Annual Report of the České dráhy Group

2021

České dráhy
National carrier

Foreword of the Chairman of the Board of Directors

Dear Ladies and Gentlemen,

The year 2021 was extremely challenging for České dráhy due to the ongoing anti-coronavirus measures. During the spring closure of the districts, only one-tenth of the normal number of passengers in average travelled with us, nor did we reach the pre-pandemic numbers for the rest of the year. Therefore, the Parent company České dráhy remained in a loss, which we, however, managed to reduce sharply year-on-year. All other companies of the ČD Group were profitable. According to International Financial Reporting Standards (IFRS) the ČD Group as a whole reported the loss of CZK 1.6 billion.

The joint stock company České dráhy improved its financial result by CZK 2.1 billion since 2020. We worked all year on savings and market measures. Tens of smaller and larger steps brought a positive effect including increased productivity and decreased personnel costs. Strengthening of the Czech crown at the end of the year and the compensation for the first wave of coronavirus, which we received at the end of last year, also partly helped us, although it did not cover the losses incurred. Final result was also negatively impacted by provision recognized for the current legal disputes and impairment loss for fixed assets. Despite the difficult economic situation, we managed to maintain continuity in the fleet renewal last year. New vehicles for regional and long-distance transportation, led by the most modern trains in Europe – InterJet, entered the tracks. We continue to fulfil our obligations to customers and passengers.

The biggest subsidiary ČD Cargo achieved a more than a half a billion better result compared to 2020. While in the first year of the pandemic it ended in a loss, last year it reported a profit after tax of CZK 289 million. The amount of transported goods and sales grew. The largest year-on-year increase in sales was achieved by ČD Cargo in the iron commodities and engineering products, wood and paper products, chemical products and liquid fuels, coal and coke. Foreign branches in Austria and Germany have had a successful year, not only they participated in the implementation of regular transports, but also ensured the delivery of a number of spot business cases. Thanks to this, ČD Cargo remains a solid pillar of the ČD Group and, together with other subsidiaries, contributes to its good economic result.

However it may seem that the worst period of almost empty passenger trains due to coronavirus is over, the ČD Group faces other huge challenges. We have to deal with jump increase in practically all costs, financing of necessary investments, social peace maintaining or market opening. Many of these things are beyond our control. Nevertheless, I am convinced that the ČD Group is strong and has all prerequisites to continue to operate successfully in a fully liberalized market and to provide customers with quality services.

Michal Krapinec
Chairman of the Board of Directors
České dráhy, a.s.

Content

Board of Directors

Michal Krapinec

Chairman of the Board

A graduate of the Faculty of Law of Charles University in Prague, majoring in law and legal science. He started his career in advocacy and has been working for the ČD Group since 2012. At ČD Cargo, he held the position of secretary of the company's management and subsequently took over the department of property management, where he was in charge of foreign expansion. He later served as a member of the Board of Directors of ČD Logistics and a member of the Supervisory Board of ČD - Informační systémy. Subsequently at České dráhy, he led the department of strategy and property management and the project office department. In June 2020, he was elected a member of the Board of Directors of ČD Telematika, and in September of the same year he became the Chairman of the Board of Directors of ČD Telematika. In April 2022, he was elected to lead the parent company České dráhy as the Chairman of the Board of Directors and Chief Executive Officer.

Michal Kraus, MSc.

Vice Chairman of the Board of Directors

Michal Kraus received pedagogical, legal and economic education. In the early 1990s, he worked for Czech Radio. After 1993, he joined Škoda in Pilsen, where he held several positions, e.g. the Head of the Office of the General Director and the Human Resources Director. In 2000, when the company was already operating on the market as Škoda Holding, he became a member of the Board of Directors. In 2002, he started working for Czech Airlines in the position of Human Resources Vice President. From February 2004 to June 2019 he held the position of CEO of the Pilsen City Transport Companies (Plzeňské městské dopravní podniky, PMDP). Since 2015, he has led the Association of Transport Companies of the Czech Republic (Sdružení dopravních podniků ČR), and since 2014 he has also held the position of the Chairman of the Board of Directors of PMDP. He has been a member of the Company's Board of Directors and held the position of the Deputy General Manager for Operations since 14 October 2019. Since July 1, he has been responsible for the service section.

České dráhy
National carrier

Jiří Ješeta

Member of the Board of Directors

After graduating from the Secondary Industrial School of Transport in Strakonice in 1994, he started working for České dráhy as a dispatcher and continued his studies at Jan Perner Transport Faculty of the University of Pardubice in the field of Technology and Traffic Management. In 2001, he joined the Control Department of the ČD General Directorate. He gradually held several managerial positions in the General Directorate of ČD, for example, he was the Director of the Office of the Deputy General Director for Trade and Marketing, the Director of the Passenger Transport Department or the Director of the Regional Transport Department. He was appointed as the Deputy General Manager of ČD for Trade and as a member of the Board of Directors of ČD in May 2020. Since 1 July, he has been responsible for the passenger transport section.

Blanka Havelková

Member of the Board of Directors

A graduate of the Faculty of Arts of Charles University in Prague, majoring in Pedagogy, specializing in social pedagogy, personal and social development, and pedagogical-psychological counselling. During her studies, she worked for the Research Institute of Pedagogy (Výzkumný ústav pedagogický) in Prague, where she was in charge of European social funds and personal social development of children at school. In 2008, she joined the personnel department of České dráhy, where she focused on employee training, and later worked as the head of training in the mentioned department. In 2016, she became the Chairwoman of the Board of Directors at Dopravní vzdělávací institut (DVI), a subsidiary of ČD. At DVI, she focused on developing and expanding a portfolio of services, including projects supporting the care of ČD Group employees and their children. For example, in 2020, the corporate children's group Sovička was established. In February 2022, she was elected to the Board of Directors of České dráhy as the Deputy CEO for Human Resources.

Lukáš Svoboda

Member of the Board of Directors

A graduate of the Faculty of Management at the University of Economics in Prague and the Faculty of Law at Palacký University in Olomouc. He worked in the audit department of PricewaterhouseCoopers, then in the Mergers and Acquisitions department of the same company. In 2013-2014 he worked as a finance manager for Informační linky. From 2014 to 2018, he worked as the director of the controlling division, later as the director of the finance department of Česká pošta. From 2014 to 2020, he was a member of the Board of Directors of Poštovní tiskárna cenin in Prague. From 2019, he worked for ČD - Telematika, a subsidiary of České dráhy, as a CFO and was also responsible for purchasing, logistics and asset management. In April 2022, he was elected to the Board of Directors of České dráhy as Deputy CEO for Economics and Purchasing.


Západ

Fleet Modernization

The quality level of České dráhy is directly dependent on the fleet, with which the national carrier provides its services. Focusing on customer satisfaction therefore means continuous renewal and renovation of the fleet. In addition to passengers, this parameter is also important for public transport customers. Even in 2021, despite the difficult situation caused by the coronavirus pandemic the purchase of new or more modern vehicles and their deployment continued.

IN 2021 ČESKÉ DRÁHY PUT INTO OPERATION NEW VEHICLES

15 RegioPanter two-car electric units (Series 650.2) on the line from Pilsen via Mariánské Lázně and Cheb to Karlovy Vary. This express train line is operated by four units, the first of which were deployed in August 2021. Another 11 units have been serving the regional lines of Klatovy - Plzeň - Beroun since 11 December 2021.

10 five-car InterJet non-traction units for long-distance lines from Prague to Cheb in two directions. The first direction runs through Pilsen and Mariánské Lázně, the second one operates in Ústí nad Labem, Teplice, Most, Chomutov, Karlovy Vary and other major municipalities in north-western Bohemia. The first unit was deployed on 11 December 2021, and others were gradually put into operation as they were taken over from the manufacturer the Siemens-Škoda consortium.

5 non-traction push-pull double-deck units for regional trains from Ostrava to Frýdlant nad Ostravicí and further to Frenštát pod Radhoštěm. The first unit was put into trial operation on 12 December 2021. The units are designed as returnable, i.e. that at one end there is a driver's cabin from which the locomotive placed at the other end of the train is controlled. The advantage of this arrangement is, in addition to faster turns of units, usability in both motor and electric traction. The planned electrification of the line where the units are deployed is therefore not an obstacle to further operation of the units.

IN 2021 ČESKÉ DRÁHY ORDERED FROM VEHICLE MANUFACTURERS

66 two-car PESA motor units, which are conceptually connected to RegioShark units (series 844) from the same manufacturer, operated by České dráhy since 2014. The plan for the deployment of new vehicles envisages the service of regional lines in the Central Bohemian, Pardubice and South Bohemian regions, as well as in the Vysočina Region and in Prague. 33 vehicles will be deployed in the Hradec Králové Region and delivered in 2024–2026.

20 nine-car push-pull non-traction units for international and domestic long-distance transport. The maximum speed of the units will be 230 km/h, with the capacity of 555 seats. Deployment is expected on the lines Prague - Ústí nad Labem - Dresden - Berlin - Hamburg and Prague - Brno - Bratislava – Budapest. The units will be delivered in 2024-2026.

31 three-car electric units RegioPanter (Series 640.2).
The new sets will focus on lines in Prague, the Central Bohemian, Ústí nad Labem and Hradec Králové regions. The units will be delivered in 2024. With this order, České dráhy will draw down two framework contracts for the supply of up to 110 two-car and three-car electric trains with a total value of more than CZK 15 billion. After delivery of all ordered units, the ČD's Panter family fleet will grow up with a total of 147 regional and 14 long-distance trains (the total number of all cars will be 436).

ČESKÉ DRÁHY PUT MODERNIZED VEHICLES INTO OPERATION IN 2021

4 Taurus 1216 series locomotives (brand Siemens ES64U4) purchased from the Austrian carrier Wiener Lokalbahnen Cargo. This increased the number of these locomotives to six. The machines were deployed on lines from Bohumín to Vienna and Prague and from Prague to České Budějovice. The maximum speed of locomotives is 230 km/h, and therefore it is planned to use Taurus locomotives on the line Prague - Hamburg, where this speed will be required from 2025.

22 Stadler RS 1 motor vehicles (series 841.2) acquired from the German carrier SWEG Hohenzollerische Landesbahn in 2020. These vehicles were put into operation during 2021 on the line Louny - Lovosice - Litoměřice - Česká Lípa and Louny - Kralupy nad Vltavou - Velvary. Their modernization will take place in 2022, the implementation will be ensured by the repair company ŽOS Zvolen.

12 Stadler GTW 2/6 motor units (646 series) after modernization. The original vehicles acquired by České dráhy in Germany in 2019 went through a modernization process that included, among other things, the installation of air conditioning, on-board Wi-Fi and small electronics chargers. The first modernized unit was commissioned on 8 December 2021.

