROFIMA for the years ended 31 December 2009 and 2008 was CZK 23,399 thousand and CZK 31,436 thousand, respectively.

To increase its investment funds, the Company issued bonds with a three-year redemption period and fixed coupon of 5 percent p.a. on 14 December 2009 for the first time in its history. The volume of the issue was CZK 2 billion. The issue was not quoted and was intended for private investors. The principal manager of the issue was ČSOB. The issue rate was 98.38 percent as of the issue date.

As of 31 December 2009, long-term prepayments received amounted to CZK 174,257 thousand (2008: CZK 297,326 thousand). These prepayments were provided by customers as part of long-term leases of rail vehicles, leases of fibres and prepayments for shipment services in freight transportation.

► 5.11. Short-Term Payables

► 5.11.1. Trade Payables

		(CZK '000)							
Year	Category	Before due date	Past due (in days)					Total	Total
			0 – 90	91 - 180	181 – 365	365-730	731 and greater		
2009	Short-term	6,610,163	552,148	5,541	3,450	3,592	7,857	572,588	7,182,751
2008	Short-term	5,486,004	638,969	87,684	31,119	5,234	13,914	776,920	6,262,924

► 5.11.2. Tax Payables and Subsidies

As of 31 December 2009, tax payables were largely composed of personal income taxation deducted from the gross wages of the Company's employees, VAT in accordance with the VAT tax return for December 2009, an additional payment of road tax for 2009, refunded fuel oil excise tax and the unused portion of EU grants received by the Parent Company in the amount of CZK 9,346 thousand as of 31 December 2009 (as of 31 December 2008: CZK 7,471 thousand) and unused portion of other subsidies of CZK 20,717 thousand (as of 31 December 2008: CZK 12,613 thousand).

The Group records no past due payables to taxation authorities, social security institutions and health insurers.

► 5.11.3. Short-Term Prepayments Received

As of 31 December 2009, short-term prepayments received amount to CZK 242,845 thousand (2008: CZK 269,958 thousand) and were largely composed of rent prepayments.

► 5.11.4. Issued Bonds

On 13 July 2009, ČD Cargo, a.s. started to issue debt bills of exchange. The aggregate volume of these transactions amounted to CZK 1,013,500 thousand as of 31 December 2009 with the maturity of six months. The due interest is accrued over six months.

► 5.12. Estimated Payables

	(CZK '000)	
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Rental for passenger coaches of foreign companies in the Czech Republic	442,110	465,596
Rental for freight wagons of foreign companies in the Czech Republic	64,767	59,182
Costs of international transportation	106,416	111,336
Other	689,442	857,332
Total estimated payables	1,302,735	1,493,446

Rentals for passenger coaches of foreign companies in the Czech Republic are billed retroactively for 12 months (passenger transportation). These costs represent a payable of the Parent Company from the international passenger transportation arising from unbilled operating output by foreign railway organisations. Rentals of wagons of foreign companies in the Czech Republic are billed retroactively for two months.

Costs of international passenger transportation represent an amount payable arising from unsettled operating output in border regions in respect of the neighbouring railway organisations.

Other estimated payables include unbilled supplies in telecommunication, investments, costs relating to accidents and similar costs.

► 5.13. Bank Loans

› Long-term Bank Loans

(CZK '000)					
Bank	Currency	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Interest rate	Collateral form
ČSOB	EUR	1,084,780	1,379,800	3M EURIBOR + 0,5	State guarantee
KB	CZK	17,541	0	1MPRIBOR+1,65%p.a.	Letter of Comfort
ČSOB leasing	CZK	0	22,197	5,42 %	Financed assets
Total		1,102,321	1,401,997		

The Parent Company entered into a loan agreement with a consortium of banks led by Československá obchodní banka, a.s. Other members of the consortium are Kreditanstalt für Wiederaufbau, Bayerische Landesbank, Česká spořitelna, a.s. and Deutsche Bank Filiale Prag, org. složka. The loan has been provided to finance the renovation of the Company's rolling stock and is collateralised by a state guarantee issued by the Czech Finance Ministry. This guarantee serves to collateralise the principal balance and interest. As of 31 December 2006, the whole loan facility of EUR 92,065 thousand was drawn. The Company began repaying the loan principal on 25 May 2005 (repayments on 25 May and 25 November each year). As of 31 December 2009, EUR 40,828 thousand was repaid from the aggregate loan facility and the principal of EUR 51,237 thousand remains to be repaid between 2010 and 2014. The final maturity date of the loan is 25 November 2014.

The subsidiary DPOV Přerov, a. s. concluded a long-term investment loan provided by KB, a. s. Přerov. As of 31 December 2009, CZK 17,541 thousand was drawn. The loan was collateralised by a Letter of Comfort from ČD, a. s.

In the year ended 31 December 2008, the subsidiary ČD-Telematika a.s. concluded a long-term loan for the financing of the purchase of software licences. The provider of the loan is ČSOB leasing. The contract was discontinued as of 28 December 2009, the overpayment was refunded in February 2010.

The portion of bank loans maturing after one year from the consolidated balance sheet date is included in long-term loans. The portion of bank loans maturing within one year from the consolidated balance sheet date is included in short-term bank loans.

> Short-Term Bank Loans and Short-Term Financial Borrowings

(CZK '000)						
Bank	Currency	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Interest rate	Form of collateral	
ČSOB	EUR	271,195	275,960	3M EURIBOR+0,5	State guarantee	
ČSOB	CZK	0	627,111	O/N Pribor+0,7 p.a.	No collateral	
ČSOB	CZK	32,783	632,883	O/N Pribor+0,7 p.a.	No collateral	
KB	CZK	0	371,694	O/N Pribor+1.4 p.a.	No collateral	
KB	CZK	30,000	0	PRIBOR	No collateral	
KB	CZK	40,000	0	PRIBOR	No collateral	
ČSOB leasing	CZK	0	8,656	5.42 %	Financed assets	
KB	CZK	0	17,070	°)	Receivables	
Total		373,978	1 933,374			

°) The loan was not provided.

As of 31 December 2009, the portion of long-term bank loans maturing within one year from the consolidated balance sheet date is reported as a short-term bank loan and totals CZK 271,195 thousand. Other short-term bank loans of the Group largely include the drawing of overdraft loans.

The amount of capitalised interest and relating fees on the long-term banking loan from ČSOB for the year ended 31 December 2009 was CZK 43,521 thousand, of which interest and fees amounted to CZK 40,142 thousand and CZK 3,379 thousand, respectively. Interest on the loan from ČSOB is reported as interest expenses of the current period after train sets of the 680 series were put into use. The amount of capitalised interest and relating fees on the loan from ČSOB for the year ended 31 December 2008 was CZK 54,559 thousand.

► 5.14. Derivative Financial Instruments

(CZK '000)			
31 Dec 2009			
	Positive fair value	Negative fair value	Total
Derivatives hedging the fair value	0	50,000	-50,000
Derivatives hedging cash flows	75,791	788,767	- 712,976
Total	75,791	838,767	-762,976

(CZK '000)			
31 Dec 2008			
	Positive fair value	Negative fair value	Total
Derivatives hedging the fair value	0	32,000	-32,000
Derivatives hedging cash flows	83,485	1,379,269	- 1 295,784
Total	83,485	1,411,269	-1 327,784

Following the strengthening of the Czech crown, the Company used currency option strategies – a combination of purchased put options and sold call options in 2008 and 2009 to hedge foreign exchange rate gains and losses.

The aggregate monthly volume of put options is EUR 15,660,000

The aggregate monthly volume of call options is EUR 12,250,000

Hedging is concluded with reputable banks.

The hedging was concluded for the period of 39 calendar months until December 2011.

To hedge the oil price pursuant to the assumption of the increase in its price in the mid-term, the Company uses the zero cost collar strategy in the monthly amount of 1,262 mt concluded with reputable banks.

This is a hedging strategy which allows ČD Cargo, a.s. to hedge the maximum price of the oil while maintaining a limited possibility to participate in the decrease in the price. There is a determined range defined by the cap and floor price.

This strategy was concluded for the period of 36 calendar months until December 2011.

In this case, the hedged item is part of the planned consumption of traction oil, specifically first purchases of oil in the particular month.

Changes in fair values of derivatives which are classified as cash flow hedges are recognised in equity and are reported through gains and losses from the revaluation of assets and liabilities in the balance sheet. The financial impact of settled financial derivatives is reported in the profit and loss account under 'Costs of revaluation of securities and derivatives'.

► 5.15. Income Taxes

► 5.15.1. Tax Payable

The Parent Company reported a tax loss of CZK 3,290,083 thousand for the year ended 31 December 2009. The Company reported a positive tax base of CZK 5,504,000 thousand for the year ended 31 December 2008. After the utilisation of the tax losses for the years 2003, 2004, and partially for 2005, the tax base was CZK 0. The tax losses amounted to CZK 800,927 thousand, CZK 2,175,107 thousand, CZK 2,793,616 thousand and CZK 2,878,475 thousand for the years ended 31 December 2007, 2006, 2005 and 2004, respectively (changes in the tax loss for 2004, 2005 and 2006 as compared to the disclosures provided in the notes to the financial statements for individual years were due to additional tax returns filed during the following years). The difference between the accounting loss and the tax base was predominantly due to the difference between depreciation for accounting and tax purposes.

The tax payable for 2009 reported by the Group is the income tax of subsidiaries as standalone legal entities.

► 5.15.2. Deferred Taxation

The Group has determined deferred tax as follows:

	(CZK '000)	
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Tangible and intangible fixed assets	-932,623	-563,771
Provisions against fixed assets	254,248	319,446
Trade receivables	14,621	12,297
Inventory	1,528	1,162
Reserves	23,781	25,232
Unpaid contractual penalties made	-543	-2,560
Unpaid supplier contractual penalties	1,337	1,478
Accumulated tax loss	1,451,060	859,971
Deferred tax from consolidation adjustments	0	46,220
Deferred tax asset - unrecognised	813,409	699,475
Tangible and intangible fixed assets	-608,789	-576,704
Non-current financial assets	0	919
Trade receivables	7,466	4,422
Inventory	1,194	15,791
Reserves	13,987	256,731
Other	135,416	-3,229
Deferred tax from consolidation adjustments	97,588	95,052
Deferred tax liability - recognised	-355,927	-207,018
Deferred tax asset - recognised	2,789	0
Total deferred tax asset	460,271	492,457

Analysis of movements	(CZK '000)
1 Jan 2009	-207,018
Current changes charged to the profit and loss account	-31,255
Total charges against the profit and loss account	-31,255
Change in the deferred tax on financial derivatives recognised in equity	-114,865
Total recognised in equity	-114,865
31 Dec 2009	-353,138

The aggregate deferred tax amount is predominantly impacted by the Parent Company. The Parent Company has decided not to recognise the deferred tax asset on the grounds of prudence and due to the uncertainty regarding the availability of future taxable profits. The recognised deferred taxation predominantly relates to assets and liabilities of the subsidiaries.

► 5.16. Accrued Expenses and Deferred Income

Accrued expenses predominantly comprise the interest and fees from the loan from Eurofima and lease payments.

Deferred income predominantly includes rental income from rental income from the gas station leased to OMV, which was prepaid for 20 years, and the lease of optical cables prepaid until 2023.

► 5.17. Income from the Sale of Products and Services

	(CZK '000)					
	Year ended 31 December 2009			Year ended 31 December 2008		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Income from freight transportation	9,661,076	1,885,183	11,546,259	12,882,315	3,980,577	16,862,892
Income from passenger transportation	4,588,101	1,936,976	6,525,077	4,468,436	1,759,281	6,227,717
Income from other transportation	661,172	970,880	1,632,052	12,488	0	12,488
Income from securing railway routes	5,320,273	0	5,320,273	8,686,536	0	8,686,536
Income from other services	2,727,687	313,146	3,040,833	2,685,718	210,835	2,896,553
Total income from the sale of the Group's own products and services	22,958,309	5,106,185	28,064,494	28,735,493	5,950,693	34,686,186

Cross-border sales include the income from the international transportation and income from the cross-border rent of coaches and wagons.

Income from securing railway routes principally represents income from the services rendered to SŽDC and involves securing the management of operations of CZK 5,320,200 thousand (2008: CZK 5,534,922 thousand). In 2008, the income also included securing the operability of CZK 3,151,614 thousand. A description of the transactions between the Company and SŽDC is provided in Note 8.2.

Income from other services includes proceeds from the other activities of the Company, specifically income from the lease of land, buildings and non-residential premises and apartments, income for the commercial-technical services, income from heat and electricity distribution and income from health insurers.

► 5.18. Consumed Purchases

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Consumed material	2,590,575	3,029,020
Consumed energy	3,388,539	3,366,040
Consumption of fuels	1,818,239	2,375,432
Total consumed purchases	7,797,353	8,770,492

► 5.19. Services

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Repairs and maintenance	1,810,124	3,278,110
Travel expenses	190,118	228,999
Telecommunication, data and postal services	627,548	738,173
Other rental	222,714	154,141
Use of railway routes, management of operations	4,047,755	5,936,291
Rent for railway coaches and wagons	1,089,591	1,297,699
Freight charges	500,842	516,548
Services of dining and sleeping carriages	126,226	155,069
Services associated with the use of buildings	225,683	246,215
Cleaning of coaches and wagons	387,095	350,554
Leases	658,862	478,781
Cross-border outputs	429,214	445,953
Costs of advertising and promotion	357,419	467,966
Other services	1,545,823	1,810,326
Total	12,219,014	16,104,825

Other services predominantly include expenses related to environmental issues, education, and similar charges.