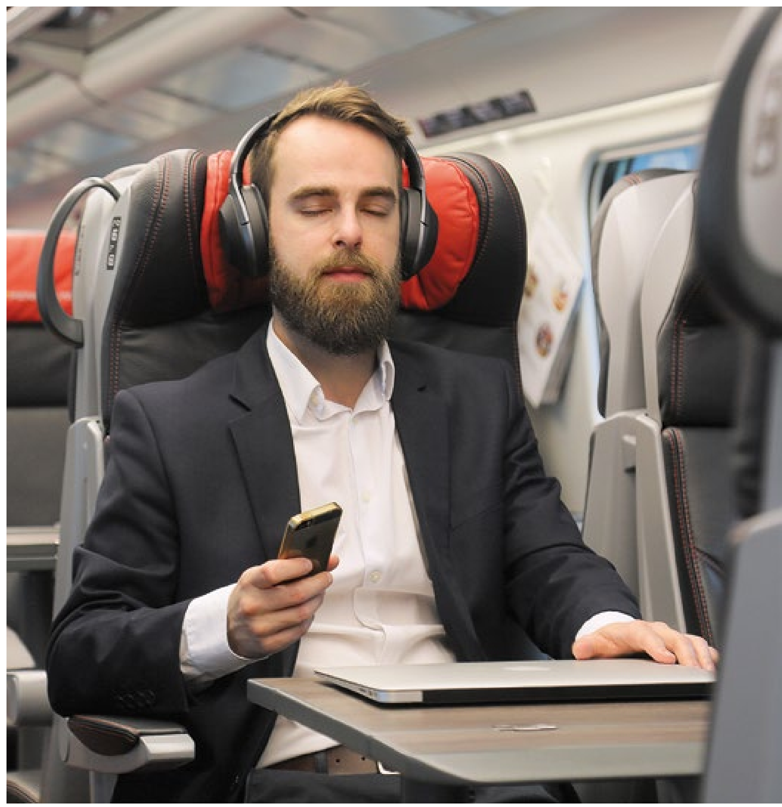
14 motor cars of the 811 series for the Moravian-Silesian Region. In 2020, České dráhy began deploying modernized 811 series motor cars arising from the 810 series. The modernization included a new, more powerful diesel engine, control system, windows, a completely replaced car interior and air conditioning. The last of 14 motor vehicles and trailers was completed in September 2021. The vehicles operate on the regional lines of the Moravian-Silesian Region.

Modern Technologies and Digitalization

The year 2021 was a significant step forward for České dráhy in the area of introducing technological innovations. We managed to put into operation the first units in the Central Europe, which, thanks to the special construction of the windows, better transmit the GSM mobile signal to the interior. Similarly, wireless chargers for mobile electronic devices have appeared on ČD trains for the first time. The development of digitalization, including on-line passenger check-in, also continued.

2021 TECHNOLOGICAL NEWS

- For the first time in the Central Europe, a new window technology developed by Siemens has been used. This provides powerful thermal insulation and at the same time allows easier transmission of the GSM signal. The windows were installed in non-traction units InterJet and push-pull type units designed for the Moravian-Silesian region.
- InterJet units became the first of České dráhy trains equipped with wireless chargers for mobile phones or other portable electronic devices. Chargers are being installed in the 1st class.
- With regard to the growing number of passengers with e-bikes and electric scooters, the new trains were equipped with 230V 50Hz electrical sockets for recharging them. The system also allows charging electric wheelchairs. The sockets are available in units from the Panter family (put into operation in 2021) or non-traction InterJet units.



FAVOURITE TECHNOLOGIES EXPANDED IN 2021

- The number of trains with Wi-Fi on board increased from 1,233 connections (the timetable since December 2020) to 2,248 trains (the timetable since December 2021) thanks to the installation of wireless network in further vehicles. In 2021, Wi-Fi was installed, for example, in 82 CityElefant units of the 471 series, but also in Regionova motor units or 811 series motor cars intended for the Moravian-Silesian Region.
- The number of trains equipped with an information and entertainment on-board portal and a children's cinema has expanded. Thanks to the deployment of InterJet units, the number of connections equipped with the on-board portal increased from 42 to 73. Children's cinemas are provided by České dráhy in 108 connections, compared to 72 in 2020.

Wi Fi Kino

eTiket
Můj vlak

2021 NEWS IN ON-LINE CHECK-IN AND INFORMATION SYSTEMS

- The control of e-Tickets has been simplified. For most tickets, the need to present an identity card is not mandatory due to system improvements.
- The possibility of check-in with integrated transport system tickets in electronic form has been introduced. Passengers can thus purchase IDS JMK (South Moravian Region) and IDPK (Plzeň Region) tickets in the ČD e-shop and in the My Train application.
- The „Můj vlak" (My journey) application has gained the additional function which allows customers to purchase urban public transport tickets in many cities in the form of an SMS ticket. This extension enables to offer the first and last mile services through one single sales channel.
- The application Můj vlak (My Journey) has proven its popularity with high user rating. It received a rating of 4.6 out of 5 possible on the Google Play and App Store platforms.

Sustainable Future

Although the railways are among the most environmentally friendly and energy-efficient modes of transportation, fundamental conceptual changes will take place in near future, which it is necessary to prepare for as soon as possible. Therefore in 2021, Czech Railways initiated the establishment of an institution that should answer the issues related to the Green Deal for Europe and thus prepare for a smooth transition to the new railway age. The Green Railway Association, however, is just a fragment of the activities that České dráhy creates for a sustainable future.

ESTABLISHMENT OF THE GREEN RAILWAY ASSOCIATION

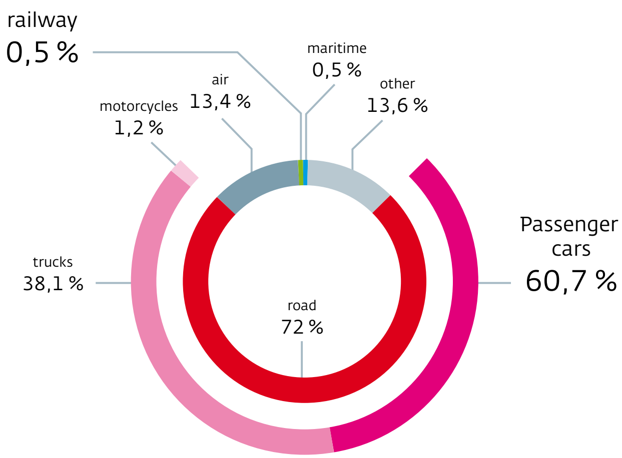
On 17 September 2021, an association which main goal is coordinated development of emission-free transport was established. The association also wants to become a partner of the state and regional governments in creating the necessary legislative framework. As a national carrier, České dráhy is a leader in the introduction of modern technologies on the railways and wants to actively participate in the public transportation becoming more ecological. Therefore, we announced market consultations to map the current state in the development of alternative propulsion vehicles. Nevertheless, a number of unanswered questions remains. For example, it is not clear whether it will be possible to cover the energy intensity of the rail transportation segment from renewable sources in case of a switch to electricity. In case of the alternative fuel - hydrogen - it is not yet known how it would be produced and distributed to trains. There are also questions about the use of currently acquired conventional vehicles after the introduction of new conditions. The members of the association are therefore train manufacturers, as well as academia and other carriers. The founding members of the Green Railway association are České dráhy, ČD Cargo, ŠKODA TRANSPORTATION, Siemens Mobility, CZ LOKO, ČEPRO and the University of Logistics in Přerov.

ADVERTISING CAMPAIGN #VLAKEMEKO

In 2021, České dráhy actively contributed to reducing emission and carbon footprint produced in the territory of our republic through an awareness-raising advertising campaign called #vlakemEKO. The campaign pointed out that everyone can significantly reduce emission and their carbon footprint. In specific examples, it presented positive impact on the environment in case of train preference over a car. For example, a person who travels between Prague and Brno at least once a week will reduce CO2 production by 2.5 tonnes per year when changing from a regular car to a train. The advertising campaign also presented the main bonuses of České dráhy in the form of readiness to make more use of renewable resources, as well as the ability to generate electricity through recuperation and braking. The Czech railways provide 85% of the transport capacity in freight and 80% in passenger transport in electric mode.

More information here

The share of CO2 emissions varies significantly depending on the type of transport



PARTICIPATION IN THE EU CONNECTING EUROPE EXPRESS PROJECT

In 2021, a special Connecting Europe Express train cruised the Europe. Most of the major European railway companies, including České dráhy, took part in this European Union project, which aimed to emphasize the importance of rail transport, show the way to fulfilling the Green Deal for Europe and at the same time draw attention to the need for investment in railway infrastructure. In the Czech Republic, the European train consecutively visited Ostrava, Břeclav, Brno, Prague and Pilsen. On its way it visited all the European Union capitals through which the European railway network passes. Thus České dráhy took the unique opportunity to join in raising awareness of benefits of the railways and helped to inform the general public about where and how this transport system will go and what support it has in European structures.

HOP ON!
#EUYearofRail

OTHER 2021 PROJECTS FOR A SUSTAINABLE FUTURE

- New and modernized vehicles use modern energy-saving LED lighting which saves up to 25% energy.
- The implementation of ČD's commitment to reduce plastics continued. The drinks served on ČD trains are mostly served in paper cups instead of plastic ones, and the wooden stirrers have taken over the plastic ones.
- The ČD Cargo subsidiary carried out the removal of waste after the devastating tornado in the Břeclav region. Rail transport was chosen as the most environmentally friendly. Approximately 35,000 tons of waste was transported by ČD Cargo trains for further sorting and processing in the northern Bohemia.
- The ČD Cargo subsidiary managed to achieve significant energy savings. It was one of the first companies which signed a voluntary agreement on energy efficiency with the Ministry of Industry and Trade. In 2020, ČD Cargo achieved energy savings of 28,827 MWh (approx. 104 TJ) and this trend continued in 2021.


750 235-4
mov
800 - tel. 224 317 203
ěci,
řebným lidem

ČD Cargo

In 2021, ČD Cargo subsidiary, the largest domestic rail freight carrier, continued developing its four strategic pillars, on which it builds its future as a modern dynamic company.

INTEROPERABILITY

- During 2021 ČD Cargo used 10 new TRAXX MS3 electric locomotives in trial operation.
- In 2021, ČD Cargo engaged another 7 Vectron electric locomotives to ensure rising performance abroad
- In 2021, the ČD Cargo's locomotive fleet was enriched by 5 new 744 series locomotives and 17 modernized 742.71 series machines.