> Audit Services

The total fees paid to the auditor of the consolidated financial statements in respect of all the companies in the consolidation group:

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Obligatory audit of the annual financial statements	11,760	9,682
Tax advisory	3,390	2,400
Other non-audit services	14,384	11,853
Total	29,534	23,935

► 5.20. Change in Reserves and Provisions Relating to Operating Activities

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Change in reserves	29,543	-13,535
Change in provisions against receivables	-4,712	-12,565
Change in provisions against tangible fixed assets	-341,129	1,450,385
Change in provisions against intangible fixed assets	-163	164
Change in provisions against inventory	15,674	-322
Total change in reserves and provisions relating to operating activities	-300,787	1,424,127

► 5.21. Other Operating Income

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Settlement of losses from passenger transportation from the State budget including the subsidy for student fare	3,996,611	4,033,518
Settlement of losses from passenger transportation from the regional budgets including the subsidy for student fare	8,364,233	4,870,668
Other subsidies	291,544	406,695
Recoveries of receivables written off and transferred	31	279
Contractual penalties and default interest	2,117	53,107
Compensation for deficits and damage	96,342	202,964
Acquisition of material	66,749	158,688
Sundry operating income	538,199	599,501
Total other operating income	13,355,826	10,325,420

► 5.22. Other Operating Expenses

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Contractual penalties and default interest	25,257	11,221
Write-offs of receivables and transferred receivables	41,538	108,081
Deficits and damage relating to operating activities	46,493	61,453
Insurance	184,531	209,418
Employee uniforms and lump sum payments	107,812	106,300
Compensation for asset damage and impaired health	23,713	36,854
Membership allowances	7,345	12,253
Sundry operating charges	278,636	488,552
Total other operating expenses	715,325	1 034,132

► 5.23. Other Financial Income and Expenses

Other financial income and expenses largely include foreign exchange rate gains and losses, and interest on the loans after bringing tangible fixed assets into operation and interest on the loan from EUROFIMA.

6 Employees, Management and Statutory Bodies

The following table summarises the average recalculated number of the Group's employees and managers for the years ended 31 December 2009 and 2008:

> 2009

	(CZK '000)				
	Headcount	Wages and salaries	Social security and health insurance	Other expenses	Total staff costs
Staff	40,890	14,049,304	4,429,327	724,537	19,203,168
Management	191	318,779	70,524	16,142	405,445
Total	41,081	14,368,083	4,499,851	740,679	19,608,613

> 2008

	(CZK '000)				
	Headcount	Wages and salaries	Social security and health insurance	Other expenses	Total staff costs
Staff	48,386	15,349,536	5,144,315	789,615	21,283,466
Management	206	335,871	87,028	14,437	437,336
Total	48,592	15,685,407	5,231,343	804,052	21,720,802

The members of the Parent Company's statutory and supervisory bodies benefited from reduced fares. Cash bonuses for the members of the Group's statutory and supervisory bodies amounted to CZK 20,633 thousand and CZK 19,580 thousand in 2009 and 2008, respectively. Management of the Group is provided with benefits-in-kind taking the form of the use of company cars for private purposes.

7 Contingent Liabilities and other off Balance Sheet Commitments

On 24 February 2005, the Parent Company entered into a Framework Lease Contract for the financing of the purchase of freight wagons under finance leases in the aggregate amount of CZK 1.2 billion. The Company issued a blank bill with the restrictive clause for the benefit of CitiLeasing, s.r.o. as a collateralising instrument in respect of the lease contracts. With effect from 1 December 2006, ownership rights to the leased assets were transferred from CitiLeasing, s.r.o. to Fortis Lease Czech s.r.o. In compliance with the bill arrangement, the lessor will be entitled to fill out the bill in an amount equal to the amount due from the rent and accrued interest, up to 40 percent of the acquisition cost, net of VAT of the leased assets, in the event that the lease contract is breached.

Given the formation of the subsidiary ČD Cargo, a. s. engaged in freight railway transportation, all rights (receivables) and payables arising from the Framework Lease Contract were transferred from České dráhy, a. s. to ČD Cargo, a. s. with effect from 1 December 2007.

On 9 July 2008, ČD Cargo, a.s. concluded a lease contract for the financing of 30 modernised 753.7 series locomotives with ING Lease (Czech Republic), s.r.o. corporate ID: 25117629, with gradual supply according to the schedule until 31 December 2010 in the form of finance leases in the aggregate amount of CZK 1,004,410 thousand (net of VAT). The lease period was determined to be 10 years (120 even instalments). Each leased asset referred to above is paid based on an individual payment schedule. Nineteen modernised locomotives out of the leased assets referred to above were supplied before 31 December 2009.

On 30 December 2009, ČD Cargo, a.s. concluded three contracts for the sale with a subsequent finance lease-back with Financial Found a.s., corporate ID: 27825302, for a total of 1,145 railroad vehicles with the selling price of CZK 1,161,505 thousand (net of VAT). In 2009, the extraordinary lease payment (initial lump-sum payment) payment of CZK 261,505 thousand (net of VAT) was made. The lease term was determined to be 10 years (120 even payments of CZK 10,125 thousand net of VAT).

The Parent Company ČD a. s. concluded no lease or similar contracts in the year ended 31 December 2009. In this respect, no collateral for liabilities of ČD a. s. was provided.

> Bank Guarantees

Number of guarantee contract	Bank guarantee dated	Bank guarantee in favour of	Amount of the	guarantee	Note
6812743039081	8 Dec 2008	Czech Republic – Ministry of Transportation	CZK 15,000 thousand	12 Dec 2009	Bank guarantee for the due implementation of the Contract for the Obligation of Public Service on the Passenger Rail Transportation in the Public Interest to Ensure Transportation Needs of the State between Pardubice – Liberec in the period between 14 December 2008 – 12 December 2009
	8 Dec 2008	Czech Republic – Ministry of Transportation	CZK 15,000 thousand	12 Dec 2009	Bank guarantee for the due implementation of the Contract for the Obligation of the Public Service in the Passenger Rail Transportation to Ensure Transportation Needs of the State between Plzeň and Most in the Period from 14 December 2008 and 12 December 2009
0202/08/10041	22 April 2008	WestInvest Waterfront Tower s.r.o.	EUR 207,000	26 Feb 2010	Bank guarantee for the compliance with all liabilities and obligations of the Lessee arising from the Lease Contract with WestInvest Waterfront Towers s.r.o. - Lighthouse.
0571/08/10041	23 June 2008	WestInvest Waterfront Tower s.r.o.	EUR 3,780	26 Feb 2010	Bank guarantee for the compliance with all liabilities and obligations of the Lessee arising from the Lease Contract with WestInvest Waterfront Towers s.r.o. - Lighthouse.
0802/08/10041	8 Aug 2008	HYPARKOS, s.r.o.	CZK 16,517 thousand	8 July 2010	Bank guarantee in the event that ČD Cargo does not comply with the obligations stipulated by the Contract for the Lease of Buildings and Land in the Logistics Centre in Lovosice.
1528/08/10041	4 Feb 2009	WestInvest Waterfront Tower s.r.o.	EUR 577	11 Feb 2010	Bank guarantee for the compliance with all liabilities and obligations of the Lessee arising from the Lease Contract with WestInvest Waterfront Towers s.r.o. - Lighthouse.

8 Other Information

► 8.1. Significant Factors Impacting the Group's Operations

The Parent Company was formed pursuant to, and its operations are governed by, general legal regulations governing joint stock companies and Transformation Act No. 77/2002 Coll.). The Transformation Act, inter alia, sets out the scope of the Company's assets and its role in operating railway routes and rendering transportation services in the public interest.

The Parent Company provides transportation services in the public railway passenger transportation segment for a fixed (cost adjusted) price and procures transportation services in designated categories of passenger trains in the Czech Republic's rail network. The scope of these services and the level of compensation (income for the Company) are defined in agreements entered into with the State and territorial self-governing units. The level of the compensation is linked to the volume of funds set out in the State budget to finance provable losses incurred in respect of passenger railway transportation. On 2 December 2009, the Parent Company concluded the Contract for Public Service Commitments for the period from 2010 to 2019 with the State.

At the financial statements date, the Parent Company entered into contracts for public service commitments with all regions, or signed amendments to the existing contracts. All contracts or their amendments were concluded before Regulation (EC) No. 1370/2007 entered into effect for the period of ten years or more. Similarly as the contract with the State, they are governed by legal regulations that were in effect before the Regulation entered into effect.

A significant change in funding the regional transportation related to the fact that the regions and the State agreed on the additional funding of the regional railway transportation for 2009 in the amount of CZK 3.2 billion. Before Governmental Resolution No. 686/2009 dated 1 June 2009 was adopted, the ordered regional railway transportation was not additionally funded in that approximate amount. Governmental Resolution No. 1132/2009 dated 31 August 2009 secures the additional funding of the regional railway transportation through a special-purpose grant to regions, including the rules for the increase or decrease in the scope of ordered railway transportation and increase in the special-purpose grant in individual following years.

Pursuant to the resolution of the Board of Directors of the Company, changes were made to the "Live Railway Stations" project during 2009. In certain cases, there are negotiations on discontinuing contractual relationships, certain contracts will be modified. The "Karlovy Vary horní nádraží" project was discontinued. The most significant "Praha hlavní nádraží" project is being implemented according to the time schedule with the anticipated completion in summer 2012.

During 2009, the Parent Company offered 76 ordinary shares of Traťová strojní společnost, a.s. that represent a 51.01% equity investment for sale in a tender. As of the consolidated balance sheet date, the sale of the shares was not completed, the issue has been presented to the Steering Committee of the Parent Company (which acts in the capacity of the General Meeting) for approval.

► 8.2. Transactions with SŽDC

In the year ended 31 December 2009, the Parent Company secured the servicing of the railway route on behalf of the operator, SŽDC, s.o. The contract for the servicing of railway routes was entered into in summer 2008 and is also applicable with its amendments in 2009.

The income of ČD Cargo, a.s. predominantly includes compensations for railway transport traffic closures.

The Group operates the railway route and it pays a regulated fee to SŽDC for the use of the railway route. Since 1 January 2009, the fee has significantly decreased (almost by 20%). In addition, purchases of traction electricity are made from SŽDC.

INCOME AND EXPENSES

Income and expenses resulting from the transactions conducted with SŽDC for the years ended 31 December 2009 and 2008 were as follows:

> Year Ended 31 December 2009

	(CZK '000)	
	Expenses	Income
Operation of the railway route	0	5,320,200
Use of railway route and allocated capacity of the railway route – passenger transport	1,467,762	0
Use of railway route and allocated capacity of the railway route – freight transport	2,560,443	0
Consumed traction electricity	2,614,384	0
Other	192,298	31,979
Total	6,834,887	5,352,179

> Year Ended 31 December 2008

	(CZK '000)	
	Expenses	Income
Zajištění ŽDC – řízení provozu	0	5,534,922
Zajištění ŽDC – údržba provozuschopnosti	0	3,151,614
Použití dopravní cesty a přidělená kapacita dráhy – osobní doprava	1,776,838	0
Použití dopravní cesty a přidělená kapacita dráhy – nákladní doprava	4,498,762	0
Spotřeba elektrické trakční energie	2,549,990	0
Ostatní	130,950	77,824
Celkem	8,956,540	8,764,360

Income from the securing of railway route is disclosed as sales of products and services in Note 5.17.

The costs of using railway routes are reported as services and are disclosed in Note 5.19.

RECEIVABLES AND PAYABLES

As of 31 December 2008, the Group reported receivables from and payables to SŽDC. The aggregate net value of the balances of these items represents a payable of CZK 1,712,816 thousand in the year ended 31 December 2009. The payable is reported in 'Trade payables'. This item also includes a receivable of the subsidiary of CZK 86 million as a compensation for damage incurred by the subsidiary ČD Cargo a.s. as a result of traffic closures in 2008 and 2009 that have not yet been fully confirmed by the counter-party.

The aggregate net value of balances of these items represented a payable of CZK 1,227,744 thousand in the year ended 31 December 2008.

In addition, the Group reported a payable in 2009 arising from unbilled supplies from SŽDC reported as an estimated payable which amounted to CZK 27,003 thousand and CZK 120,008 thousand as of 31 December 2009 and 2008, respectively.

The settlement of railway operations for 2009 and 2008 was recognised and reported as an estimated receivable of CZK 8,053 thousand and CZK 78,354 thousand, respectively.

The subsidiary ČD Cargo, a.s. is conducting negotiations with Správa železniční dopravní cesty, s.o. regarding the price of the purchased traction electricity during the 2009 reporting period. These negotiations have not been completed as of the balance sheet date. There are differences in the positions taken by individual parties, the counterparty is claiming an additional payment of CZK 240 million. In accordance with the external legal opinion, ČD Cargo, a.s. accounted for the costs of consumed traction electricity at the average price level of 2008 as of the 2009 financial statements date. This price is the minimum market price at the moment when the electricity was purchased.

► 8.3. Post Balance Sheet Events

In January 2010, the decrease in the share capital of ČD Cargo a.s. of CZK 306,000,000 was recorded in the Register of Companies. This legal act was the result of relevant procedures implemented by ČD Cargo in 2009. On 15 March 2010, this receivable arising from the share capital decrease was offset against the payable in the same amount.

In January 2010, the Parent Company concluded two three-year hedging transactions for traction oil transactions with Citibank and ING. For 2010, 30 percent of the annual consumption of traction oil is hedged. The Parent Company will recognise relevant transactions as hedging derivatives.

Since 1 January 2010, the Parent Company has changed its business strategy in purchasing traction electricity. The supplier of the electricity is ČEZ, a.s. and SŽDC, s.o. continues to be the distributor.



11 Financial Statements

Financial Statements for the Year Ended 31 December 2009

Name of the Company: _____ České dráhy, a. s.

Registered Office: _____ Nábřeží L. Svobody 1222, 110 15 Praha 1

Legal Status: _____ Joint Stock Company

Corporate ID: _____ 70 99 42 26

Components of the Financial Statements

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► These financial statements were prepared on 27 April 2010.

► Statutory body of the reporting entity



Ing. Petr Žaluda

Chairman of the Board of Directors and Chief Executive Officer

> **Balance Sheet** full version

AS OF 31 DEC 09 (IN CZK THOUSAND)				31 DEC 09	31 DEC 08
		Brutto	Korekce	Netto	Netto
TOTAL ASSETS		89,418,821	-33,069,174	56,349,647	56,411,601
B.	Fixed assets	83,988,039	-32,952,702	51,035,337	48,496,241
B.I.	Intangible fixed assets	2,951,186	-2,447,822	503,364	486,034
B.I.2.	Research and development	103,872	-102,826	1,046	1,611
B.I.3.	Software	524,922	-373,091	151,831	369,493
B.I.4.	Valuable rights	2,193,138	-1,971,145	221,993	30,429
B.I.6.	Other intangible fixed assets	760	-760		
B.I.7.	Intangible fixed assets under construction	128,494		128,494	84,501
B.II.	Tangible fixed assets	69,726,643	-30,504,880	39,221,763	36,469,373
B.II.1.	Land	6,407,584	-4,300	6,403,284	6,469,294
B.II.2.	Structures	17,109,379	-8,212,320	8,897,059	8,712,993
B.II.3.	Individual movable assets and sets of movable assets	43,661,613	-22,288,076	21,373,537	18,556,480
B.II.6.	Other tangible fixed assets	4,135	-184	3,951	4,035
B.II.7.	Tangible fixed assets under construction	679,437		679,437	714,261
B.II.8.	Prepayments for tangible fixed assets	1,864,495		1,864,495	2,012,310
B.III.	Non-current financial assets	11,310,210		11,310,210	11,540,834
B.III.1.	Equity investments in subsidiaries	10,868,054		10,868,054	11,093,523
B.III.2.	Equity investments in associates	169,219		169,219	174,316
B.III.3.	Other securities and investments	272,937		272,937	272,995
C.	Current assets	5,342,633	-116,472	5,226,161	7,867,583
C.I.	Inventories	1,660,447	-8,039	1,652,408	1,383,388
C.I.1.	Material	1,655,107	-8,039	1,647,068	1,375,255
C.I.2.	Work in progress and semifinished goods				231
C.I.5.	Goods	4,259		4,259	4,653
C.I.6.	Prepayments for inventory	1,081		1,081	3,249
C.II.	Long-term receivables	28,976	-183	28,793	36,433
C.II.5.	Long-term prepayments made	2,730		2,730	879
C.II.7.	Other receivables	26,246	-183	26,063	35,554
C.III.	Short-term receivables	1,678,026	-108,250	1,569,776	2,044,280
C.III.1.	Trade receivables	505,400	-102,226	403,174	644,638
C.III.6.	State - tax receivables	296,657		296,657	400,383
C.III.7.	Short-term prepayments made	140,889		140,889	110,699
C.III.8.	Estimated receivables	695,570		695,570	851,673
C.III.9.	Other receivables	39,510	-6,024	33,486	36,887
C.IV.	Current financial assets	1,975,184		1,975,184	4,403,482
C.IV.1.	Cash on hand	50,598		50,598	40,264
C.IV.2.	Cash at bank	724,586		724,586	350,710
C.IV.3.	Short-term securities and investments	1,200,000		1,200,000	4,012,508
D. I.	Other assets	88,149		88,149	47,777
D.I.1.	Deferred expenses	87,343		87,343	47,777
D.I.3.	Accrued income	806		806	

▶ AS OF 31 DEC 09 (IN CZK THOUSAND)		31 DEC 09	31 DEC 08
TOTAL LIABILITIES & EQUITY		56,349,647	56,411,601
A.	Equity	40,788,514	42,325,997
A.I.	Share capital	20,000,000	20,000,000
A.I.1.	Share capital	20,000,000	20,000,000
A.II.	Capital funds	20,743,330	20,986,548
A.II.1.	Share premium	16,256,957	16,256,957
A.II.2.	Other capital funds	-919,193	-906,542
A.II.3.	Gains or losses from the revaluation of assets and liabilities	5,405,566	5,636,133
A.III.	Statutory funds	212,374	177,734
A.III.1.	Statutory reserve fund / Indivisible fund	92,420	11,864
A.III.2.	Accumulated losses brought forward	119,954	165,870
A.IV.	Retained earnings	896,145	-449,399
A.IV.1.	Accumulated profits brought forward	896,145	
A.IV.2.	Accumulated losses brought forward		-449,399
A.V.	Profit or loss for the current period (+ -)	-1,063,335	1,611,114
B.	Liabilities	15,380,890	13,819,607
B.I.	Reserves	125,163	128,220
B.I.4.	Other reserves	125,163	128,220
B.II.	Long-term liabilities	6,419,089	4,637,312
B.II.1.	Trade payables	52,417	
B.II.6.	Bonds issued	2,000,000	
B.II.9.	Other payables	4,366,672	4,637,312
B.III.	Short-term liabilities	7,480,663	6,771,204
B.III.1.	Trade payables	4,705,092	3,863,446
B.III.4.	Payables to partners and association members	306,000	306,000
B.III.5.	Payables to employees	767,325	730,278
B.III.6.	Social security and health insurance payables	371,591	360,323
B.III.7.	State - tax payables and subsidies	140,241	118,232
B.III.8.	Short-term prepayments received	138,110	143,519
B.III.10.	Estimated payables	1,046,181	1,248,430
B.III.11.	Other payables	6,123	976
B.IV.	Bank loans and borrowings	1,355,975	2,282,871
B.IV.1.	Long-term bank loans	1,084,780	1,379,800
B.IV.2.	Short-term bank loans	271,195	903,071
C. I.	Other liabilities	180,243	265,997
C.I.1.	Accrued expenses	29,959	93,621
C.I.2.	Deferred income	150,284	172,376

> Profit and Loss Account

▶ YEAR ENDED 31 DEC 09 (IN CZK THOUSAND)		Year ended 31 DEC 09	Year ended 31 DEC 08
I.	Sales of goods	14,558	15,566
A.	Costs of goods sold	11,518	17,745
+	Gross margin	3,040	-2,179
II.	Production	13,182,569	16,688,854
II.1.	Sales of own products and services	12,960,080	16,494,641
II.2.	Change in internally produced inventory	-231	1,926
II.3.	Own work capitalised	222,720	192,287
B.	Purchased consumables and services	11,839,394	13,759,558
B.1.	Consumed material and energy	4,881,600	5,208,342
B.2.	Services	6,957,794	8,551,216
+	Added value	1,346,215	2,927,117
C.	Staff costs	13,522,454	15,426,366
C.1.	Payroll costs	9,902,127	11,158,058
C.2.	Remuneration to members of statutory bodies	5,979	5,940
C.3.	Social security and health insurance costs	3,146,197	3,708,168
C.4.	Social costs	468,151	554,200
D.	Taxes and charges	22,279	49,354
E.	Depreciation of intangible and tangible fixed assets	2,228,359	2,234,776
III.	Sales of fixed assets and material	1,294,392	2,306,399
III.1.	Sales of fixed assets	385,696	856,230
III.2.	Sales of material	908,696	1,450,169
F.	Net book value of fixed assets and material sold	948,705	1,594,111
F.1.	Net book value of sold fixed assets	106,216	250,430
F.2.	Book value of sold material	842,489	1,343,681
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-311,843	1,475,792
IV.	Other operating income	13,150,708	10,013,231
H.	Other operating expenses	488,676	866,502
°	Operating profit or loss	-1,107,315	-6,400,154
VI.	Proceeds from the sale of securities and investments	57	34,714
J.	Cost of securities and investments sold	57	11,586
VII.	Income from non-current financial assets	62,193	6,633
VII.3.	Income from other non-current financial assets	62,193	6,633
VIII.	Income from current financial assets	19,399	118,359
X.	Interest income	3,043	6,746
N.	Interest expenses	132,087	264,392
XI.	Other financial income	174,201	135,355
O.	Other financial expenses	82,262	229,314
°	Financial profit or loss	44,487	-203,485
Q.	Income tax on ordinary activities	507	531
Q 1.	- due	507	531
°°	Profit or loss from ordinary activities	-1,063,335	-6,604,170
XIII.	Extraordinary income		11,852,101
R.	Extraordinary expenses		3,636,817
°	Extraordinary profit or loss		8,215,284
°°°	Profit or loss for the current period (+/-)	-1,063,335	1,611,114
°°°°	Profit or loss before tax	-1,062,828	1,611,645

› **Statement of Changes in Equity**

	▶ YEAR ENDED 31 DEC 09 (IN CZK THOUSAND)									AS OF 31 DEC 09
	Share capital	Share premium	Other capital funds	Gains or losses on the revaluation of assets and liabilities	Statutory reserve fund	Statutory and other funds from profit	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2007	20,000,000	16,438,595	-866,015	5,957,516		168,565		-449,399	59,318	41,308,580
Distribution of profit or loss					11,864	47,454			-59,318	
Creation of the social fund with a charge against share premium		-181,638				181,638				
Creation of the social fund - other						50,743				50,743
Use of the social fund						-282,530				-282,530
Revaluation of non-current financial assets				-321,383						-321,383
Profit or loss for the current period									1,611,114	1,611,114
Other			-40,527							-40,527
Balance at 31 December 2008	20,000,000	16,256,957	-906,542	5,636,133	11,864	165,870		-449,399	1,611,114	42,325,997
Distribution of profit or loss					80,556	185,014	896,145	449,399	-1,611,114	
Creation of the social fund - other						9,335				9,335
Use of the social fund						-240,265				-240,265
Revaluation of non-current financial assets				-230,567						-230,567
Profit or loss for the current period									-1,063,335	-1,063,335
Other			-12,651							-12,651
Balance at 31 December 2009	20,000,000	16,256,957	-919,193	5,405,566	92,420	119,954	896,145		-1,063,335	40,788,514

> Cash Flow Statement

▶ YEAR ENDED 31 DEC 09 (IN CZK THOUSAND)		Year ended 31 DEC 09	Year ended 31 DEC 08
P.	Opening balance of cash and cash equivalents	4,403,482	636,169
	<i>Cash flows from ordinary activities</i>		
Z.	Profit or loss from ordinary activities before tax	-1,062,828	-6,603,639
A.1.	Adjustments for non-cash transactions	1,618,936	3,510,256
A.1.1.	Depreciation of fixed assets	2,228,359	2,234,776
A.1.2.	Change in provisions and reserves	-311,843	1,475,792
A.1.3.	Profit/(loss) on the sale of fixed assets	-279,480	-605,800
A.1.4.	Revenues from dividends and profit shares	-62,193	-6,633
A.1.5.	Interest expense and interest income	129,044	257,646
A.1.6.	Adjustments for other non-cash transactions	-84,951	154,475
A.°	Net operating cash flow before changes in working capital	556,108	-3,093,383
A.2.	Change in working capital	282,179	-425,294
A.2.1.	Change in operating receivables and other assets	405,903	856,394
A.2.2.	Change in operating payables and other liabilities	147,376	-1,156,540
A.2.3.	Change in inventories	-271,100	-125,148
A.°°	Net cash flow from operations before tax and extraordinary items	838,287	-3,518,677
A.3.	Interest paid	-119,418	-208,065
A.4.	Interest received	3,043	6,746
A.5.	Income tax paid from ordinary operations	-507	-694
A.6.	Receipts and expenditures relating to extraordinary activities		11,852,101
A.7.	Received dividends and profit shares	62,193	6,633
A.°°°	Net operating cash flows	783,598	8,138,044
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-4,322,092	-5,105,105
B.2.	Proceeds from fixed assets sold	385,696	856,253
B.°°°	Net investment cash flows	-3,936,396	-4,248,852
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	964,662	109,908
C.2.	Impact of changes in equity	-240,162	-231,787
C.2.3.	Other cash contributions made by partners	103	50,743
C.2.5.	Payments from capital funds	-240,265	-282,530
C.°°°	Net financial cash flows	724,500	-121,879
F.	Net increase or decrease in cash and cash equivalents	-2,428,298	3,767,313
R.	Closing balance of cash and cash equivalents	1,975,184	4,403,482

Notes to the Financial Statements

ČD, a. s.

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1 General Information

▶ 1.1. Background Information

České dráhy, a.s. (hereinafter the 'Company') was incorporated following its registration in the Register of Companies on 1 January 2003 as one of the legal successors of the former state organisation České dráhy. Additional details are presented in Note 1.5.

- ▶ The Company's registered office is located at nábř. L. Svobody 1222, Prague 1.
- ▶ The Company's share capital is CZK 20,000,000 thousand.
- ▶ The financial statements have been prepared as of and for the year ended 31 December 2009. The reporting period is the calendar year, i.e. from 1 January 2009 to 31 December 2009.
- ▶ The sole shareholder of the Company is the Czech Republic.

▶ 1.2. Principal Operations

Since 1 December 2007, the Company has been principally engaged in operating railway passenger transportation. Activities relating to the operation of railway freight transportation were spun-off to ČD Cargo, a.s. which was recorded in the Register of Companies as of 1 December 2007.

Pursuant to applicable legislation, the Company also operates railway routes. The assets comprising the railway routes are in the ownership of the State, not the Company.

The right of management of these assets rests with the state organisation Railway Route Administration (Správa železniční dopravní cesty, státní organizace - 'SŽDC'). As of 30 June 2008, the Company sold part of its business to SŽDC as disclosed in Note 1.6. For this reason, the Company ceased to secure the operability of the railway route but it continues in its servicing.

Due to the sale of part of the Company's business to SŽDC as discussed above, the financial information presented in the profit and loss account for the years ended 31 December 2009 and 2008 is not fully comparable.

In addition, the Company performs other activities related to the operation of transportation and transportation routes.

▶ 1.3. Organisational Structure

The Company is organised into sections overseen directly by the Company's Chief Executive Officer (CEO) or Deputy CEOs, being:

- ▶ The section of the Company's CEO;
- ▶ The section of the Company's Deputy CEO for Human Resources;
- ▶ The section of the Company's Deputy CEO for Finance;
- ▶ The section of the Company's Deputy CEO for Passenger Transportation;
- ▶ The section of the Company's Deputy CEO for Operations;
- ▶ The section of the Company's Deputy CEO for Administration of Assets; and
- ▶ The section of the Company's Deputy CEO for Sales and Marketing.

► 1.4. The Company's Bodies

The Company's bodies include the General Meeting, Board of Directors and Supervisory Board.

The General Meeting is the supreme body of the Company. The sole shareholder of the Company is the State which exercises the rights of the General Meeting through the Steering Committee.

> The Company's Bodies as of 31 December 2009

	POSITION	NAME
Steering Committee	Chairman	Roman Boček
	Vice Chairman	JUDr. Pavel Škvára
	Member	Eduard Havel
	Member	Bohumil Haase
	Member	Miroslav Kalous
	Member	Miloslav Müller
	Member	Petr Polák

Through its Resolution No. 161 dated 2 February 2009, the Government of the Czech Republic changed the composition of the Company's Steering Committee. The Government revoked the authorisation for activity in the Steering Committee for Jiří Hodač, Vice Chairman of the Steering Committee, and Vojtěch Kocourek, member of the Steering Committee, and authorised Zdeněk Žák to be the Vice Chairman of the Steering Committee and Pavel Škvára to be a member of the Steering Committee with effect from 3 February 2009.