EXPANSION ABROAD

- In addition to the Czech Republic, ČD Cargo holds a license to operate rail freight transport in five other European countries.
- In 2021, a 100% subsidiary ČD Cargo Adria that operates in Croatia and Serbia started active business operations.
- In 2021, branches and subsidiaries of ČD Cargo transported more than eight million tons of goods abroad.

INTERMODALITY

- ČD Cargo owns shares in two combined transport terminals in Brno and Lovosice.
- ČD Cargo participates in other projects to build new intermodal terminals, for example in Mošnov or Nymburk.
- In 2021, ČD Cargo transported more than six million tons of goods using modern Innofreight technology.

SOCIAL RESPONSIBILITY

- In 2021, ČD Cargo continued to use electricity produced from renewable sources to operate selected trains.
- In 2021, ČD Cargo continued to reduce the energy intensity of its operations.
- In 2021, ČD Cargo's trains transported almost 250 wagons with worn clothing and other similar goods for the Diakonie social cooperative in Broumov.

Efficient corporations | Customer orientation | People | Finance | Modernization and innovation | Acquisitions

2030 ČD Strategy Project

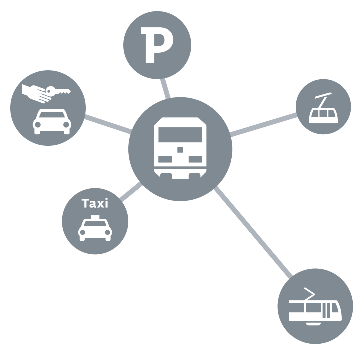
In 2021, after a year-long preparation and analysis, the 2030 ČD Strategy project was launched with aim to identify and fulfil the necessary steps and thus strengthen the ČD Group's position in passenger and freight rail transportation, as well as in railway repair and maintanance services. The project was launched in the spring of 2021 and divided into six pillars for the next 10 years.

EFFECTIVE CORPORATION

- Optimization of the organizational structure reflecting the market liberalization, merging performances and services into one centre and achieving effective company management.
- Thoughtful investments in facilities to obtain cheaper and faster service for our own vehicles, but also to offer services to other owners and carriers.
- Automation of data collection, processing and evaluation. Investments in our own buildings for their own or commercial use.
- Reorganize repairs in the Group.

CUSTOMER ORIENTATION

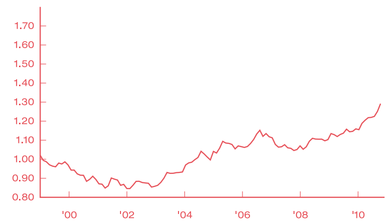
- Strengthening the ČD brand, increasing passenger comfort, satisfaction and safety, expanding the range of services, maintaining the market share of services in the public interest, increasing train occupancy. Support the simple purchase of travel documents for various modes of public transport (typically train and public transport) through further development of the Můj vlak application (My Journey).
- Further development of ČD Taxi, ČD Parking and car sharing services, construction of a charging station for electric cars. Cooperation with municipalities in development of bicycle towers close to railway stations.
- Improving and further accelerating the online sales channel environment to ensure online check- in of up to half of our customers.
- Further development of ČD Wi-fi service to cover most services. Application of new technological trends for easier calling and wireless charging of mobile devices.



PEOPLE

- Staff stabilization, education of the new generation and change of corporate culture to support higher efficiency and customer orientation.
- Strengthening the role, abilities and skills of middle management through development programs.
- Employee development thanks to modern teaching methods and resources, streamlining existing education.
- Acquire prospective candidates on the labour market with a modern approach and improving HR processes.

FINANCE



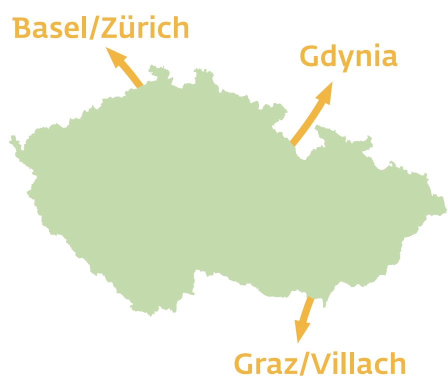
- Securing finance through new sources of financing (EIB / EUROFIMA /
- OPD III / PP), rating maintenance, reduction of debt service costs.
- Drawing on alternative financial sources and exploring previously unused types of beneficial investment financing.
- Balance for EUROFIMA's involvement in financing new trains or developing a service base through PPP projects.

MODERNIZATION AND INNOVATION

- Fleet modernization, digitalization of services, ecology, leading position in transport infrastructure innovation, energy savings.
- Use of Internet of Things (IoT) technology to automatically transmit data on the operating status of locomotives and wagons to maintenance centres.
- Use 3D printing within our own repair capacities for smaller parts and components production.
- Construction of standardized halls with a uniform arrangement of workplaces, warehouses, separate workshops and social facilities.
- Unification of the vehicle fleet via acquisition of new vehicles in larger series.
- Replacement of obsolete vehicles with new or upgraded ones.

ACQUISITIONS

- Acquisitions and strategic partnerships primarily for the expansion of business activities. New opportunities abroad.
- Expanding the offer of international connections in cooperation with neighbouring carriers.
- Support and introduction of new night connections and related services.
- Expansion of the portfolio with the company's own bus transportation (traffic closure, first and last mile transport).

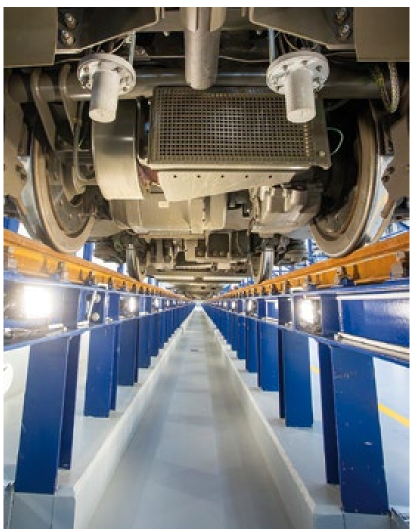


ČD 2030 STRATEGIE

Modernization of Operating Facilities

Modern rail technology also includes new technologies for its maintenance. Therefore in 2021, České dráhy continued to modernize its operating facilities for the maintenance and service of its vehicles. For example, a completely new hall in Brno was commissioned, and also construction of a new facility in Pilsen progressed to the final phase.

At the beginning of 2021, after two years of construction, a new maintenance hall for trains in Brno-Maloměřice was put into trial operation. It has two tracks with a length of over 150 meters and is used primarily for the maintenance of 14 electric units RegioPanter and InterPanter located in Brno, and other České dráhy's trains. It could also be potentially used for servicing the new electrical units of the South Moravian Region. In addition to inspection pits and footbridges, the hall's equipment also includes mobile platforms and a bridge crane with a capacity of 11 tons.



TECHNICAL PARAMETERS AND EQUIPMENT

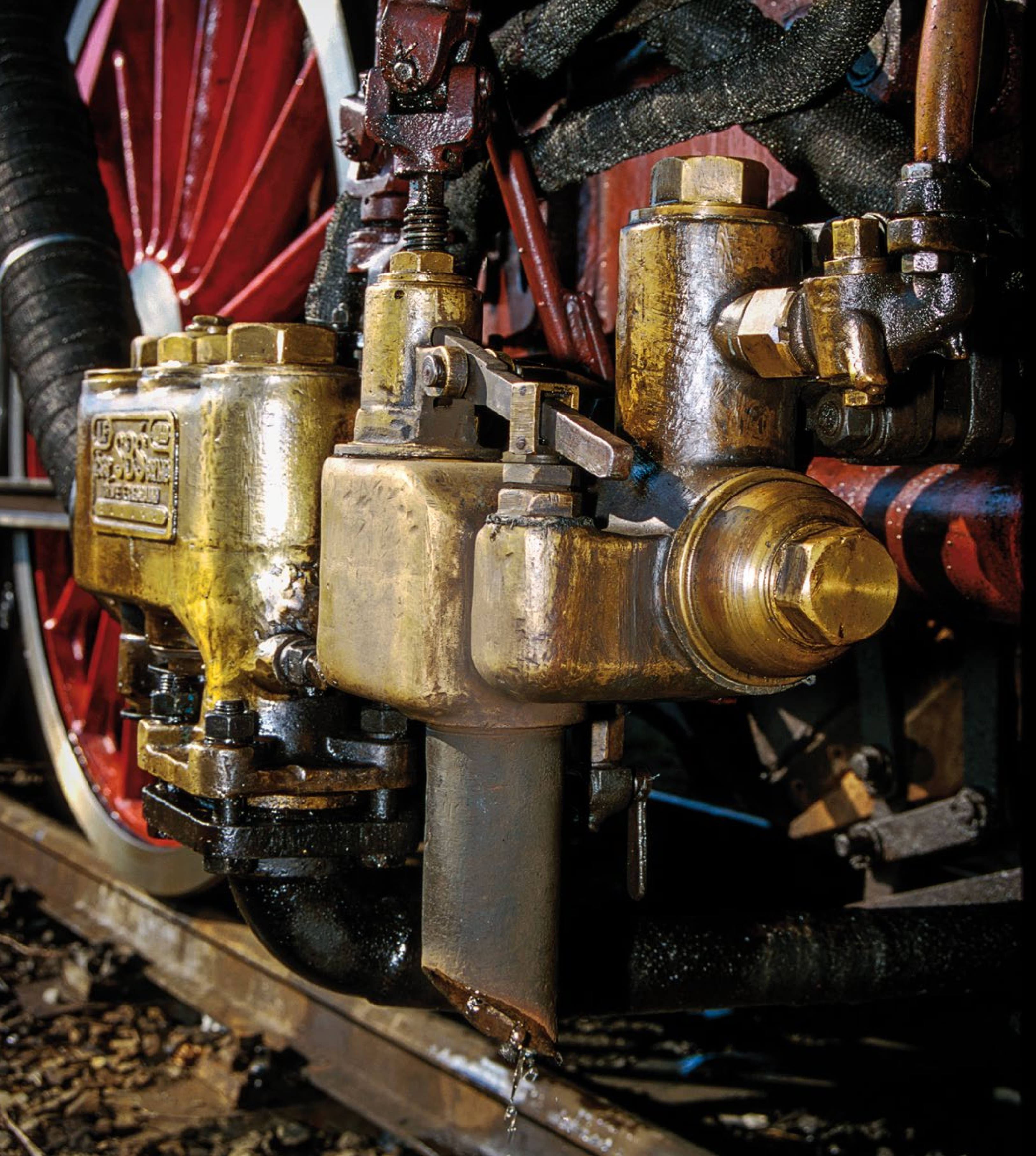
- Length 153.4 meters and width 21.6 meters
- Two tracks, each with a useful length of over 150 meters for the maintenance of trains
- Column inspection pits for vehicle maintenance
- Footbridges on both tracks for access to electrical equipment on the vehicle roofs, one of which is fixed and located along the entire length of the track and the other has two mobile platforms
- Bridge crane over both tracks along its entire length with a load capacity of 11 tons
- Equipment for vacuum suction of toilets or filling the locomotive hopper with sand
- Lifting device for removal of vehicle bogies
- Transformer stations and electrical equipment testing laboratories of both voltage systems (25 kV / 50 Hz AC and 3 kV DC)
- Distribution of hot air in inspection pits to increase the heating comfort for employees
- Energy-saving LED luminaires for hall lighting

In 2021, a sanitary facility was put into operation in Klatovy, which enables year-round water management services (water replenishment, waste tanks emptying) for various types of trains. Klatovy is an important starting point and destination of, for example, the Berounka express trains. The installed equipment allows the operation of not only express trains, but also Regionova, RegioPanter and other units.