In addition, through its Resolution No. 505 dated 20 April 2009 and Resolution No. 555 dated 27 April 2009, the Government changed the composition of the Company's Steering Committee. As of 20 April 2009, the Government revoked the authorisation for activity for Petr Šlegr, Chairman of the Steering Committee, and Zdeněk Žák, Vice Chairman of the Steering Committee, and authorised Pavel Škvára to be the Vice Chairman of the Steering Committee with effect from 21 April 2009, Eduard Havel to be a member of the Steering Committee with effect from 20 April 2009, and Roman Boček to be the Chairman of the Steering Committee with effect from 27 April 2009.

	POSITION	NAME
Board of Directors	Chairman	Petr Žaluda
	Member	Antonín Blažek
	Member	Michal Nebeský
	Member	Jiří Kolář
	Member	Milan Matzenauer

As of 16 April 2009, Petr Moravec resigned from the position of a member of the Board of Directors. At its meeting held on 14 May 2009, the Supervisory Board appointed Antonín Blažek to be a member of the Board of Directors. On 4 December 2009, the Steering Committee approved the change in the Articles of Association reducing the number of members from six to five. As of 8 December 2009, Josef Bazala resigned from the position of a member of the Board of Directors.

	POSITION	NAME
Supervisory Board	Chairman	Jaroslav Král
	Member	Jan Bitter
	Member	Karel Březina
	Member	Tomáš Chalánek
	Member	Antonín Leitgeb
	Member	Zdeněk Prosek
	Member	Pavel Škvára
	Member	Vladislav Vokoun
	Member	

On 31 December 2008, Jaromír Dušek's and Jiří Kratochvíl's terms of office as members of the Supervisory Board expired and on 1 January 2009, the term of office of the newly appointed members of the Supervisory Board, Vladislav Vokoun and Antonín Leitgeb, commenced.

On 18 February 2009, the Steering Committee of the Company approved Vojtěch Kocourek's notice of resignation from the positions of the Chairman and member of the Supervisory Board and recalled a member of the Supervisory Board, Jan Černohorský. With effect from 19 February 2009, the Steering Committee of the Company appointed Zdeněk Žák to be the Chairman and member of the Supervisory Board, and Pavel Škvára to be a member of the Supervisory Board.

In addition, the Steering Committee recalled Zdeněk Žák from the position of the Chairman and member of the Company's Supervisory Board on 28 April 2009.

On 4 June 2009, the Steering Committee appointed Jaroslav Král as a member of the Supervisory Board. On 17 June, Jaroslav Král was appointed Chairman of the Supervisory Board.

Martin Roman resigned from the position of the member of the Supervisory Board on 10 December 2009.

On 4 March 2010, the Steering Committee appointed Jaroslav Palas as a member of the Supervisory Board.

► 1.5. Formation and Incorporation of the Company

On the basis of Act 77/2002 Coll. on the Joint Stock Company Czech Railways, the State Organisation Railway Route Administration and the Changes to the Railways Act 266/1994 Coll., as amended, and the State Enterprise Act 77/1997 Coll. as amended (the 'Transformation Act'), the Company was formed on 31 March 2002 and the state organisation Czech Railways discontinued its activities and operations on 1 January 2003 and the Company and the state organisation Railway Route Administration ('SŽDC') were formed as its legal successors.

SŽDC largely assumed the assets comprising railway routes while the Company largely assumed assets used to operate railway transportation and railway routes. In addition, SŽDC took over the bulk of receivables, payables and loans, while the Company assumed only trade receivables and payables before their due dates and receivables and payables arising from employment arrangements with its employees. Both entities assumed the assets and liabilities at their book values.

► 1.6. Sale of Part of the Company's Business

As of 1 July 2008, a contract for the sale of part of the business between the Company and SŽDC was entered into. As of this date, 18 business units and a part of the section of the Company's CEO were spun-off from the Company and transferred to SŽDC.

In place of the Company, SŽDC secures the operability of the national and regional railway network and organises railway transportation on these routes, which includes the preparation of the railway timetable and fire brigade activities, i.e. independently performs certain railway operation activities. For this purpose, the Company's relevant material, technological and human resources were transferred to SŽDC. Other railway operation activities (railway servicing and organising railway transport under extraordinary circumstances) including the relevant capacities remained the responsibility of the Company, which delivers the activities to SŽDC, the railway operator, as a contractor.

The selling price stated in the contract for the sale of part of the Company's business was CZK 11,852,101 thousand. The price was arrived at based on an expert's valuation of the part of the business.

In the third quarter of 2008, financial transactions and accounting entries based on the above-mentioned contract and relating agreements were effected. The selling price and the carrying amount of the assets of the sold part of the Company's business are presented in the extraordinary section of the profit and loss account. The sale included payables in the amount of CZK 1,758,641 thousand, which were paid by the Company based on a separate contract for the settlement of the payables to creditors.

The table below presents the carrying amounts of individual classes of assets and liabilities that were subject to the sale. The table summarises the assets and liabilities that were removed from the Company's accounts as of the sale date.

ASSETS (CZK '000)	CARRYING AMOUNT AS OF 30 JUNE 2008
Intangible fixed assets	41,053
Tangible fixed assets	3,271,415
Inventory	151,296
Receivables	181,634
Current financial assets	14,427
Other assets	16
Total	3,659,841

2 Accounting Policies and General Accounting Principles

The financial statements are prepared and presented in accordance with Accounting Act 563/1991 Coll., as amended, and Regulation 500/2002 Coll., which provides implementation guidance on certain provisions of Accounting Act 563/1991, as amended, for reporting entities that are businesses maintaining double-entry accounting records, as amended, and Czech Accounting Standards for Businesses, as amended.

The accounting books and records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis with certain exceptions as described in Note 3.2, the accruals principle, the prudence concept and the going concern assumption. The assets and liabilities assumed by the Company as of 1 January 2003 under Act 77/2002 Coll., as amended (the 'Transformation Act') were entered into the Company's books and records at their book values.

These financial statements are presented in thousands of Czech crowns (CZK'000), unless stated otherwise.

3 Summary of Significant accounting Policies

▶ 3.1. Tangible and Intangible Fixed Assets

Fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand (tangible assets except for land, buildings and constructions) and CZK 60 thousand (intangible assets) on an individual basis. Land, buildings and constructions are treated as fixed assets irrespective of their cost valuation.

Intangible fixed assets are valued at acquisition cost. The Company's logo is valued at the price determined by an independent appraiser.

Land acquired prior to 1992 is stated at a value prescribed by the regulation issued by the Finance Ministry ruling at the date of acquisition of assets. Land acquired after 1992 is valued at acquisition cost.

Other tangible fixed assets are stated at acquisition cost. The acquisition cost includes interest on loans provided to fund the acquisition of assets before commencement of their use and other costs attributable to their acquisition.

Tangible and intangible assets produced and generated internally by the Company are stated at the cost of production comprising direct costs and an element of production and/or administrative overheads.

Tangible assets with an acquisition cost greater than CZK 500 but less than CZK 40 thousand and intangible assets with an acquisition cost of less than CZK 60 thousand are expensed in the period of acquisition and are maintained only in the underlying operational records.

The cost of fixed asset improvements exceeding CZK 40 thousand for the period increases the acquisition cost of the related fixed asset.

Replacement costs are used in valuing gifts and assets identified based on physical inventory which were not previously recorded in the accounting books and records.

The acquisition cost of assets acquired subsequent to 1 January 2003 is reduced to reflect the amount of the grant received to finance the acquisition of the asset.

The assets acquired under finance or operating lease agreements (and related liabilities) are not recorded on the balance sheet according to the applicable accounting regulations. Costs incurred in respect of finance and operating leases are charged to the profit and loss account in the period to which they relate on an accruals basis.

Depreciation and amortisation is calculated on a straight line basis over the estimated useful economic lives of the fixed assets. The estimated useful economic lives for the major categories of assets are as follows:

	NUMBER OF YEARS
Buildings	30 – 50
Constructions	20 – 50
Locomotives	20 – 25
Passenger coaches	20
Wagons	25 – 33
Machinery and equipment	8 – 20
Intangible assets	1,5-6

At the balance sheet date, the Company recognises provisions against fixed assets on the basis of an assessment of the fair values of individual components or groups of assets.

► 3.2. Non-Current Financial Assets

Non-current financial assets principally consist of equity investments in subsidiaries and associates, long-term securities and debt securities with maturity exceeding one year, long-term securities and debt securities with maturity exceeding 1 year, provided long-term loans and loans to subsidiaries and associates.

Upon acquisition, securities and equity investments are carried at cost. Equity investments that were acquired in exchange for the non-cash contribution invested in the company are valued at the carrying value of the non-cash investment.

At the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments in subsidiaries and associates or debt securities held to maturity, or securities and equity investments available for sale.

Investments in enterprises in which the Company has the power to govern the financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investment in subsidiaries'.

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in associates'.

Equity investments in subsidiaries and associates have been recorded at the value established using the equity method of accounting. The equity investment is revalued at the balance sheet date to reflect the value equivalent to the Company's proportion of a subsidiary/associate's equity. Other non-current financial assets have been valued at cost reduced by provisions.

► 3.3. Inventory

Purchased inventory is valued at acquisition cost which also includes costs attributable to the acquisition, such as transportation costs, customs duties and other related indirect costs.

Inventory produced internally is valued at the internal costs of production including direct costs and an element of production overheads.

Inventory is issued out of stock at costs determined using the weighted arithmetic average method.

Inventory identified during the stock count and previously unrecorded in the accounting records, inventory originating from excess material from the disposal or repairs of fixed assets or any possible donations are stated at replacement cost.

At the balance sheet date, provisions are made against inventory on the basis of stock taking results. Each type of inventory is assigned a percentage indicating the estimated temporary impairment due to the likelihood of this inventory not being usable for the Company's internal purposes or being disposed of at a price lower than cost.

► 3.4. Receivables

Upon origination, receivables are stated at their nominal value. Receivables acquired through assignment are carried at cost.

Receivables due within one year from the balance sheet date are reported as short-term balances. Other receivables are recorded as long-term.

At the balance sheet date, the Company records provisions based on an individual assessment of a receivable and provisions of 20 percent against receivables that are past due by greater than six months, full provisions against receivables registered for recovery under bankruptcy and settlement proceedings and receivables where court proceedings against the relevant debtor have been initiated. The Company does not recognise provisions against receivables from its subsidiaries and SŽDC, s. o.

► 3.5. Payables

Upon origination, payables are stated at their nominal value. Payables acquired through assignment are carried at cost.

Payables due within one year from the balance sheet date are reported as short-term balances. Other payables are recorded as long-term.

► 3.6. Loans

Loans are stated at their nominal value.

The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans. Other loans are included in long-term loans.

Borrowing costs arising from loans attributable to the acquisition, construction or production of fixed assets are accrued until the inclusion of assets are capitalised as part of the cost of such assets. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

► 3.7. Equity

On 31 March 2002, the date of the Company's formation, the contribution to the Company involved assets specified in the Establishment Deed, predominantly composed of tangible fixed assets at their original book values. The value of these assets stated in the Establishment Deed as of the Company's formation date was reported as the Company's share capital and share premium.

The change in the value of the assets comprising the contribution between the formation date of the Company and its incorporation date as of 1 January 2003 was reported as a component of other capital funds. As of the incorporation date, pursuant to the Transformation Act, the Company assumed not only the assets that comprised the contribution but also other assets and liabilities. The aggregate net value of these other assets and liabilities was also reported as a component of other capital funds. Given that the aggregate net value of assets and liabilities assumed as of 1 January 2003 was lower than the value of the contribution as of 31 March 2002, the reported balance of other capital funds as of 1 January 2003 and subsequently also as of 31 December of the following years including 31 December 2009 is negative.

Gains and losses from the revaluation of assets and liabilities include the value of revaluation of the non-current financial assets using the equity method of accounting.

The Company has created a social fund. The creation of and drawing from the fund are governed by the Company's internal guidelines.

► 3.8. Reserves

Reserves are intended to cover future obligations or expenditure, the nature of which is clearly defined and which are either likely to be incurred, but which are uncertain as to the amount or the date on which they will arise.

The reserve for a potential impact of legal disputes is recognised based on an estimate of the anticipated results of the ongoing legal disputes.

The reserve for payments made as compensation for job-related accidents and diseases and bonuses to pensions of certain former employees are established pursuant to a statistical analysis of available historical information as equal to the present value of estimated future payments arising from claims that originate before the balance sheet date.

The reserve for outstanding vacation days is established on the basis of a reasonable estimate as equal to the estimated future cash outflows triggered by the use of vacation days that remained outstanding at the year-end.

▶ **3.9. Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded at the fixed exchange rate announced by the Czech National Bank on the first day of each month. Payments are recorded at the rate prevailing on the payment date. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the exchange rate of the Czech National Bank ruling as of that date.

Any resulting foreign exchange rate gains and losses are recorded through the current year's financial expenses or revenues as appropriate.

▶ **3.10. Finance Leases**

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title the lessee makes lease payments to the lessor for the asset that are charged to expenses.

▶ **3.11. Income Taxes**

▶ **3.11.1. Current Tax Payable**

The tax currently payable is based on taxable profit for the reporting period. The taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

▶ **3.11.2. Deferred Taxation**

Deferred tax is accounted for using the balance sheet liability method. Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when the tax liability is settled or the asset realised. The balance sheet liability method focuses on temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

▶ **3.12. Contractual Fines and Default Interest**

In accordance with Czech legislation ruling at the balance sheet date, contractual fines and interest on late payments of receivables and payables are recorded when the receivable originates or the payable is incurred.

▶ **3.13. State Grants and Settlement of Public Service Commitments from the State Budget and Regional Budgets**

Grants received from public budgets and other sources of funding to finance the acquisition and modernisation of fixed assets are treated as a reduction of the cost of the related assets.

Grants to settle public service commitments received from the State budget and regional budgets, the Complementary Social Programme grant, and the grant to settle a provable loss on discounted student fare are included in other operating income.

► 3.14. Revenue Recognition

Revenues related to transportation services are recognised in the period in which the services are provided.

The Company operates railway routes comprising assets owned by the State. Expenses and income associated with these activities are recognised in the profit and loss account in the period to which they relate on an accruals basis.

Other revenues are recognised in the period to which they relate on an accruals basis, except where accruals cannot be estimated with a reasonable degree of certainty or where accrual accounting for revenues is not required by Czech accounting regulations.

► 3.15. Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

► 3.16. Changes in Accounting Policies

In the year ended 31 December 2009, the Company did not use any accounting policies different from those adopted in the previous reporting period.

► 3.17. Extraordinary Expenses and Income

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company as well as income or expenses from events or transactions that are not expected to recur frequently or regularly. These expenses and income include, for example, corrections of expenses and income of prior accounting periods, if they are material.

► 3.18. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

(CZK '000)	31 DEC 2009	31 DEC 2008
Cash on hand and cash in transit	50,598	40,264
Cash at bank	724,586	350,710
Short-term securities and investments	1,200,000	4,012,508
Total cash and cash equivalents	1,975,184	4,403,482

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

4 Additional Information on the Balance Sheet and Profit and Loss account

► 4.1. Intangible Fixed Assets

(CZK '000)								
Acquisition cost	Balance at 1 Jan 2008	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Reclassifications	Balance at 31 Dec 2009
Research and development	102,652	1,577	191	104,038	0	166	0	103,872
Software	1,292,395	109,368	688,707	713,056	10,674	29,051	-169,757	524,922
Valuable rights	1,732,996	210,157	0	1,943,153	88,554	8,326	169,757	2,193,138
Other assets	1,061	0	301	760	0	0	0	760
Intangible assets under construction	68,772	144,237	128,508	84,501	142,181	98,188	0	128,494
Total	3,197,876	465,339	817,707	2,845,508	241,409	135,731	0	2,951,186

(CZK '000)								
Accumulated amortisation	Balance at 1 Jan 2008	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Reclassifications	Balance at 31 Dec 2009
Research and development	102,559	59	191	102,427	565	166	0	102,826
Software	682,208	14,286	391,236	305,258	132,682	36,598	,-28,251	373,091
Valuable rights	1,732,996	180,485	757	1,912,724	37,876	7,706	28,251	1,971,145
Other assets	962	10	212	760	0	0	0	760
Intangible assets under construction	0	0	0	0	0	0	0	0
Total	2,518,725	194,840	392,396	2,321,169	171,123	44,470	0	2,447,822

(CZK '000)								
Provisions	Balance at 1 Jan 2008	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009	
Software	0	38,305	0	38,305	0	38,305	0	

(CZK '000)			
Net book value	Balance at 1 Jan 2008	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Research and development	93	1,611	1,046
Software	610,187	369,493	151,831
Valuable rights	0	30,429	221,993
Other assets	99	0	0
Intangible assets under construction	68,772	84,501	128,494
Total	679,151	486,034	503,364

In the year ended 31 December 2008, the Company disposed of a part of intangible fixed assets due to the sale of a business part as of 1 July 2008. The aggregate net book value of disposed of intangible fixed assets in this sale amounted to CZK 41,053 thousand.

In the year ended 31 December 2009, the Company made a significant reclassification of intangible fixed assets from the software group to the valuable rights group in the aggregate amount of CZK 169.8 million. The reclassification included adjusting the amortisation period and appropriately reclassifying accumulated amortisation charges.

Intangible fixed assets specifically comprise the Company's logo which was valued at CZK 1,729 million by an independent appraiser in 1997. The Company recognises accumulated amortisation in respect of the logo in the same amount. Intangible fixed assets additionally include software for the monitoring of trains, train traffic management and expenses relating to the SAP R/3, IS OPT, SENA, and PARIS accounting software. Additions to valuable rights predominantly include licences for access rights for software.

Intangible assets under construction primarily relate to the development of software for train monitoring, train traffic management and expenditure relating to the SAP R/3, ISOR, IS-PRM, IS-ADPV, In-cards, and IS-KADR software modules.

► 4.2. Tangible Fixed Assets

(CZK '000)								
Acquisition cost	Balance at 1 Jan 2008	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Reclassifi- -cations	Balance at 31 Dec 2009
Land	7,081,086	50,761	656,678	6,475,169	12,563	80,148		6,407,584
Buildings	21,637,072	1,264,798	6,232,413	16,669,457	577,332	134,296	-3,114	17,109,379
Individual movable assets	41,474,477	3,202,277	4,844,883	39,831,871	4,565,263	738,635	3,114	43,661,613
- Machinery, equipment, and furniture and fixtures	4,726,052	275,712	2,536,787	2,464,977	110,609	114,356	0	2,461,230
- Vehicles	36,509,483	2,921,013	2,184,366	37,246,130	4,454,102	614,464	3,114	41,088,882
- Other	238,942	5,552	123,730	120,764	552	9,815	0	111,501
Other assets	4,510	0	291	4,219	0	84	0	4,135
Tangible assets under construction	1,622,493	4,334,483	5,242,715	714,261	5,129,379	5,164,203	0	679,437
Prepayments	988,551	1,832,046	808,287	2,012,310	1,692,902	1,840,717	0	1,864,495
Total	72,808,189	10,684,365	17,785,267	65,707,287	11,977,439	7,958,083	0	69,726,643

(CZK '000)								
Accumulated depreciation	Balance at 1 Jan 2008	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Reclassifi- -cations	Balance at 31 Dec 2009
Buildings	11,615,442	380,720	4,093,787	7,902,375	337,501	88,418	-2,954	8,148,504
Individual movable assets	21,921,725	2,754,929	4,990,164	19,686,490	1,728,135	403,835	2,954	21,013,744
- Machinery, equipment, and furniture and fixtures	3,734,570	165,941	2,138,408	1,762,103	106,695	92,079	0	1,776,719
- Vehicles	17,976,551	2,577,067	2,729,276	17,824,342	1,617,968	302,518	2,954	19,142,746
- Other	210,604	11,921	122,480	100,045	3,472	9,238	0	94,279
Other assets	402	0	218	184	0	0	0	184
Tangible assets under construction	0	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0
Total	33,537,569	3,135,649	9,084,169	27,589,049	2,065,636	492,253	0	29,162,432

NOTES TO THE FINANCIAL STATEMENTS ČD, A.S.

(CZK '000)							
Provisions	Balance at 1 Jan 2008	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Land	3,277	8,473	5,875	5,875	0	1,575	4,300
Buildings	70,215	54,490	70,616	54,089	18,569	8,842	63,816
Individual movable assets	326,489	1,588,901	326,489	1,588,901	1,174,572	1,489,141	1,274,332
- Machinery, equipment, and furniture and fixtures	1,888	1,929	1,888	1,929	238	1,929	238
- Vehicles	324,601	1,586,972	324,601	1,586,972	1,174,334	1,487,212	1,274,094
- Other	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0
Tangible assets under construction	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0
Total	399,981	1,651,864	402,980	1,648,865	1,193,141	1,499,558	1,342,448

(CZK '000)			
Net book value	Balance at 1 Jan 2008	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Land	7,077,809	6,469,294	6,403,284
Buildings	9,951,415	8,712,993	8,897,059
Individual movable assets	19,226,263	18,556,480	21,373,537
- Machinery, equipment, and furniture and fixtures	989,594	700,945	684,272
- Vehicles	18,208,332	17,834,816	20,672,042
- Other	28,337	20,719	17,223
Other assets	4,108	4,035	3,951
Tangible assets under construction	1,622,493	714,261	679,437
Prepayments	988,551	2,012,310	1,864,495
Total	38,870,639	36,469,373	39,221,763

Land and buildings principally consist of immovable assets – train stations and depots for rail vehicles (including the peripheral area around train stations and depots) and other immovable assets used to operate passenger railway transportation and other activities of the Company. Assets comprising the railway routes owned by the State are not included in land and buildings.

Vehicles principally comprise rail vehicles (locomotives, passenger coaches, wagons and other rail vehicles) used in the course of providing passenger transportation services. On the basis of stock count procedures and analyses, the Company has identified asset components where there is significant uncertainty regarding their future utilisation. These assets have been provisioned as equal to the difference between the net book value and estimated fair value (typically the net proceeds of the sale or disposal of the relevant asset). In the years ended 31 December 2009 and 2008, the Company recognised a provision against the product of the 680 series tilting trains (Pendolino) in the amounts of CZK 1,154,680 thousand and CZK 1,433,000 thousand, respectively.

Principal items of prepayments made for tangible fixed assets are prepayments for the acquisition of the 471 series electric locomotives in the amount of CZK 952,000 thousand and the 380 series electric three-system locomotives in the amount of CZK 334,366 thousand.

Principal additions to tangible assets include the acquisition of the 471 series electric locomotives in the amount of CZK 2,849,479 thousand and modernisation of the 814,914 engine locomotives of CZK 1,106,672 thousand.

In the year ended 31 December 2008, the volume of tangible fixed assets significantly decreased due to the sale of the business part. Disposals of tangible fixed assets at net book values as of 1 July 2008 amounted to CZK 3,271,415 thousand, of which land of CZK 517,969 thousand, buildings of CZK 2,014,436 thousand, machinery and equipment of CZK 383,018 thousand, vehicles of CZK 342,660 thousand and other tangible fixed assets of CZK 6,036 thousand and tangible fixed assets under construction of CZK 7,296 thousand.

► 4.2.1. Pledged Assets

The Company holds assets at the net book value of CZK 3,741,925 thousand that were pledged as security, of which train sets of the 471 series amounted to CZK 2,606,156 thousand, Ampz passenger coaches amounted to CZK 479,638 thousand and the Bmz passenger coaches amounted to CZK 656,131 thousand.

► 4.2.2. Tangible Fixed Assets not Reported on the Face of the Balance Sheet

The aggregate amount of tangible fixed assets not reported on the face of the balance sheet as of 31 December 2009 was CZK 952,194 thousand (31 December 2008: CZK 843,491 thousand). These include items worth less than CZK 40 thousand that are recorded only in the underlying operating records. These items are recognised in expenses at the moment of acquisition in accordance with applicable legislation.

► 4.2.3. Investment Grants

Investment grants received in the year ended 31 December 2009 amounted to CZK 371,645 thousand (31 December 2008: CZK 661,882 thousand), of which the grants from the State Fund of Transport Infrastructure amounted to CZK 53,515 thousand in the year ended 31 December 2009 (2008: CZK 240,731 thousand).

► 4.2.4. Assets Held under Finance Leases

	Date of inception	Term in months	Total lease value	Payments made at 31 Dec 2008	Payments made at 31 Dec 2009	Due in 2010	Due in the following years
854 series motor vehicles	01/2006	126	298,185	75,451	105,224	28,486	164,475
WLABmz wagon-lits	03/2007	120	859,432	167,311	253,452	81,753	524,227
28 modernised wagons	12/2007	132	808,995	0	86,756	86,756	635,483
4 modernised wagons	12/2007	133	125,896	0	11,541	12,590	101,765
7 modernised wagons	12/2007	134	218,494	0	18,729	21,328	178,437
1 modernised wagons	12/2007	135	31,868	0	2,390	3,187	26,291
Total			2,342,870	242,762	478,092	234,100	1,630,678

Other assets held under operating leases recorded off-balance sheet amounted to CZK 11,225 thousand and CZK 11,729 thousand in the years ended 31 December 2009 and 2008, respectively.

► 4.3. Non-Current Financial Assets

► 4.3.1. Equity Investments in Subsidiaries

► AS OF 31 DECEMBER 2009 (CZK '000)							
Business name of the entity	Registered office	Cost	Revaluation	Ownership percentage	Equity	Profit or loss for 2009	Valuation at 31 Dec 2009
RAILREKLAM, spol. s r. o.	Prague 1, Klimentská 36/1652	29,250	-6,067	51	45,457	*)	23,183
RailReal a. s.	Prague 3, Olšanská 1a	660	-660	66	-574	-434)	0
ČD Reality a. s.	Prague 6, Václavkova 169/1	1,020	2,889	51	7,664	*)	3,909
Dopravní vzdělávací institut, a. s.	Prague 3, Husitská 42/22	3,200	7,105	100	10,305	4,094	10,305
Smíchov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	-1,020	51	-5,029	*)	0
ČD travel, s. r. o.	Prague 1, Na Příkopě 988/31	7,500	638	51.72	15,739	952	8,138
Traťová strojní společnost, a. s.	Hradec Králové, Jičínská 1605	287,483	150,799	51	859,376	65,573	438,282
Výzkumný Ústav Železniční, a. s.	Prague 4, Novodvorská 1698	330,414	138,513	100	468,927	65,850	468,927
ČD – Telematika a. s.	Prague 3, Pernerova 2819/2a	673,152	536,923	59.31	2,040,256	3,900	1,210,075
DPOV, a. s.	Přerov, Husova 635/1b	386,395	86,868	100	473,263	37,617	473,263
ČD Cargo, a. s.	Prague 7, Jankovcova 1569/2c	3,883,750	4,346,546	100	8,230,296	-427,714	8,230,296
Žižkov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	-74	51	1,855	*)	946
Centrum Holešovice, a. s.	Prague 1, Revoluční 767/25	1,020	-290	51	1,432	*)	730
Celkem		5,605,884	5,262,170				10,868,054

*) The final financial statements for the year ended 31 December 2009 were not provided

► AS OF 31 DECEMBER 2009 (CZK '000)							
Business name of the entity	Registered office	Cost	Revaluation	Ownership percentage	Equity	Profit or loss for 2009	Valuation at 31 Dec 2009
RAILREKLAM, spol. s r. o.	Prague 1, Klimentská 36/1652	29,250	-5,658	51	46,260	**)	23,592
RailReal a. s.	Prague 3, Olšanská 1a	660	-660	66	-140	-442	0
ČD Reality a. s.	Prague 6, Václavkova 169/1	1,020	2,873	51	7,633	-1,336	3,893
Dopravní vzdělávací institut, a. s.	Prague 1, Hybernská 1014/13	3,200	5,418	100	8,618	2,983	8,618
Smíchov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	-1,020	51	-3,387	-1,779	0
ČD travel, s. r. o. *)	Prague 1, Hybernská 1034	7,500	595	51.72	15,657	916	8,095
Traťová strojní společnost, a. s.	Hradec Králové, Jičínská 1605	287,483	132,237	51	822,981	61,638	419,720
Výzkumný Ústav Železniční, a. s.	Prague 4, Novodvorská 1698	330,414	91,458	100	421,872	39,817	421,872
ČD – Telematika a. s.	Prague 3, Pernerova 2819/2a	673,152	535,261	59.31	2,037,453	45,488	1,208,413
DPOV, a. s.	Přerov, Husova 635/1b	386,395	50,761	100	437,156	52,478	437,156
ČD Cargo, a. s.	Prague 7, Jankovcova 1569/2c	3,883,750	4,676,578	100	8,560,328	581,367	8,560,328
Žižkov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	-42	51	1,917	-61	978
Centrum Holešovice, a. s.	Prague 1, Revoluční 767/25	1,020	-162	51	1,683	-242	858
Celkem		5,605,884	5,487,639				11,093,523

*) Change in the registered office since 19 Jan 2009: Na Příkopě 988/31, Prague 1

**) The final financial statements for the year ended 31 December 2008 were not provided

The equity investment in RAILREKLAM, spol. s r.o. was made on the basis of a Founding Deed dated 21 February 1991. On the basis of an agreement dated 28 December 2000, a 50 percent equity investment held by Österreichisches Verkehrsbüro AG was transferred to the Company for CZK 29 million. As such, the Company became the sole owner of RAILREKLAM, spol. s r.o. On 6 February 2004, RAILREKLAM, spol. s r.o. increased its share capital to CZK 13.5 million. On 6 April 2007, a contract for the investment of TARDUS, s.r.o. in RAILREKLAM was concluded. This investments decreased the equity investment of the Company from 100 percent to 51 percent. The increase in the capital was recorded in the Register of Companies on 2 June 2007. RAILREKLAM, spol. s r.o. is engaged in advertising activities specifically related to railway transportation.