Other construction projects of operating facilities were launched. These include a new washing stations in Havlíčkův Brod, an extension of the hall in Trutnov or reconstruction of the track in Bohumín.

Work was also being finalized on a new hall in Pilsen, which, like Brno, will provide modern facilities for service and maintenance, especially of the new RegioPanter electrical units. However, it will also serve RegioShark motor units and other České dráhy vehicles.

In 2021, preparations were made for further investments in the maintenance field, specifically design work on new halls in Cheb, České Budějovice, Havlíčkův Brod, Olomouc and Šumperk. Modernization will also affect the washing stations and siding tracks in Pilsen.



ČD Nostalgia

České dráhy is the only railway carrier in the Czech Republic that not only continuously modernizes its fleet, but also does not forget its history and tradition. Care for cultural and technical heritage, operation of the ČD Museum in Lužná u Rakovníka and tens of nostalgic events a year belong under the wings of the ČD Nostalgie project, which despite the pandemic, did not stop even in 2021.

The biggest celebration for all railway history lovers in 2021 was a large gathering of motor cars organized in the main office of the Historic Vehicles Centre in Lužná u Rakovníka. For the first time, unique motor cars have gathered in one place, especially the five legendary cars M290.002 Slovenská strela, M260.001 Stříbrný šíp, M120.417 Věžák, M274.044 Modrý šíp and M124.001 Komarek (steam motor car).

Despite the changing epidemic situation and the respective measures, those interested in non-traditional experiences did not miss the nostalgic rides. Although the events were limited, they took place in various locations around the Czech Republic. České dráhy also joined the Legiovlak project in 2021, which presented the history of Czechoslovak legionnaires in Russia.

The premises of the ČD Museum in Lužná u Rakovníka also hosted the largest event of the year - Railway Day 2021, which took place on 18 and 19 September 2021. The highlight of the event was a night show with demonstration of historical gems on the turntable in stage lighting. These exhibits included not only the legendary locomotives, but also the Aza 080 saloon car, manufactured and dedicated to the first Czechoslovak president Tomáš Garrigu Masaryk on the occasion of his 80th birthday in 1930.

In 2021, the Historic Vehicles Centre managed to repair the 310.093 steam locomotive manufactured in 1901 by the first Czech-Moravian machine factory in Prague. Another repaired steam locomotive was 354.195 machine from 1925. The T 478.3101 locomotive and several historic wagons then received a new coat of paint. Work was also done on the 423.009 steam locomotive, which is undergoing extensive repairs with planned completion at the beginning of 2022. The repair of the E422.001 electric locomotive for our oldest electrified line from Tábor to Bechyně has also begun.

Customer Service

The offer of additional services for customers goes hand in hand with increasing travel comfort thanks to technologically more advanced vehicles. One of the most popular is ČD Minibar, whose stewards prepared 237,117 portions of coffee for České dráhy's passengers in 2021 and sold more than a ton of popular waffles -Tatranky. ČD Bike rental companies also noted a returned interest in rentals in 2021, and their offer expanded again.

ČDBike
Půjčovny kol ČD

ČD Bike bicycle rentals opened on 1 May 2021 after a long winter break caused by a coronavirus pandemic. This popular service operated in a total of 70 railway stations across all regions of the Czech Republic. New features in 2021 included the opening of a new rental shop in Jeseník, the reopening of the branch in Třebíč and the expansion of bicycle rental options at the Ústí nad Orlicí and the Jihlava station. České dráhy also responded to the growing interest on the rental of e-bikes. Customers already had this option in 22 stations. The total number of rentals in 2021 exceeded 8,000, with the greatest interest in the South Bohemian, Karlovy Vary and Central Bohemian regions and in Prague.

At the same time, the number of places where České dráhy's customers can comfortably store their bicycles has expanded. The new bicycle tower has been built in Milovice and thus became the seventeenth bicycle tower in the country. České dráhy's customers, who hold a contactless chip card („In Card") with one of the valid applications, have bicycle parking in the vast majority of bicycle towers for the first 24 hours free of charge and pay CZK 5 for each additional day of storage.

TRAVELLING WITH CHILDREN

In 2021, the number of connections offering facilities for travellers with children also increased. The number of trains with reserved seats for passengers with children under 10 has increased to 477. These connections offer not only reserved seats and compartments for passengers with children under 10 years, but also low-floor entry and exit for strollers or changing tables. In the new InterJet units and in the railjet and Pendolino trains passengers have available children's cinemas and children's board games on the folding tables with the České dráhy children's mascot, the elephant Elfík. The board game is also available in more than 60 Bbdgmee combined vehicles which run, for example, on EuroCity Metropolitan connections from Prague to Brno, Bratislava and Budapest and the Southern Express from Prague to Tábor, České Budějovice and Linz, or in the Berounka express trains from Prague via Pilsen to Klatovy.

BARRIER-FREE TRAVEL

In 2021, České dráhy helped people with disabilities to fulfil their freedom of movement by removing barriers and introducing services that ensure their greater mobility and comfort in travelling. The number of barrier-free connections has increased, even on completely new lines, for example from Pilsen via Cheb to Karlovy Vary and from Přeštice via Plzeň and Rokycany to Zdice and Beroun. At the end of the year, the company offered up to 5,000 connections a day. It is the largest number of barrier-free connections since the purchase of the first barrier-free train in 1988. A new service on board of the most modern trains, which is recharging of electric wheelchairs batteries during a train journey, also contributes to greater mobility for people in wheelchairs.


railjet
railjet
České dráhy

The ČD Group Endowment Fund – – THE RAILWAY WITH THE HEART

Unfortunately, the employees of the ČD Group did not avoid difficult life situations in 2021. Whether it was a devastating tornado in the Břeclav region in June or a tragic emergency near Milavčí, these moments changed the lives of our colleagues and their families. The RAILWAY WITH THE HEART Endowment Fund was created in 2020 precisely to help those in need in similar difficult times and fulfilled its role in 2021 as well.

The railway workers' work is extremely interesting. However, it requires great concentration and perfect health. Just a second of inattention and the lives of railroad workers can turn 180 degrees. At such a moment, employees and their families need a helping hand the most.

Since its establishment in 2020, the Endowment Fund of the ČD Group - The RAILWAY WITH THE HEART has received CZK 26,336,335 on its account. The founders České dráhy and ČD Cargo have invested a large part of their resources to the fund, the subsidiaries of the ČD Group and other partners have also joined. However, the greatest value comes from the donations of the employess themselves the employees, their friends and other railway fans who are not indifferent to the lives of the people around them.

Where does the RAILWAY WITH THE HEART - Endowment Fund of the ČD Group help? The foundation provided assistance to several railway workers who were seriously injured in the course of their profession and thus suffer from lifelong consequences. The money has been used, for example, to pay for special rehabilitation or to obtain compensatory aids. Further help went to the families of the railway workers who died tragically. The endowment fund contributes to the education and development of their children and will help them in next years. Further support went to the families of railway workers who take care of seriously ill children, for example, with children's cerebral palsy etc. From its inception until the end of 2021, the endowment fund thus helped in tens of cases and paid out an amount of CZK 5,170,000.

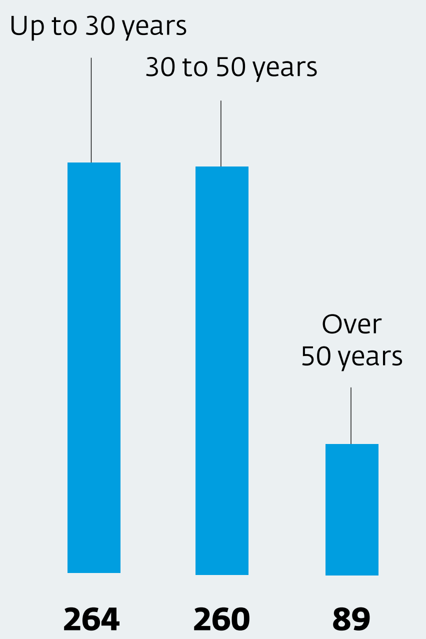
WHAT WE DID TOGETHER IN 2021

- **CZK 5,115,691** – the total amount that was collected on a transparent account during the year
- **CZK 3,080,000** – the total amount of paid by endowment funds (excluding future contributions, for example for the education of orphaned children)
- **CZK 21,164,647** – balance on the transparent account as of 31 December 2021

Human Resources

The activities of České dráhy cannot be done without the work of erudite employees, who, due to the high professionalism and their professional responsibilities, have to go through lifelong education and examination of knowledge and skills. Therefore, a key factor in working with human resources is both quality recruitment as well as education and motivation of adepts in the railway professions through cooperation with schools.

AGE STRUCTURE NEWLY HIRED EMPLOYEES



THE FOLLOWING RECRUITMENT ACTIVITIES WERE IMPLEMENTED IN 2021

- 308 open advertisements were published, to which a total of 9,199 applicants responded. Of these, 43.7% of applicants responded for advertising on career sites (27.6% Práce.cz, 25.5% Jobs.cz).
- 613 new employees were hired from external sources, of which 589 were full-time and 24 were part-time:
  - Service and maintenance:133
  - Station staff: 34
  - Train drivers and dispatchers: 146
  - Train staff: 209
  - TEW (technical and economic workers): 91

IN 2021 ČESKÉ DRÁHY IMPLEMENTED THE FOLLOWING HR MARKETING ACTIVITIES

- Professional internships and trainings were implemented for about 400 students of secondary vocational schools.
- About 70 students were accepted to the Čédés scholarship program.
- České dráhy was presented at job fairs and open doors days Open days, Job Challange Brno, Secondary School Fair in Tišnov, Labor Exchange in Kutná Hora, Company Day in Klatovy, Open Day at SPŠD Plzeň, Secondary School Fair in Brno, Open Day at the Transport and technical Secondary School in Ostrava.
- A recruitment video was recorded for the purpose of promotion at Higher Vocational School and Secondary Industrial School in Prague.
- Retraining courses for electricians POVEZ were implemented.