RailReal a.s. was incorporated following its registration in the Register of Companies on 6 December 2000. The Company acquired the shares of RailReal a.s. on the basis of deeds of donation dated 20 December 2000. The entity is principally engaged in undertaking design and engineering activities in investment construction.

ČD - Telematika a. s., principal activities – provision of telecommunication services, software and advisory, assembly, maintenance, and servicing. ČD, a.s. increased its equity investment in ČD - Telematika a. s. from 40 percent to 51 percent by an investment of part of the business, it was registered in the Register of Companies on 4 May 2005. The General Meeting of ČD – Telematika a. s. held on 28 June 2006 decided to decrease the share capital by CZK 332,644 thousand through the withdrawal of shares from circulation for consideration. This was recorded in the Register of Companies on 13 February 2007 and the equity investment of ČD, a.s. increased to 59.31 percent.

ČD Reality a.s. was incorporated following registration in the Register of Companies on 16 November 2004. The entity is engaged in investment construction engineering activities, preparation and implementation of revitalisation projects and other related activities.

Traťová strojní společnost, a.s., registered in the Register of Companies on 1 January 2005, principal activities: maintenance and repair of track superstructure, operation, repairs and renovation of railway machines. The company was formed by an investment of part of the business of České dráhy, a.s. On 15 December 2005, the contract for the investment of OHL ŽS, a. s. (former ŽS Brno) in Traťová strojní společnost was entered into. The investment decreased the shareholding of České dráhy from 100 percent to 51 percent. The increased share capital was recorded in the Register of Companies on 15 February 2006.

Výzkumný Ústav Železniční, a.s., registered in the Register of Companies on 1 July 2005, principal activities: testing engineering, research and development of rail vehicles and infrastructure equipment. The company was formed by an investment of part of the business of České dráhy, a.s.

Smíchov Station Development, a.s., registered in the Register of Companies on 1 June 2005, principal activities: design, renovation, modernisation and development of the Smíchovské nádraží locality.

ČD travel, s. r. o., registered in the Register of Companies on 1 August 2005, principal activities: travel agency and provision of related services. On 10 October 2006, České dráhy, a.s., as the sole owner of ČD travel, s. r. o. approved the increase in the share capital of the company of CZK 7 million through a cash contribution by OSŽ which became the new owner of ČD travel, s. r. o. The transaction was recorded in the Register of Companies on 8 March 2007. As of that date, the equity investment of České dráhy a.s. in ČD travel decreased to 51.72 percent.

Dopravní vzdělávací institut, a.s., registered in the Register of Companies on 21 September 2005, principal activities: organisation of professional courses, training activities and educational events including tutoring activities, and language courses.

DPOV, a. s., registered in the Register of Companies on 1 January 2007. The company is engaged in inspections, modernisation and renovation of rail vehicles. The company was formed through a spin-off from České dráhy, a. s.

Centrum Holešovice a. s., registered in the Register of Companies on 2 May 2007. The company is engaged in the preparation of the project for the revitalisation of the train station area in Holešovice. The equity investment of České dráhy is 51 percent.

ČD Cargo, a. s., registered in the Register of Companies on 1 December 2007. The company was formed through the spin-off from České dráhy, a. s. The activities relating to railways freight transport were transferred to this subsidiary. České dráhy is the sole owner of this company.

Žižkov Station Development, a. s., registered in the Register of Companies on 14 December 2007. The equity investment of České dráhy, a. s. amounts to 51 percent. The company is engaged in the lease of real estate – apartments and non-residential premises.

► 4.3.2. Equity Investments in Associates

► AS OF 31 DECEMBER 2009							(CZK '000)	
Business name of the entity	Registered office	Cost	Revaluation	Ownership percentage	Equity	Profit or loss in 2009	Valuation at 31 Dec 2009	
CR-City a. s.	Prague 3, Olšanská 1a	680	-408	34	801	*)	272	
Masaryk Station Development a. s.	Prague 3, Olšanská 1a	680	-680	34	-5,750	-837	0	
JLV, a. s. 1	Prague 4, Chodovská 3/228	20,000	95,367	38.79	297,414	11,150	115,367	
CR office a.s.	Prague 3, Olšanská 2643/1a	680	-680	34	3,886	*)	0	
RS hotel a.s.	Prague 3, Olšanská 2643/1a	680	-168	34	1,507	*)	512	
RS residence s.r.o.	Prague 3, Olšanská 2643/1a	68	44,793	34	131,944	61,814	44,861	
WHITEWATER a.s.	Prague 3, Olšanská 2643/1a	680	-186	34	1,451	*)	494,	
ČD Restaurant, a.s.	Prague 3, Prvního pluku 81/2a	4,000	3,713	40	19,283	1,925	7,713	
Total		27,468	141,751,	,	,	,	169,219	

*) Companies did not provide the final financial statements for the year ended 31 December 2009

► AS OF 31 DECEMBER 2008

(CZK '000)

Business name of the entity	Registered office	Cost	Revaluation	Ownership percentage	Equity	Profit or loss in 2008	Valuation at 31 Dec 2008
CR-City a. s.	Prague 3, Olšanská 1a	680	-310	34	1,087	**)	370
Masaryk Station Development a. s.	Prague 3, Olšanská 1a	680	-680	34	-5,615	**)	0
Jídelní a lůžkové vozy, a. s. ¹	Prague 4, Chodovská 3/228	20,000	92,839	38.79	289,470	**)	112,839
CR office a. s.	Prague 3, Olšanská 2643/1a	680	-158	34	1,535	**)	522
RS hotel a. s.	Prague 3, Olšanská 2643/1a	680	-128	34	1,574	**)	552
RS residence s.r.o.	Prague 3, Olšanská 2643/1a	68	52,611	34	154,940	87,629	52,679
WHITEWATER a.s.	Prague 3, Olšanská 2643/1a	680	-172	34	1,494	**)	508
ČD Restaurant, a.s.	Prague 6, Václavkova 169/1	4,000	2,846	40	17,116	**)	6,846
Total		27,468	146,848				174,316

**) Companies did not provide the final financial statements for the year ended 31 December 2008

¹) On 28 December 2009, the name of the company changed from Jídelní a lůžkové vozy, a.s. to JLV, a.s.

²) České dráhy holds four shares, ie, the 20 percent equity investment and paid a prepayment of CZK 4,000 thousand for another four shares.

► 4.3.3. Other Equity Investments and Securities

(CZK '000)

Type of security and investment	31 Dec 2009	31 Dec 2008
PraK, a. s.	850	850
STROJEXPORT, a. s.	0	58
Hit Rail B.V.	4,017	4,017
EUROFIMA	262,873	262,873
INTERCONTAINER-INTERFRIGO, o. s.	5,189	5,189
INTERNATIONALE SPEDITION Děčín a. s.	8	8
Total	272,937	272,995

The equity investment of the Company in EUROFIMA is 1 percent. This equity investment allows the Company to draw finances of this institution, as detailed in Note 4.9. EUROFIMA is a multinational company engaged in the funding of purchases of rail vehicles and development of railway transportation in Europe.

► 4.4. Inventory

	(CZK '000)	
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Spare parts for machinery and equipment	77,274	315,717
Spare parts and other components for rail vehicles and locomotives	1,124,846	507,336
Other spare parts and other minor components	122,693	198,171
Fuels, lubricants and other oil products	25,131	26,442
Work clothes, work shoes, protective devices	233,402	236,737
Other	77,101	104,944
Total cost	1,660,447	1,389,347
Provisions	8,039	5,959
Total net book value	1,652,408,	1,383,388

The Company records provisions against redundant inventory components and/or inventory that carries the risk of its net realisable value being lower than cost.

The inventories required for use in the long-term within the entire Company are gathered in the Supply Centre in Česká Třebová.

► 4.5. Short-Term Receivables

► 4.5.1. Trade Receivables

		(CZK '000)							
Year	Category	Before due date	Past due (in days)					Total	Total
			0 - 90	91 - 180	181 - 365	366 - 730	731 and greater		
2009	Gross	327,704	65,696	47,115	15,151	30,037	19,697	177,696	505,400
	Provisions	0	-363	-36,978	-15,151	-30,037	-19,697	-102,226	-102,226
	Net	327,704	65,333	10,137	0	0	0	75,470	403,174
2008	Gross	628,231,	5,686	15,668	43,445	7,301	23,637	95,737	723,968
	Provisions	0	-26	-4,921	-43,445	-7,301	-23,637	-79,330	-79,330
	Net	628,231	5,660	10,747	0	0	0,	16,407	644,638

► 4.5.2. Intercompany Receivables

(CZK '000)		
Entity	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Short-term receivables		
Trade receivables		
ČD - Telematika a. s.	3,787	3,835
Traťová strojírna společnost, a. s.	7,829	8,389
Výzkumný Ústav Železniční, a. s.	100	151
JLV, a. s.**	1,112	1,916
DPOV, a. s.	50,947	48,642
ČD Cargo, a. s.	123,490	263,096
Total short-term intercompany receivables*	187,265	326,029
Other than intercompany receivables	318,135	397,939
Total short-term intercompany receivables - gross	505,400	723,968
Provision against receivables	-102,226	-79,330
Total short-term trade receivables - net	403,174	644,638

* Receivables from other related parties, except for the above noted, are deemed immaterial and were included in other than intercompany receivables.

** On 28 December 2009, the name of the company changed from Jídelní a lůžkové vozy, a. s. to JLV, a. s.

► 4.5.3. Tax Receivables

As of 31 December 2009 and 2008, tax receivables amounted to CZK 290,189 thousand and CZK 387,641 thousand, respectively, and largely consisted of receivables arising from VAT.

► 4.5.4. Prepayments Made

As of 31 December 2009 and 2008, short-term prepayments made amounted to CZK 140,889 thousand and CZK 110,699 thousand, respectively, and largely consisted of prepayments made for the supply of services (electricity, heat, etc.).

► 4.6. Estimated Receivables

(CZK '000)		
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Cross-border rentals for passenger coaches	454,480	479,297
Income from international transportation - passenger transportation	53,799	144,382
Other	187,291	227,994
Total estimated receivables	695,570	851,673

Cross-border rentals for passenger coaches are billed retroactively for 12 months. Income from international passenger transportation represents an amount due from the transportation services provided as of 31 December 2009 which were not billed to the foreign railway organisations. Other estimated receivables include the estimate of damages for the accident in Studénka of CZK 37 million.

► 4.7. Equity

The Company's share capital is composed of the investment made by the Czech State as the sole shareholder, represented by the Czech Transportation Ministry. The share capital consists of 20 ordinary registered shares with a nominal value of CZK 1 billion. The shares are placed with the shareholder, the Czech Transportation Ministry, and are transferable only subject to the prior consent of the Czech Government.

Information about the substance of individual equity components is presented in Note 3.7 to the financial statements.

The revaluation of the non-current financial assets using the equity method of accounting amounted to CZK -67,805 thousand and CZK -540,203 thousand for the years ended 31 December 2009 and 2008, respectively.

The increase in statutory and other funds predominantly includes an allocation to the social fund in the amount of CZK 185,014 thousand from the profit for the year ended 31 December 2008. The amount of CZK 185,014 thousand represents 2 percent of the annual expenses recognised for salaries and compensation for salaries for the year ended 31 December 2008. Other recognition of the social fund of CZK 134,116 thousand includes repayments of loans from employees and other income.

The General Meeting approved the proposed allocation of the net profit for the year ended 31 December 2008 amounting to CZK 1,611,114 thousand. The amount of CZK 80,556 thousand, i.e. 5 percent of the net profit of 2008, was allocated to the reserve fund and CZK 185,014 thousand was allocated to the social fund. The amount of CZK 449,399 thousand was used to settle the loss of prior years and CZK 896,145 thousand was allocated to retained earnings.

► 4.8. Reserves

	(CZK '000)						
	Balance at 1 Jan 2008	Charge	Use	Balance at 31 Dec 2008	Charge	Use	Balance at 31 Dec 2009
Reserve for rents	14,153	10,819	14,153	10,819	15,220	15,386	10,653
Reserve for legal disputes	12,660	25,585	12,660	25,585	26,687	25,585	26,687
Reserve for outstanding vacation days	94,531	91,816	94,531	91,816	52,693	91,816	52,693
Reserve for removal of the environmental burden	0	0	0	0	35,130	0	35,130
Total reserves	121,344	128,220	121,344	128,220	129,730	132,787	125,163

In the first half of 2009, the Company evaluated the results of the environmental audit performed in selected localities. The audit highlighted the need to provide the clean-up of the areas in Brodkov u Přerova between 2010 and 2012. The budget of the clean-up is CZK 226,737 thousand and is planned to take three years. The funding of CZK 180,962 thousand will be provided from the Environmental Operational Programme in the form of an EU subsidy – Cohesion Fund and CZK 10,645 thousand will be provided from the Slovakia – Czech Republic Cross-border Cooperation Project, Chapter 15. The Company will pay the difference in total expenses of CZK 35,130 thousand from its own funds. A reserve was recognised in respect of these expenses in the financial statements for the year ended 31 December 2009.

All of the reserves charged in the year ended 31 December 2009 are non-tax deductible.

► 4.9. Long-Term Payables

(CZK '000)		
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Payable to EUROFIMA	4,366,672	4,443,396
Issued bonds	2,000,000	0
Other	52,417	193,916
Total long-term payables	6,419,089	4,637,312

In 2004, the Company received a long-term loan from EUROFIMA to finance the purchase of rail vehicles. This loan was increased in the year ended 31 December 2006 by EUR 30 million and by another CZK 30 million in the year ended 31 December 2007. This loan is collateralised by a state guarantee. The amount of capitalised interest on the loan from EUROFIMA for the years ended 31 December 2009 and 2008 was CZK 23,399 thousand and CZK 31,436 thousand, respectively.

To increase its investment funds, the Company issued bonds with a three-year redemption period and fixed coupon of 5 percent p.a. on 14 December 2009 for the first time in its history. The volume of the issue was CZK 2 billion. The issue was not quoted and was intended for private investors. The principal manager of the issue was ČSOB. The issue rate was 98.38 percent as of the issue date.

Other long-term payables in 2009 and 2008 predominantly included construction investments.

► 4.10. Short-Term Payables

► 4.10.1. Trade Payables

(CZK '000)									
Year	Category	Do splatnosti	Before due date					Total	Total
			0 – 90	91 – 180	181 – 365	365-730	731 and greater		
2009	Short-term	4,180,093	505,335	-837	8,679	3,887	7,935	524,999	4,705,092
2008	Short-term	3,234,825	512,354	74,942	22,107	5,275	13,943	628,621	3,863,446

The Company carries no payables to taxation authorities, social security authorities or health insurers past their due dates.

► 4.10.2. Intercompany Payables

(CZK '000)		
Entity	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Short-term payables		
Trade payables		
ČD – Telematika a. s.	143,612	182,238
Traťová strojní společnost, a. s.	123	125
Výzkumný Ústav Železniční, a. s.	926	446
JLV, a. s.**	35,583	37,261
DPOV, a. s.	250,458	210,277
ČD Cargo, a. s.	10,784	35,504
Total short-term intercompany payables*	441,486	465,851
Other than intercompany payables	4,263,606	3,397,595
Total short-term trade payables	4,705,092	3,863,446

* Payables to other related parties, except for the above noted, are deemed immaterial and were included in other than intercompany payables.

** On 28 December 2009, the name of the company changed from Jídelní a lůžkové vozy, a.s. to JLV, a.s.

According to the verified valuation of the non-cash investment as of 1 December 2007, the value of the non-cash investment did not match to the value determined upon the formation of ČD Cargo. The difference of CZK 306 million was recorded as part of short-term payables - Payables to partners and association members. This amount was offset subsequent to the balance sheet date, as disclosed in Note 7.3.

► 4.10.3. Tax Payables and Subsidies

As of 31 December 2009, tax payables were largely composed of personal income tax from dependent activities deducted from the gross wages of the Company's employees amounting to CZK 110,070 thousand (31 December 2008: CZK 98,030 thousand) and an outstanding amount of the investment subsidy received by the Company from the EU of CZK 9,346 thousand (31 December 2008: CZK 7,471 thousand) and an outstanding part of other subsidies of CZK 20,717 thousand (31 December 2008: CZK 12,613 thousand).

► 4.10.4. Prepayments Received

As of 31 December 2009, short-term prepayments received amounted to CZK 138,110 thousand (31 December 2008: CZK 143,519 thousand) and were largely composed of rental prepayments.

► 4.11. Estimated Payables

	(CZK '000)	
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Fees for the use of RIC vehicles	442,110	465,596
Costs of international transportation – passenger transportation	32,248	75,212
Other	571,823	707,622
Total estimated payables	1,046,181	1,248,430

Rentals for passenger coaches of foreign companies in the Czech Republic are billed retroactively for 12 months. Costs of international passenger transportation represent an amount payable arising from unsettled operating output by foreign railway organisations.

► 4.12. Bank Loans

► LONG-TERM BANK LOANS						(CZK '000)
Bank	Currency	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Interest rate	Collateral form	
ČSOB	EUR	1,084,780	1,379,800	3M EURIBOR + 0.5	State guarantee	
Total		1,084,780	1,379,800			

The Company entered into a loan agreement with a consortium of banks led by Československá obchodní banka, a.s. Other members of the consortium are Kreditanstalt für Wiederaufbau, Bayerische Landesbank, Česká spořitelna, a.s. and Deutsche Bank Filiale Prag, org. složka. The loan has been provided to finance the renovation of the Company's rolling stock and is collateralised by a state guarantee issued by the Czech Finance Ministry. This guarantee serves to collateralise the principal balance and interest. As of 31 December 2006, the whole loan facility of EUR 92,065 thousand was drawn. The Company began repaying the loan principal on 25 May 2005 (repayments on 25 May and 25 November each year). As of 31 December 2009, EUR 40,828 thousand was repaid from the aggregate loan facility and the principal of EUR 51,237 thousand remains to be repaid between 2010 and 2014. The final maturity date of the loan is 25 November 2014.

The portion of bank loans maturing after one year from the balance sheet date is included in long-term loans. The portion of bank loans maturing within one year from the balance sheet date is included in short-term bank loans.

Short-Term Bank Loans

As of 31 December 2009, the portion of long-term bank loans maturing within one year from the balance sheet date amounts to CZK 271,195 thousand. In addition, the Company records the drawing of overdraft loans as part of short-term bank loans. The Company did not draw the overdraft facility with KB and ČSOB as of 31 December 2009.

The amount of capitalised interest and relating fees on the long-term banking loan from ČSOB for the year ended 31 December 2009 was CZK 43,521 thousand, of which interest amounted to CZK 40,142 thousand and fees amounted to CZK 3,379 thousand. Interest on the loan from ČSOB is reported as interest expenses of the current period after train sets of the 680 series were put into use.

► 4.13. Income Taxes

► 4.13.1. Tax Payable

The Company reported a tax loss of CZK 3,290,083 thousand for the year ended 31 December 2009. The Company reported a positive tax base of CZK 5,504,000 thousand for the year ended 31 December 2008. After the utilisation of the tax losses for the years 2003, 2004, and partially for 2005, the tax base was CZK 0. The tax losses amounted to CZK 800,927 thousand, CZK 2,175,107 thousand, CZK 2,793,616 thousand and CZK 2,878,475 thousand for the years ended 31 December 2007, 2006, 2005 and 2004, respectively (changes in the tax loss for 2004, 2005 and 2006 as compared to the disclosures provided in the notes to the financial statements for individual years were due to additional tax returns filed during the following years). The difference between the accounting loss and the tax base was predominantly due to the difference between depreciation for accounting and tax purposes.

In the year ended 31 December 2009, the Company paid taxes from individual tax bases relating to dividends from EUROFIMA and HITRAIL paid in 2008 and 2007 in the amount of CZK 507 thousand.

► 4.13.2. Deferred Taxation

The Company has determined a deferred tax asset as follows:

	(CZK '000)	
	Balance at 31 Dec 2009	Balance at 31 Dec 2008
Tangible and intangible fixed assets	-932,623	-563,771
Provisions against fixed assets	254,248	319,446
Trade receivables	14,621	12,297
Inventory	1,528	1,162
Reserves	23,781	25,232
Unpaid contractual fines	-543	-2,560
Unpaid supplier contractual fines	1,337	1,478
Accumulated tax loss	1,451,060	859,971
Total deferred tax asset - unrecognised	813,409	653,255

The Company has decided not to recognise the deferred tax asset on the grounds of prudence and due to the uncertainty regarding the availability of future taxable profits.

► 4.14. Accrued Expenses and Deferred Income

Accrued expenses predominantly comprise the interest and fees from the loan from EUROFIMA and leases.

Deferred income predominantly includes rental income from the gas station leased to OMV, which was prepaid for 20 years.

► 4.15. Income from the Sale of the Company's Products and Services

(CZK '000)						
	Year ended 31 Dec 2009			Year ended 31 Dec 2008		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Income from passenger transportation	4,588,101	1,936,976	6,525,077	4,468,436	1,759,281	6,227,717
Income from other transportation	62,329	0	62,329	32,252	0	32,252
Income from securing railway routes/servicing the route	5,320,273	0	5,320,273	8,686,536	0	8,686,536
Income from other services	1,052,401	0	1,052,401	1,548,136	0	1,548,136
Income from the sale of the Company's products and services	11,023,104	1,936,976	12,960,080	14,735,360	1,759,281	16,494,641

Cross-border income includes the share of the Company of income from the international transportation of goods and passengers, border area services and sales from the cross-border rent of coaches and wagons.

Income from securing railway routes principally represents income from the services rendered to SŽDC and involves securing the management of operations of CZK 5,320,200 thousand (2008: CZK 5,534,922 thousand). In 2008, the income also included securing the operability of CZK 3,151,614 thousand. A description of the transactions between the Company and SŽDC is provided in Note 7.2.

Income from other services includes proceeds from the other activities of the Company, specifically income from the lease of land, buildings and non-residential premises and apartments, income for the commercial-technical services, income from heat and electricity distribution.

► 4.16. Related Parties Transactions

► 4.16.1. Income Generated with Related Parties

► 2009 (CZK '000)						
Entity	Relation to the Company	Material	Services	Other income	Total	
ČD – Telematika a. s.	Subsidiary	20	17,696	2,532	20,248	
Traťová strojná společnost, a. s.	Subsidiary	33,912	3,084	24	37,020	
Výzkumný Ústav Železniční, a. s.	Subsidiary	10	2,076	3	2,089	
DPOV, a. s.	Subsidiary	133,544	44,887	1,036	179,467	
ČD Cargo, a. s.	Subsidiary	673,010	191,537	30,666	895,213	
JLV, a. s.**	Associate	0	675	0	675	
Total		840,496	259,955	34,261	1,134,712	

NOTES TO THE FINANCIAL STATEMENTS ČD, A.S.

► 2008 (CZK '000)					
Entity	Relation to the Company	Material	Services	Other income	Total
ČD – Telematika a. s.	Subsidiary	44	26,992	6,742	33,778
Traťová strojní společnost, a. s.	Subsidiary	44,210	9,529	118	53,857
Výzkumný Ústav Železniční, a. s.	Subsidiary	24	2,186	60	2,270
DPOV, a.s.	Subsidiary	177,879	14,474	2,156	194,509
ČD Cargo, a. s.	Subsidiary	1,120,704	442,891	23,117	1,586,712
Jídelní a lůžkové vozy, a. s.**	Associate	0	10,872	0	10,872
Total		1,342,861	506,944	32,193,	1,881,998

* Income from other related parties, except the above noted, was deemed immaterial and was not disclosed.

** On 28 December 2009, the name of the company changed from Jídelní a lůžkové vozy, a.s. to JLV, a.s.

► 4.16.2. Purchases from Related Parties

► 2009 (CZK '000)					
Entity	Relation to the Company	Purchase of material	Services	Other income	Total
ČD - Telematika a. s.	Subsidiary	20,278	248,529	35	268,842
Traťová strojní společnost, a. s.	Subsidiary	19	430	0	449
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	1,389	0	1,389
DPOV, a.s.	Subsidiary	75,470	599,119	158	674,747
ČD Cargo, a.s.	Subsidiary	7,446	41,238	870	49,554
JLV, a. s.**	Associate	0	126,226	0	126,226
Total		103,213	1,016,931	1,063	1,121,207

► 2008 (CZK '000)					
Entity	Relation to the Company	Purchase of material	Services	Other income	Total
ČD - Telematika a. s.	Subsidiary	32,044	491,489	58	523,591
Traťová strojní společnost, a. s.	Subsidiary	0	6,713	0	6,713
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	2,142	0	2,142
DPOV, a.s.	Subsidiary	28,733	450,614	191	479,538
ČD Cargo, a.s.	Subsidiary	5,267	114,955	4,176	124,398
Jídelní a lůžkové vozy, a. s.**	Associate	0	155,069	0	155,069
Total		66,044	1,220,982	4,425	1,291,451

* Purchases from other related parties, except for the above noted, are deemed immaterial and were not disclosed.

** On 28 December 2009, the name of the company changed from Jídelní a lůžkové vozy, a.s. to JLV, a.s.

► 4.16.3. Purchases and Sales of Fixed Assets and Financial Assets with Related Parties

► SALES IN 2009				(CZK '000)
Entity	Relation to the Company	Intangible fixed assets	Tangible fixed assets	
ČD - Telematika a. s.	Subsidiary	0	8,450	
Traťová strojní společnost, a. s.	Subsidiary	0	10,257	
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	0	
DPOV, a.s.	Subsidiary	0	19,680	
ČD Cargo, a.s.	Subsidiary	0	41,424	
JLV, a. s.**	Associate	0	0	
Total		0	79,811	

Sales of fixed assets in ČD-Telematika include sales of land. In Traťová strojní společnost, a.s. the land amounted to CZK 6,300 thousand of the aggregate amount of sold tangible assets. In ČD Cargo, a.s., the land amounted to CZK 34,928 thousand of the aggregate amount of sold tangible fixed assets.