- A relaxation zone for students was built on the premises of the Jan Perner Faculty of Transport, University of Pardubice.
- A comprehensive offer of internships, apprenticeships, trainings, lectures, consultations of bachelor's and master's theses and excursions was distributed to schools. Lectures were held, for example at the Faculty of Economics and Administration of the University of Pardubice, and excursions in the new repair hall in Brno-Maloměřice.
- A newly created manual was distributed to new employees for easier adaptation.
- In cooperation with the Gustav Habrman Secondary School of Technology and Transport in Česká Třebová, a pilot project of the Railway Academy was launched.
- The content management on the ČD career website was adjusted and the sections of the most requested positions were expanded. The website was supplemented with a video of professions and employees.

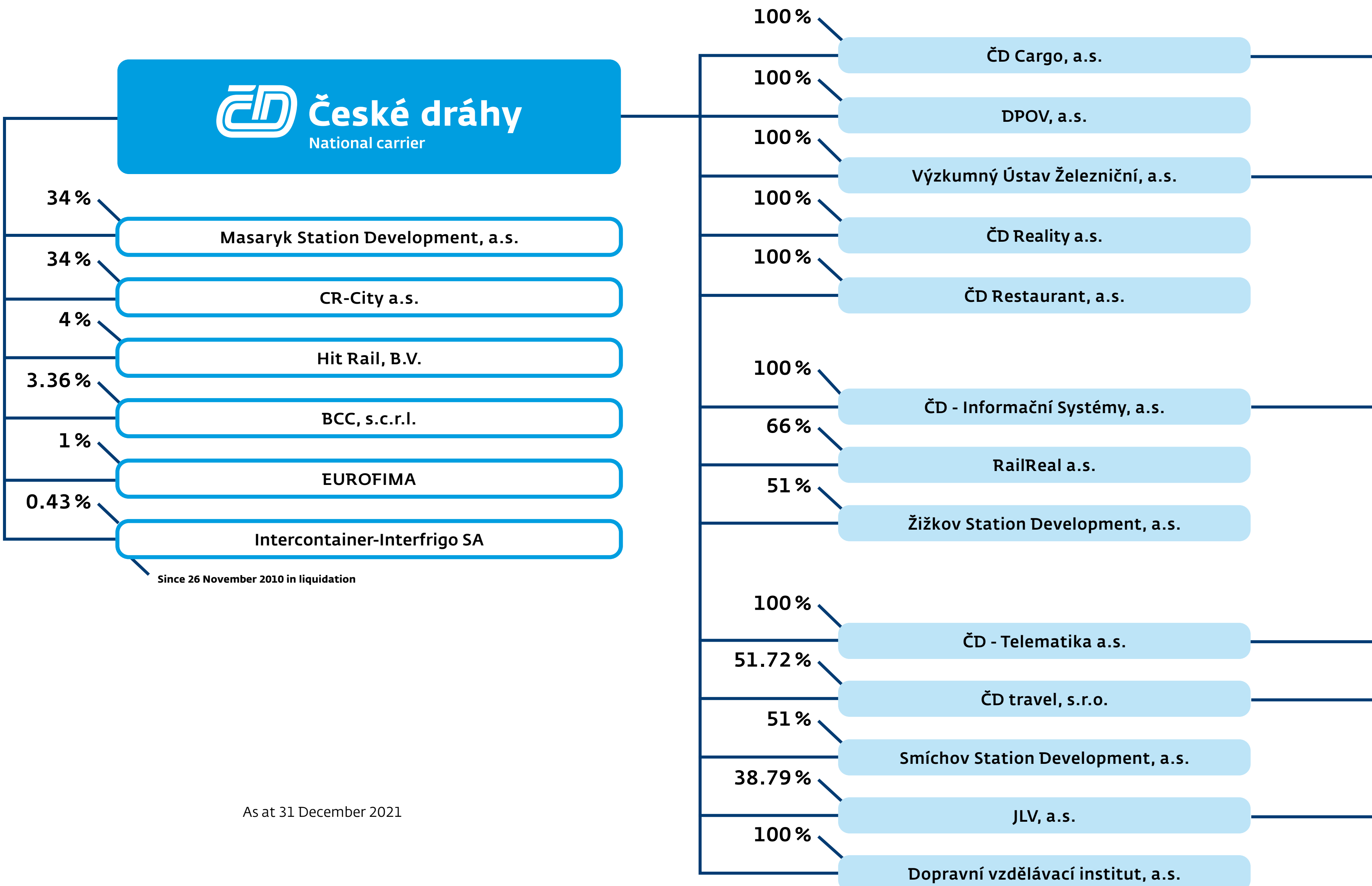
NATIONALITY STRUCTURE
Newly hired employees