► SALES IN 2008				(CZK '000)
Entity	Relation to the Company	Intangible fixed assets	Tangible fixed assets	
ČD - Telematika a. s.	Subsidiary	0	0	
Traťová strojní společnost, a. s.	Subsidiary	0	36,600	
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	389	
DPOV, a.s.	Subsidiary	0	259	
ČD Cargo, a.s.	Subsidiary	0	50,912	
Jídelní a lůžkové vozy, a. s.**	Associate	0	0	
Total		0	88,160	

► SALES IN 2009				(CZK '000)
Entity	Relation to the Company	Intangible fixed assets	Tangible fixed assets	
ČD - Telematika a. s.	Subsidiary	43,883	703	
DPOV, a.s.	Subsidiary	0	21,960	
Total		43,883	22,663	

► SALES IN 2008				(CZK '000)
Entity	Relation to the Company	Intangible fixed assets	Tangible fixed assets	
ČD - Telematika a. s.	Subsidiary	10,430	108,847	
DPOV, a.s.	Subsidiary	0	11,080	
ČD Cargo, a.s.	Subsidiary	0	25,488	
Jídelní a lůžkové vozy, a. s.**	Associate	0	5	
Total		10,430	145,420	

* Sales and purchases of fixed assets and financial assets with related parties, except for the above noted, were deemed immaterial and were not disclosed.

** On 28 December 2009, the name of the company changed from Jídelní a lůžkové vozy, a. s. to JLV, a.s.

► 4.17. Consumed Purchases

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Consumed material	1,503,786	1,875,905
Consumed energy	2,146,735	1,848,325
Consumption of fuels	1,231,079	1,484,112
Total consumed purchases	4,881,600	5,208,342

► 4.18. Services

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Repairs and maintenance	1,778,746	2,798,760
Travel expenses	123,822	154,765
Telecommunications, data and postal services	368,297	625,408
Other rental	105,262	100,216
Use of railway routes and allocated capacity of the railway routes	1,467,762	1,776,838
Rent for railway coaches and wagons	446,326	483,890
Freight charges	253,282	219,335
Services of dining and sleeping carriages	126,226	155,069
Services associated with the use of buildings	219,114	239,688
Cleaning and shifting of coaches and wagons	387,095	342,167
Lease	213,826	130,864
Border area services	281,893	249,184
Advertising and promotion	170,946	247,193
Other services	1,015,197	1,027,839
Total	6,957,794	8,551,216

Other services predominantly include expenses related to the environment, audit, education, and similar charges.

► 4.19. Change in Reserves and Provisions Relating to Operating Activities

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Change in reserves	-3,057	6,877
Change in provisions against receivables	25,337	27,663
Change in provisions against tangible fixed assets	-336,203	1,447,794
Change in provisions against inventory	2,080	-6,542
Total change in reserves and provisions relating to operating activities	-311,843	1,475,792

► 4.20. Other Operating Income

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Settlement of losses from passenger transportation from the State budget including the grant for student fares	3,996,611	4,033,518
Settlement of losses from passenger transportation from the regional budgets including the grant for student fares	8,364,233	4,870,668
Other grants	289,808	398,017
Recoveries of receivables written off and transferred	31	276
Contractual penalties and default interest	2,386	12,643
Compensation for deficits and damage	63,191	66,577
Acquisition of material	60,789	158,688
Commissions from sales	54,310	60,768
Other	319,349	412,076
Total other operating income	13,150,708	10,013,231

► 4.21. Other Operating Expenses

	(CZK '000)	
	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Gifts	122	131
Contractual penalties and default interest	7,038	7,389
Other fines and penalties	1,337	272,620
Write-offs of receivables and transferred receivables	10,533	61,482
Deficits and damage relating to operating activities	9,414	58,746
Insurance	113,309	133,186
Employee uniforms and lump sum payments	100,055	105,945
Compensation for asset damage and impaired health	22,560	17,019
Membership allowances	5,925	10,376
Other operating charges	218,383	199,608
Total other operating expenses	488,676	866,502

► 4.22. Financial Income and Expenses

Other financial income and expenses largely include foreign exchange rate gains and losses, and interest on the loans after bringing tangible fixed assets into operations, interest on the loan from EUROFIMA and income from non-current financial assets.

► 4.23. Extraordinary Expenses and Income

Extraordinary expenses and income relate to the sale of the business part as disclosed in Note 1.6.

5 Employees, Management and Statutory Bodies

The following table summarises the average recalculated number of the Company's employees and managers for the years ended 31 December 2009 and 2008:

▶ 2009					(CZK '000)
	Headcount	Wages and salaries	Social security and health insurance	Other expenses	Total staff costs
Staff	28,461	9,729,682	3,108,238	466,702	13,304,622
Management	108	172,445	37,959	7,428	217,832
Total	28,569	9,902,127	3,146,197	474,130	13,522,454

▶ 2008					(CZK '000)
	Headcount	Wages and salaries	Social security and health insurance	Other expenses	Total staff costs
Staff	34,576	10,973,804	3,654,605	554,466	15,182,875
Management	109	184,254	53,563	5,674	243,491
Total	34,685	11,158,058	3,708,168	560,140	15,426,366

In addition to the possibility of using reduced fares, the members of the Company's statutory and supervisory bodies were provided with cash bonuses of CZK 5,979 thousand and CZK 5,940 thousand in 2009 and 2008, respectively. Management of the Company is provided with a benefit-in-kind taking the form of the use of company cars for private purposes.

6 Contingent Liabilities and other off Balance Sheet Commitments

In the year ended 31 December 2009, ČD a. s. concluded no lease or similar contract. No guarantee for the payables of ČD a. s. was provided in this regard.

In the year ended 31 December 2009, two bank guarantees were renewed for the appropriate performance of the Contract for the Public Services in Railway Transport in the Public Interest to Provide for Transportation Needs of the State on the Pardubice – Liberec railway track and Plzeň – Most railway track, each in the amount of CZK 15 million, in respect of the contract entitled "Ordered Transportation between Pardubice and Liberec" with maturity on 11 December 2010 and the contract entitled "Ordered Transportation between Plzeň and Most" with maturity on 11 December 2010.

7 Other Information

► 7.1. Significant Factors Impacting the Company's Operations

The Company was formed pursuant to, and its operations are governed by, general legal regulations governing joint stock companies and Transformation Act No. 77/2002 Coll.). The Transformation Act, inter alia, sets out the scope of the Company's assets and its role in operating railway routes and rendering transportation services in the public interest.

The Company provides transportation services in the public railway passenger transportation segment for a fixed (cost adjusted) price and procures transportation services in designated categories of passenger trains in the Czech Republic's rail network. The scope of these services and the level of compensation (income for the Company) are defined in agreements entered into with the State and territorial self-governing units. The level of the compensation from the orderer (the State) is linked to the volume of funds set out in the State budget to finance provable losses incurred in respect of passenger transportation. On 2 December 2009, the Company concluded the Contract for the Public Service Commitments for the period from 2010 to 2019 with the State.

At the financial statements date, the Company entered into contracts for public service commitments with all regions, or signed amendments to the existing contracts. All contracts or their amendments were concluded before Regulation (EC) No 1370/2007 entered into effect for the period of ten years or more. Similarly as the contract with the State, they are governed by legal regulations that were in effect before the Regulation entered into effect.

A significant change in funding the regional transportation related to the fact that the regions and the State agreed on the additional funding of the regional railway transportation for 2009 in the amount of CZK 3.2 billion. Before Governmental Resolution No. 686/2009 dated 1 June 2009 was adopted, the ordered regional railway transportation was not additionally funded in that approximate amount. Governmental Resolution No. 1132/2009 dated 31 August 2009 secures the additional funding of the regional railway transportation through a special-purpose grant to regions, including the rules for the increase or decrease in the scope of ordered railway transportation and increase in the special-purpose grant in individual following years.

Pursuant to the resolution of the Board of Directors of the Company, changes were made to the "Live Railway Stations" project during 2009. In certain cases, there are negotiations on discontinuing contractual relationships, certain contracts will be modified. The "Karlovy Vary horní nádraží" project was discontinued. The most significant "Praha hlavní nádraží" project is being implemented according to the time schedule with the anticipated completion in summer 2012.

► 7.2. Transactions with SŽDC

In the year ended 31 December 2009, the Company secured the servicing of the railway route on behalf of the operator, SŽDC, s.o. The contract for the servicing of railway routes was entered into in summer 2008 and is also applicable with its amendments in 2009.

The Company operates the railway route and it pays a regulated fee to SŽDC for the use of the railway route. Since 1 January 2009, the fee has significantly decreased (almost by 20%).

EXPENSES AND INCOME

Expenses and income resulting from the transactions conducted with SŽDC for the years ended 31 December 2009 and 2008 were as follows:

► 2009		(CZK '000)
	Expenses	Income
Operation of the railway route	0	5,320,200
Securing railway routes - maintenance of operability	0	0
Use of railway route and allocated capacity of the railway route	1,467,762	0
Consumed traction electricity	1,534,871	0
Other	192,298	0
Total	3,194,931	5,320,200

► 2008		(CZK '000)
	Expenses	Income
Securing railway routes – operations management	0	5,534,922
Securing railway routes - maintenance of operability	0	3,151,614
Use of railway route and allocated capacity of the railway route	1,776,838	0
Consumed traction electricity	1,199,319	0
Other	130,950	0
Total	3,107,107	8,686,536

Income from the securing of the railway route and income from the operation of the railway route in the years ended 31 December 2008 and 2009, respectively, is disclosed as sales of products and services in Note 4.15.

The costs of using railway routes and the allocated capacity of the railway route are reported as services and are disclosed in Note 4.18.

RECEIVABLES AND PAYABLES

As of 31 December 2009, the Company reported receivables from and payables to SŽDC. The aggregate net value of the balances of these items was CZK 751,827 thousand in the year ended 31 December 2009. The payable is reported in 'Trade payables'.

The aggregate net value of the balances of these items represented a payable of CZK 206,334 thousand in the year ended 31 December 2008.

In addition, the Company reported a payable in 2009 arising from unbilled supplies from SŽDC reported as an estimated payable which amounted to CZK 27,003 thousand and CZK 120,008 thousand as of 31 December 2009 and 2008, respectively.

The settlement of railway operations for 2009 and 2008 was recognised and reported as an estimated receivable of CZK 8,053 thousand and CZK 78,354 thousand, respectively.

► 7.3. Post Balance Sheet Events

In January 2010, the decrease in the share capital of ČD Cargo a.s. of CZK 306,000,000 was recorded in the Register of Companies. This legal act was the result of relevant procedures implemented by ČD Cargo in 2009. On 15 March 2010, this receivable arising from the share capital decrease was offset against the payable in the same amount (refer to Note 4.10.2).

In January 2010, the Company concluded two three-year hedging transactions for traction oil transactions with Citibank and ING. For 2010, 30 per cent of the annual consumption of traction oil is hedged. The Company will recognise relevant transactions as hedging derivatives.

Since 1 January 2010, the Company has changed its business strategy in purchasing traction electricity. The supplier of the electricity is ČEZ, a.s. and SŽDC, s.o. continues to be the distributor.

12 Post Balance Sheet Events

On 1 January 2010, ČD, a.s. started purchasing the electricity directly from ČEZ, thus excluding SŽDC, s.o. from the supply chain. The Company anticipates achieving savings of no less than tens of millions of crowns as a result of this new system. ČD, a.s. supplies energy to all other transporters on the state railway network.

Jaroslav Palas was elected a member of the Supervisory Board of ČD, a.s. at the meeting of the ČD, a.s. Steering Committee held on 4 March 2010.

The ČD, a.s. Supervisory Board discussed and subsequently approved the "Strategy of the ČD, a.s. Investment Financing for 2010 and 2011" on 8 June 2010. The document expects the Company to obtain the international rating in the investment grade in autumn 2010 and enter the international capital markets through the issuance of bonds of up to EUR 300 million (CZK 7.5 billion).

13 Declaration of the Board of Directors

Through its Resolution No. 686/2004 adopted at the meeting held on 27 January 2004, the Board of Directors of České dráhy, a.s. decided that the Company will not prepare a Report on Relations between the Controlling and Controlled Entity and on the Relationship between the Controlled Entity and Other Entities Controlled by the Same Controlling Entity for the Year Ended 31 December 2003 (hereinafter the "Related Parties Report"). To date, the Board of Directors has not decided to change this resolution.

In the opinion of the Company, if no controlling contract was concluded, the obligation to prepare a Related Parties Report within three months from the end of the reporting period relates only to the statutory bodies of controlled entities associated in groups where relations are subject to uniform management. Such Related Parties Reports comprise all of the relations within the group to which the relevant controlled entity is included.

The arrangement where the Czech Republic takes the position of a controlling entity is not considered a group because a group consists only of a controlling entity and controlled entities whose enterprises belong to the group. An enterprise is a set of tangible, personal and intangible components of business activities. An enterprise contains objects, rights and other property values owned by an entrepreneur and used for the operation of the enterprise.

14 List of Used Abbreviations

ADPV	Operational work data archive
CAPEX	Capital expenditure
CER	Community of European Railways
ČD	České dráhy, a.s.
ČDC	ČD Cargo, a.s.
ČD-T	ČD - Telematika a.s.
DOZ	Securing system remote control
DTOP	Passenger transport data market
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EC	Passenger train category of higher quality (EuroCity)
EDD	Electronic Travel Journal application
ERA	European Railway Agency
ERTMS	European Railway Traffic Management System
ETCS	European Train Control System
EUROFIMA	European Company for the Financing of Railroad Rolling Stock
GSM-R	Global System for Mobile Communications-Railways
GTN	Graphic and Technological Extension application
GVD	Train time schedule
Hrtkm	Gross tonne kilometres (the total of products of transport weights of trains and transport distance)
IC	Passenger train category of higher quality (InterCity)
IDS	Integrated transport system
IFRS	International Financial Reporting Standards
ISOŘ	Information System of Operational Management
JLV	Jídelní a lůžkové vozy, a.s.
KADR	Railway capacity
Oskm	Passenger kilometres (the total of products of the number of paying transported passengers and distance-related transport fees)
OSŽ	Odborový svaz železničářů/Railway Workers Union
OSŽD	Organisation for Railway Cooperation
PARIS	Sale and Reservation Information System
POP	Portable personal cash desk
ROCE	Return on capital employed
SC	Passenger train category of highest quality (SuperCity)
SENA	System for preparation of timetables
SFDI	State Fund for Transport Infrastructure
SGVD	Railway Transport Achieved Diagram application
SŽDC	Správa železniční dopravní cesty, state organisation
TSI	Technical specifications of interoperability
TSS	Traťová strojní společnost
UIC	International Union of Railways
UNIPOK	Versatile ticket office
Vlkm	Train kilometres (the total of products of the number of trains and distances travelled)
VUZ	Výzkumný Ústav Železniční, a.s. / Railway Research Institute

15 Identification and Contact Information

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