Czech: **599**

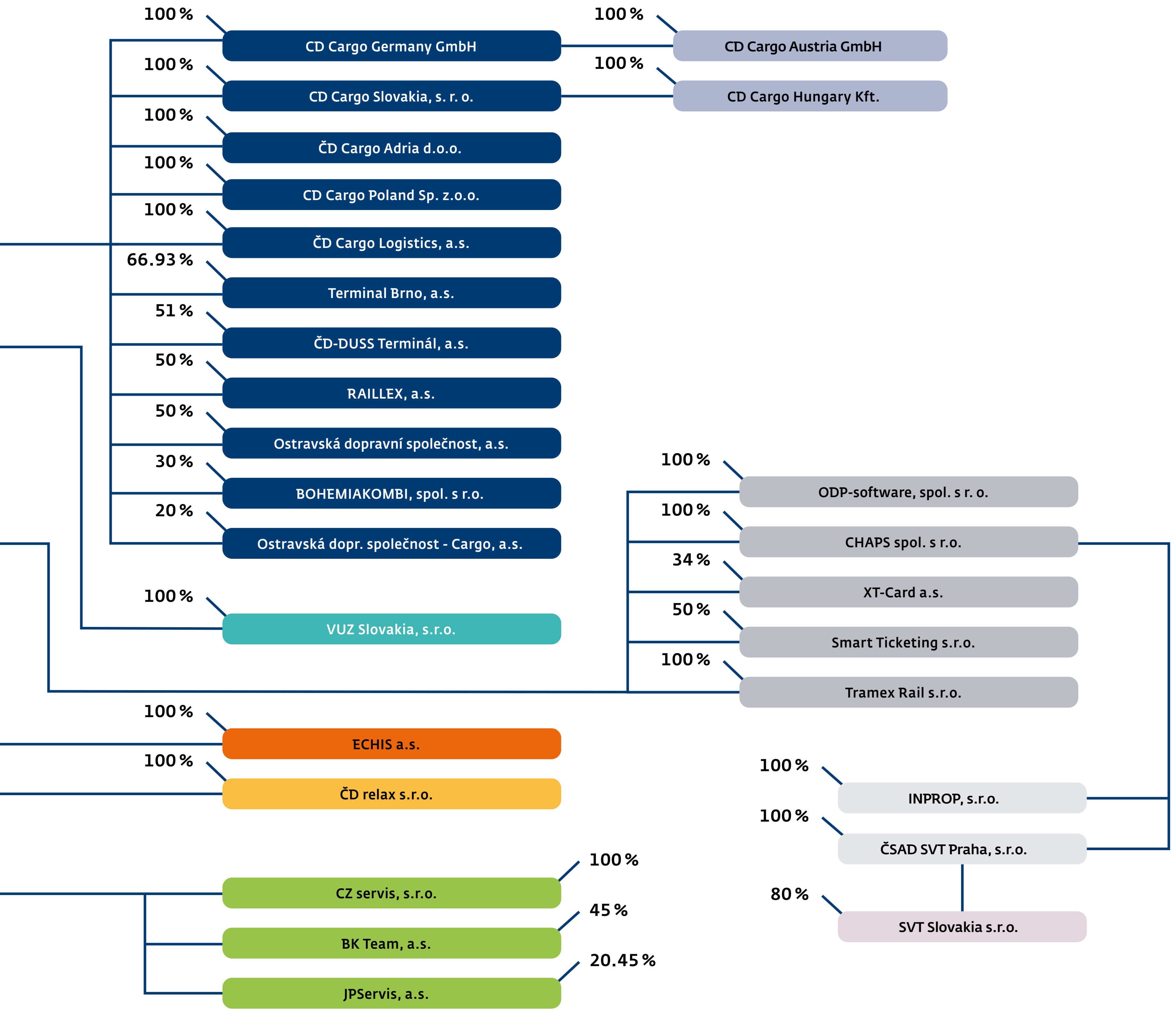
Slovak: **13**

Polish: **1**

Overview of Ownership Interests of the ČD Group

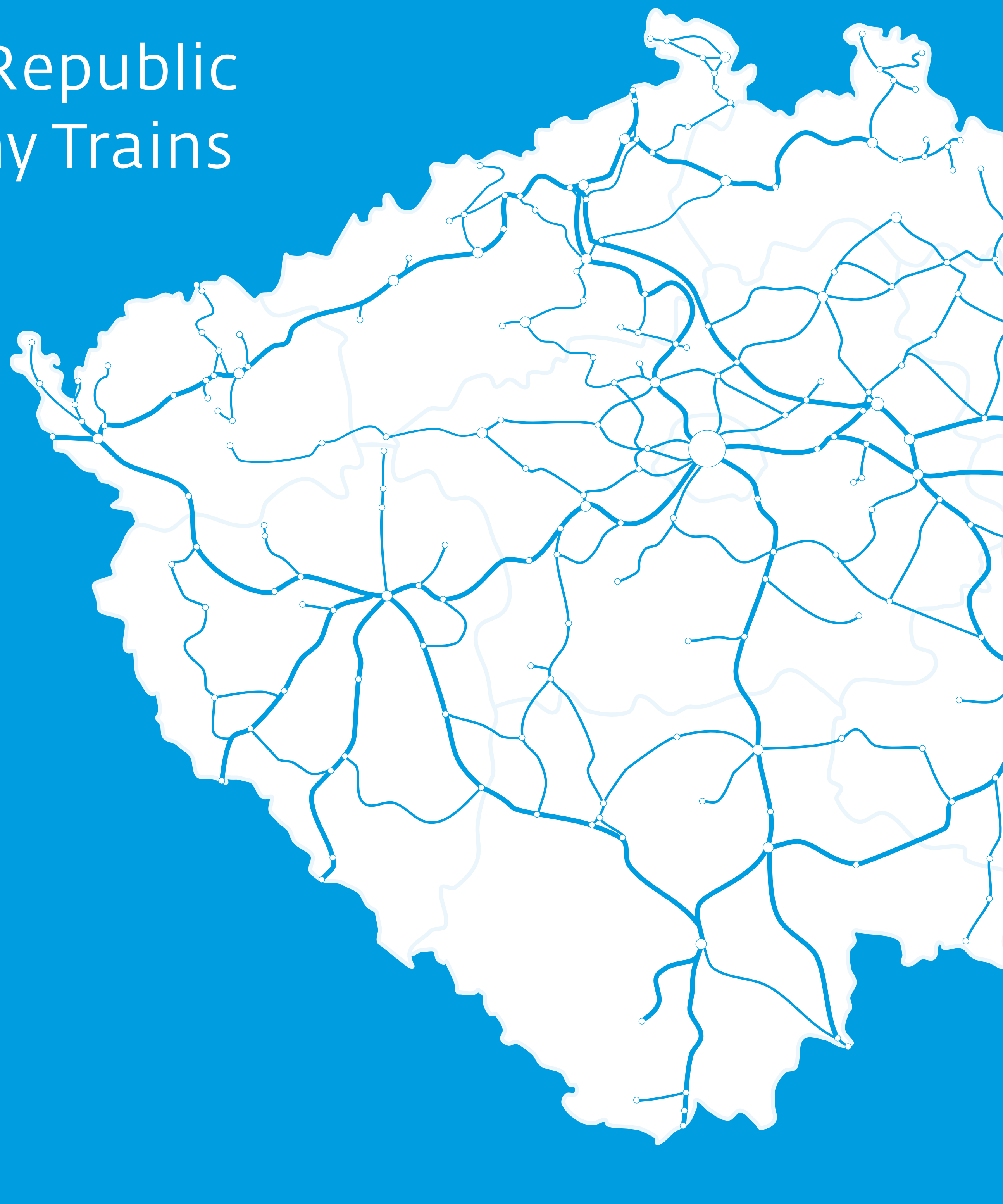


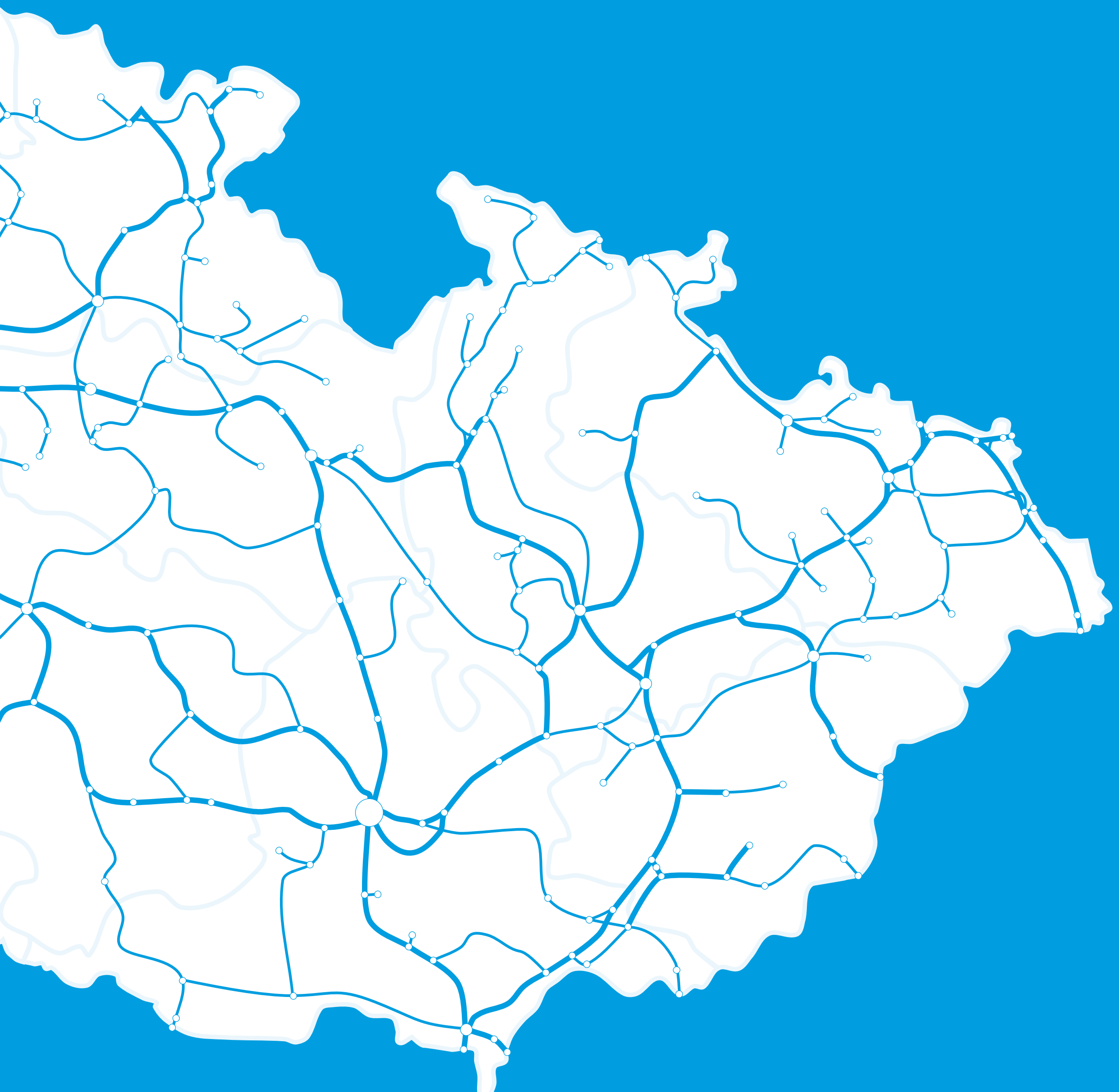
As at 31 December 2021


100 %
CD Cargo Germany GmbH
100 %
CD Cargo Austria GmbH
100 %
CD Cargo Slovakia, s. r. o.
100 %
CD Cargo Hungary Kft.
100 %
ČD Cargo Adria d.o.o.
100 %
CD Cargo Poland Sp. z.o.o.
100 %
ČD Cargo Logistics, a.s.
66.93 %
Terminal Brno, a.s.
51 %
ČD-DUSS Terminál, a.s.
50 %
RAILLEX, a.s.
50 %
Ostravská dopravní společnost, a.s.
30 %
BOHEMIAKOMBI, spol. s r.o.
20 %
Ostravská dopr. společnost - Cargo, a.s.
100 %
VUZ Slovakia, s.r.o.
100 %
ODP-software, spol. s r. o.
100 %
CHAPS spol. s r.o.
34 %
XT-Card a.s.
50 %
Smart Ticketing s.r.o.
100 %
Tramex Rail s.r.o.
100 %
ECHIS a.s.
100 %
ČD relax s.r.o.
100 %
INPROP, s.r.o.
100 %
ČSAD SVT Praha, s.r.o.
80 %
SVT Slovakia s.r.o.
100 %
CZ servis, s.r.o.
45 %
BK Team, a.s.
20.45 %
JPServis, a.s.

86 - 72 001 - 2
Ministerstvo dopravy
Státní fond dopravní infrastruktury

Coverage of the Czech Republic by České dráhy Trains





České dráhy
National carrier

Main Indicators for the ČD Group

Key indicators	2021	2020	Difference	Index
Revenues (CZK million)	38,534	35,915	2,619	107.3
EBITDA from continued operations (CZK million)	7,993	4,893	3,100	163.4
EBIT from continued operations (CZK million)	(1,056)	(2,855)	1,799	37
Profit (loss) for the period from continued operations (CZK million)	(1,838)	(4,321)	2,483	-
Profit (loss) for the period (CZK million)	(1,636)	(4,135)	2,499	-
Total assets (CZK million)	103,524	95,719	7,805	108.2
CAPEX (CZK million)	10,686	7,724	2,962	138.3
Depreciation and amortisation (CZK million)	9,049	7,748	1,301	116.8
Leverage – liabilities/total assets (%)	64.4	61.0	3.4	105.5
Debt / EBITDA - loans and borrowings / EBITDA	6.0	9.3	(3.3)	64.5
Current liquidity (%) – current assets / current liabilities	67.2	99.9	(32.7)	67.3
Average number of employees	22,037	23,138	(1,101)	95.2
Passenger transportation				
Number of passengers (million)	120.7	117.7	3.0	102.5
Traffic performance (million person-kilometres)	5,407	5,127	280	105.5
Transport performance (million train-kilometres)	113.5	113.9	(0.4)	99.6
Average traffic distance (km)	45	44	1	103.0
Occupancy ratio (%)	22	21	1	105.3
Freight transportation				
Traffic volume (million tones)	62.8	61.0	1.8	103.0
Traffic performance (million tariff ton-kilometres)	11,180	10,545	635	106.0
Transport performance (billion gross ton-kilometres)	22.8	20.7	2.1	110.0


České dráhy


České dráhy
Oblastní centru
651 209-9
PLZEŇSKÝ KRAJ
České dráhy
651 208-1


um údržby Západ
651 206-6
České dráhy
Národní dopravce
651 205-7


interJet

Our Vision

To be a leader
in national mobility in the field of long-distance and regional transportation.

To be the first choice
of the customer / passenger in terms of comfort, safety and reliability

To emphasize interoperability,
intermodality and foreign expansion in the field of freight transportation.

To digitalize
distribution channels and internal processes of the ČD Group

To be an environmentally friendly company
with the lowest carbon footprint in the Czech transportation sector.

Provide services
with high added value to other carriers in the market.

To be a financially stable
company with enough resources for further development.

To be one of the best
employers in the Czech Republic with a valuable social responsibility program.

Corporate Governance

Legal Relations of the Company

The legal relations of the joint stock company České dráhy, a.s. (hereinafter "ČD" or the "Company") are governed by:

- Act No. 77/2002 Coll., on the joint stock company České dráhy, the Railway Administration state organisation, and on the Change of Act No. 266/1994 Coll., on Railways, as amended, by Act No. 77/1997 Coll., on the State Enterprise, as amended;
- Act No. 89/2012 Coll., the Civil Code, as amended;
- Act No. 90/2012 Coll., the Act on Business Corporations and Cooperatives, as amended.

The legal relation of the Company, as well as the rights and obligations of the shareholders and Company's bodies, are comprehensively stipulated in the Articles of Association.

Shareholder´s Structure and Bodies of the Company

The Czech Republic is the sole shareholder of ČD. The supreme body of the Company is the General Meeting. When the Company only has a sole shareholder, the General Meeting is not held and the sole shareholder acts in the capacity of the General Meeting. The scope of the General Meeting's powers is set forth in the legislation stipulating the legal relations of the Company and the Articles of Association of the Company.

The Company did not acquire any own shares in 2021.

Steering Committee

The state exercises its sole shareholder rights in the Company through the Steering Committee. The Steering Committee is composed of three employees from the Czech Ministry of Transport (MT) and one employee from each of the following ministries: Finance (MF), Defence (MD), Industry and Trade (MIT), and Regional Development (MRD), who are appointed by the government. The decision-making procedure of the Steering Committee is governed by the legislation stipulating the legal relations of the Company, the Company's Articles of Association and the Steering Committee's Rules of Procedure. The business addresses of the members of the Steering Committee are located at the headquarters of the Company. As at the monitored date, the seat of the representative of the Ministry of Regional Development was vacant.

The members of the Steering Committee as at 31 December 2021 were as follows:

Jakub Kopřiva	Chairman, representative of MT
Ladislav Němec	Vice-Chairman, representative of MT
Petr Pavelek	Member, representative of MF
Eduard Muřický	Member, representative of MIT
Luděk Sosna	Member, representative of MT
Richard Vítek	Member, representative of MD

Richard Vítek was elected a member of the ČD Steering Committee on 12 July 2021 as a representative of the Ministry of Defence (MD).

Supervisory Board

The Supervisory Board has six members. Two-thirds of the members are elected by the sole shareholder through the Steering Committee and one-third is elected by employees pursuant to the election procedure approved by the Company's Board of Directors following discussions with the relevant trade unions. The term of office of a Supervisory Board member is five years. The Supervisory Board meets as needed, usually on a monthly basis but at least four times a year. The Supervisory Board oversees activities of the Board of Directors and the Company and presents its opinion to the General Meeting.

The decision-making procedure of the Supervisory Board is governed by the legislation stipulating the legal relations of the Company, the Company's Articles of Association, and the Supervisory Board's Rules of Procedure. The business addresses of the members of the Supervisory Board are located at the headquarters of the Company.

The members of the Supervisory Board as at 31 December 2021 were as follows:

Lenka Hlubučková	Vice-Chairwoman
Vojtěch Kocourek	Member
Antonín Leitgeb	Member
Jan Vrátník	Member
Vladislav Vokoun	Member
Pavel Kysilka	Member

Lenka Hlubučková was elected a Vice-Chairwoman of the Supervisory Board on 31 December 2021. Chairman of the Supervisory Board Pavel Kysilka resigned from the position of the Chairman of the Supervisory Board on 31 December 2021. As of 10 February 2022, the Steering Committee dismissed Jan Vrátník and Vojtěch Kocourek, and appointed Miroslav Zámečník, Petr Šlegr and Jiří Minka as new members of the Supervisory Board.

The Supervisory Board within its competence sets up the Real Estate Management Committee, Remuneration Committee and Rolling Stock Committee.

The Real Estate Management Committee discusses the proposals for the prior consent of the Supervisory Board to dispose the property in cases where such consent is required under the Company's Article of Association and when the discussion of the proposal in the Committee before submission to the Supervisory Board is required by internal regulation on the sale and lease of ČD's rea1 estate. The Committee members are appointed and dismissed by the Supervisory Board. The decision-making process is particularly maintained by the Company's Article of Association and, in detail, by the rules of procedure of the Committee, approved by the Supervisory Board.

The Remuneration Committee monitors the compliance with the rules for remuneration of members of the Board of Directors. According to these rules, remuneration of the members of the Board of Directors depends particularly on achievement of objectives. The Committee also reviews proposals for the remuneration and other benefits to members of the Board of Directors and submits to the Supervisory Board its opinion and recommendations on these proposals. The Committee members are appointed and dismissed by the Supervisory Board. The decision-making process is particularly maintained by the Company's Article of Association and, in detail, by the rules of procedure of the Committee, approved by the Supervisory Board.

The Rolling Stock Committee is an advisory body to the Supervisory Board, which discusses proposals of the ČD Board of Directors regarding the strategy and concept for the rolling stock renewal. The decision-making process of the Committee is governed by the Company's Articles of Association.

Board of Directors

The Board of Directors is the statutory body of the Company. The Board of Directors is responsible for business management. The Board of Directors is composed of five members. Members of the Board of Directors are appointed and dismissed by the Supervisory Board. The Board of Directors meets as needed, usually on a weekly basis but at least once every three months. In particular, the Board of Directors of the Company decides on all matters of the Company within its competence, unless they are reserved by the relevant legal regulations and the Company's Articles of Association, to the competence of the General Meeting, the Supervisory Board, or the Audit Committee. decides on all the Company's affairs unless they are reserved based on relevant regulations, the Company's Articles of Association, to the competence of the Genera1 Meeting, the Supervisory Board, or the Audit Committee. The decision-making procedure of the Board of Directors is governed by the legislation stipulating the legal relations of the Company and by the Company's Articles of Association. The business addresses of the members of the Board of Directors are located at the headquarters of the Company.

Members of the Board of Directors as at 31 December 2021:

Ivan Bednárik	Chairman
Václav Nebeský	Vice-Chairman
Michal Kraus	Member
Petr Pavelec	Member
Jiří Ješeta	Member

At the extraordinary meeting of the Supervisory Board held on 15 February 2022, the resignation of Václav Nebeský, the Vice-Chairman, was accepted effective from 15 February 2022. Michal Kraus was appointed as a Vice-Chairman of the Board of Directors, effective from 16 February 2022. The resignation of Petr Pavelec, member of the Board of Directors, was accepted effective from 15 February 2022. The resignation of Ivan Bednárik, the Chairman of the Board of Directors, was accepted effective from 28 February 2022. Blanka Havelková was appointed as a member of Board of Directors effective from 16 February 2022. At the meeting on 24 March 2022 the Supervisory Board appointed Michal Krapinec to the position of a Chairman of the Board of Directors and General Director of České dráhy effective from 4 April 2022. On 7 April 2022 the Supervisory Board appointed Lukáš Svoboda as a member of the Board of Directors, effective 8 April 2022.

Audit Committee

The members of the Audit Committee are appointed and dismissed by the sole shareholder through the Steering Committee. The Audit Committee has three members. The term of office of an Audit Committee member is five years. The Audit Committee meetings are held as and when needed, however at least four times a year. The activities of the Audit Committee are based on Act No. 93/2009 Coll., on Auditors, as amended, and the Company's Articles of Association. The audit Committee's decision-making procedure is stipulated by the Company's Articles of Association.

The members of the Audit Committee as at 31 December 2021 were as follows:

Tomáš Vyhnánek	Chairman
Otakar Hora	Vice-Chairman
Lenka Hlubučková	Member

On 12 November 2020, the term of office of Tomáš Vyhnánek expired. On the proposal of the Chairman of the Company's Steering Committee, the decision of the Steering Committee was taken outside the meeting (per rollam), in which Tomáš Vyhnánek was re-elected as a member of the Company's Audit Committee, effective from 11 January 2021.

Internal Audit

Internal audit function is in competence of the Internal Audit and Control department, which reports to the Board of Directors. The Audit Committee oversees the independence and effectiveness of Internal Audit.

The Internal Audit of ČD is based on the principles of the International Standards for the Professional Practice of Internal Auditing. In accordance with the standards, it was subject to an independent external assessment thanks to which the quality of the internal audit services is ensured and undergoes constant improvement. The activities and operation of the ČD's Internal Audit have been assessed as compliant with international professional standards at the last external evaluation in 2020. The Internal Audit of ČD fulfils the role of an independent "third line of defence" of the conceptual layout of internal controls within the framework of the "three lines of defence" principle of the organization.

The Internal Audit also communicates and cooperates with external control bodies, the external auditor and criminal law authorities and secures the agenda related to the notification, registration and investigation of fraud and unfair conduct in ČD (whistleblowing) and together with the Compliance Officer.

Compliance

The area of Compliance was strengthened by the introduction of the Compliance Officer position, which has been filled by Tomáš Kotyk. The goal of the Compliance function is to monitor the conduct of the Company and to ensure that the conduct of the Company, its employees and the management is in line with legal regulations and internal Company's guidelines, with an emphasis on compliance with corporate ethics, e.g., Code of Conduct.

The Company has implemented a decentralized compliance model.

The Legal, Security, Internal Audit and Control and Human Resources departments play a specific role in compliance. The Legal department coordinates and oversees the compliance function. The Internal Audit and Control department carries out activities in the area of fraud and unfair conduct investigation, proposes a risk management system strategy, monitors individual risks and maintains a system of risk monitoring and evaluation. The Human Resources department is a unit that creates and fulfils the concept of employee education.

In the area of personal data protection, the compliance officer appointed for this purpose is responsible for the personal data protection.

Risk Management and ISO Management Systems

The key objective of the implemented risk management system in the ČD Group is to continuously limit the adverse impact of risks on the financial results of the entire Group, i.e., to eliminate the risks of revenue decrease or costs increase at the maximum possible extent. The risk management system in ČD's conditions is based on the corporate governance rules framework and is part of the "second line of defence" of the conceptual framework of internal controls within the framework of "three lines of defence" principle of the organization.

A significant role in the risk management system is played by the Risk Management Committee of ČD which fulfils a function of a permanent advisory body of the Board of Directors and meets at least four times a year.

A unified system for recording and evaluating risks is used within the entire ČD Group including the same way of risk quantification and categorization, which allows providing comparable data, especially when compiling the current overall risk position. Continuous monitoring of risk development and regular risk evaluation, which is linked to respective approved limits, ensure that the Group management keeps being regularly informed about the current risk position.

As a substantial part of the "second line of defence" there are also management systems implemented in line with the requirements of international ISO norms. Selected standards are binding for ČD due to the fulfilment of the legislation requirements or based on the commitment of the ČD's Board of Directors in the area of quality of offered services or emphasise the area of safety and health protection of employees.

Currently, the main activity of České dráhy, i.e., passenger transportation, including the operation and maintenance of rolling stock, is certified according to ISO 9001 and ISO 45001. The Company is also certified in the field of energy management according to ISO 50001.

The goals and methods of the Company's financial risk management are described in detail in the separate financial statements for the year 2021 in Notes 33.6 – 33.11. The goals and methods of the Group's financial risk management are described in detail in the consolidated financial statements for the year 2021 in Notes 36.4 – 36.9.

Information on Corporate Governance Codes

ČD has implemented and applies the Code of Ethics of České dráhy, a.s. and the Code of Ethics of a trading partner of České dráhy, a.s.

Human Rights

ČD strives for a safe and healthy working environment and its continuous improvement, provides equal opportunities to all, and does not allow discrimination, even in its hidden form. ČD provides equal opportunities to all people regardless of race, colour, gender, nationality, religion, ethnicity or any characteristics, does not permit or tolerate any form of harassment, intimidation or forced or illegal work.

ČD respects the privacy of its employees. The relationship between ČD and its employees is based on mutual trust, respect and dignity. ČD does not allow any form of discrimination against employees.

At the same time, ČD makes sure that employees pay maximum attention to and respect the personality and privacy of their colleagues.

Whistleblowing has long been set up as one of the tools to ensure the above, which serves, among other things, to report or warn of violations of standards, policies, rules, illegal, corrupt or unethical behaviour in the workplace or in the surrounding social environment.

Report on the Activities of the Supervisory Board of České Dráhy, a.s. for the Year 2021

In 2021, the Supervisory Board held ten ordinary and three extraordinary meetings in the registered office of České dráhy, a.s. and the Supervisory Board always had a quorum. The Chairman of the Board of Directors regularly participated in the meetings of the Supervisory Board. As needed, also other members of the Board of Directors attended.

The Company's Supervisory Board performed its activities and fulfilled all the tasks in accordance with the legal regulations and the Company's Articles of Association, using all the possibilities stipulated within the Company's Articles of Association for its oversight activities.

As part of its oversight activities, the Supervisory Board monitored whether the activities of the Board of Directors and of the Company are duly performed. The Board of Directors regularly informed the Supervisory Board on the current activities of the Company, the Company's economic results and financia1 position, financial risks and risk profile of the Company, and on the economic results of subsidiaries, particularly ČD Cargo, a. s.

At the meetings of the Supervisory Board, requested documentation and applications of the Company's Board of Directors were presented to the Supervisory Board to obtain its prior consent to specific legal acts. The Supervisory Board duly discussed and assessed all the applications. The Supervisory Board entrusted the Board of Directors with examining the need for and the extent of investment projects to optimise the Company's expenditures. As part of its activities, the Supervisory Board particularly monitored achievement of economic goals that were determined in the Company's annual business plan and requested reasoning behind the Company's economic development.

The Supervisory Board states that in 2021 the Company's Board of Directors provided the Supervisory Board with all the required or requested information as well as cooperation, and the Supervisory Board had all underlying documents necessary for its oversight activities.

As part of its oversight activities, the Supervisory Board did not identify any violation or non-fulfilment of duties set out by the relevant legal regulations, the Company's Articles of Association, the Company's internal regulations or instructions of the General Meeting by the Company or individual members of the Board of Directors.

In conclusion, the Supervisory Board states that all conditions necessary for the due performance of its activities have been created.

Prague, 10 January 2022

Lenka Hlubučková
Vice-Chairwoman of the Supervisory Board of České dráhy, a.s.

Corporate Social Responsibility (CSR)

The ČD Group Endowment Fund – THE RAILWAY WITH THE HEART (ŽELEZNICE SRDCEM)

The maturity of human society can also be judged by how it can take care of its weakest, sick, injured, or those whose fate has placed other obstacles in its way. The same can be said about corporate culture. České dráhy is one of the companies that perceive the need to help people in difficult times, which is why in 2020, together with its subsidiary ČD Cargo, it established the ČD Group Endowment Fund – THE RAILWAY WITH THE HEART (ŽELEZNICE SRDCEM).

The endowment fund was created to help people who currently work on the railway or used to be employees, but also their families. The endowment fund comes with a helping hand in difficult life situations caused mainly by serious illnesses, serious injuries (including injuries resulting in death), natural disasters or other external interventions which affects life, family or family background.

The Endowment Fund of the ČD Group - The RAILWAY WITH THE HEART has received CZK 26,336,335 on its account. The founders České dráhy and ČD Cargo have invested a large part of their resources to the fund, the subsidiaries of the ČD Group and other partners have also joined. However, the greatest value has donations from the employees, their friends and other railway fans who are not indifferent to the lives of the people around them. We highly appreciate personal commitment and financial support of our employees and also the general public.

And where does the Endowment Fund of the ČD Group - The RAILWAY WITH THE HEART help? The fund aided to several railway workers who were seriously injured in the course of their profession and had lifelong consequences. The money has been used, for example, to pay for special rehabilitation or to obtain compensatory aids. Further help went to the families of the railway workers who died tragically. The endowment fund contributes to the education and development of their children and will help them in next years. Further support went to the families of railway workers who take care of seriously ill children, for example, with children's cerebral palsy etc. From its inception until the end of 2021, the endowment fund thus helped in tens of cases and paid out an amount of CZK 5,170,000.

What we did together in 2021

- **CZK 5,115,691** – the total amount collected on the transparent account
- **CZK 3,080,000** – the total amount of paid by endowment funds (excluding future contributions, for example for the education of orphaned children)
- **CZK 21,164,647** – balance on the transparent account as of 31 December 2021

Unfortunately, there are moments in the life when it may seem that the fate has placed an insurmountable obstacle. The Endowment Fund of the ČD Group - The RAILWAY WITH THE HEART will help you overcome life's difficulties. The above examples are proof of it, at least as we firmly believe. Our blue hearts beat for everyone in need and will not stop in 2022.

Help with ČD

České dráhy is involved in helping in a wide range of charitable or volunteer activities. As part of the 'Help with ČD' (Pomáhej s ČD) project, our employees participate in regular projects, but we also respond together to emergencies. In 2021, we actively helped, for example, the inhabitants of South Moravia, which was hit by a devastating tornado in June. České dráhy focused its assistance on the entire affected region. We delivered financial support to about thirty railway workers immediately after the tornado. ČD's employees helped with the consequences of the natural element and other ancillary work on the spot. The company also provided material assistance in this regard - work gloves, shovels, or disinfectants. Other aid deliveries included, for example, water, nappies, small building materials or cleaning supplies. The national carrier delivered sleeping cars to the site for the accommodation of members of the Integrated Rescue System. At several railway stations, ČD employees organized a humanitarian fundraising and ensured the distribution of donated items.

Other activities within Help with ČD project include participation in the worldwide Earth Day event, which takes place every year on April 22 and takes place in more than 193 countries around the world. Its aim is to promote support for environmental protection. Last year, České dráhy employees from various operational and organizational units also took part again, went out into the countryside and cleaned up the discarded waste.

Barrier-free Travel

An automatic part of our CSR activities is to help people with disabilities, especially in the area of removing barriers on the railway and introducing services that enable their greater mobility and comfort on the road. In 2021, barrier-free sets were deployed on other lines, for example from Pilsen via Cheb to Karlovy Vary and from Přeštice via Pilsen and Rokycany to Zdice and Beroun. At the end of the year, the company offered up to five thousand such connections a day throughout the country. This is the largest number of barrier-free connections since the purchase of the first barrier-free cars in 1988. A new service on board state-of-the-art train sets, which can recharge the batteries of electric wheelchairs while driving, also contributes to the increased mobility of wheelchair users.

Education, Awareness and Security

In 2021, the ČéDés Scholarship Program continued. It is intended for pupils of partner secondary schools, high schools studying graduation subjects with a transport and technical focus. The intention of the ČD Group is to support education and employment of young people in technical studies and to acquire new promising employees. We admit to the ČéDés Scholarship Program students who are interested in railways and who want to work on technical or operational positions at ČD. The benefits of the scholarship program include, for example, a monthly study allowance, a fare allowance, professional experience in various ČD operations and, last but not least, overall professional and personal growth.

ČD Nostalgia – Preservation of Cultural and Technical Heritage

Care of cultural and technical heritage with a focus primarily on a care of historic rail vehicles is one of the important activities of České dráhy. The Historic Vehicles Centre of the České dráhy, which cooperates with several state and volunteer organizations, is dedicated to protection and operation of these monuments. The care focuses on protection and presentation of cars and locomotives as stationary exhibits, as well as on maintenance or renewal of selected rolling stock in working order. The general public can admire historic steam, engine or electric locomotives and old cars in action on a variety of nostalgic rides. Despite the restrictions caused by the ongoing Covid-19 pandemic, it was possible to organize a large gathering of motor vehicles in the main office of the Historic Vehicles Centre in Lužná u Rakovníka, as well as several steam locomotives rides. Nostalgic rides also took place in various places around the Czech Republic. In 2021, České dráhy also joined the Legiovlak project, which presents the history of Czechoslovak legionnaires in Russia.

In 2021, the Historic Vehicles Centre managed to repair the 310.093 steam locomotive manufactured in 1901 by the first Czech-Moravian machine factory in Prague. The firm's production of steam locomotives of this type started the rich tradition of the railway industry in the Czech lands. Thanks to the bulbous chimney, these secondary local railways locomotives were nicknamed Kafemlejnek. Another repaired steam locomotive is the 354.195 machine from 1925. It led passenger and express trains and spread to all areas of the Czech Republic, Moravia, and Slovakia. That earned her the nickname Všudybylka. The 354 series was withdrawn from regular service in 1978. The T 478.3101 locomotive and several historic cars were re-painted, and work continued on the 423.009 steam locomotive, which will culminate in 2022. The repair of the E422.001 electric locomotive for our oldest electrified line from Tábor to Bechyně has also begun.

Report of the Board of Directors on the Company’s Business Activities and Assets

Economic Results

(CZK million)		Passenger transport	Freight transport	Asset management	Certification and testing	Other *)	Elimination	Total
Revenues	2021	23,505	12,899	421	713	4,901	(3,905)	38,534
	2020	21,805	12,266	356	565	4,484	(3,561)	35,915
Services, raw material, and energy	2021	(9,524)	(5,547)	(325)	(161)	(3,455)	3,304	(15,708)
	2020	(9,300)	(5,558)	(341)	(192)	(3,113)	3,046	(15,458)
Staff costs	2021	(9,191)	(4,524)	(214)	(131)	(1,181)	433	(14,808)
	2020	(9,343)	(4,517)	(179)	(114)	(1,146)	397	(14,902)
EBITDA from continued operations	2021	4,513	2,941	94	415	693	(663)	7,993
	2020	2,515	1,978	(97)	261	607	(371)	4,893
Depreciation/amortisation	2021	(6,395)	(2,308)	(105)	(62)	(309)	130	(9,049)
	2020	(5,283)	(2,056)	(85)	(58)	(348)	82	(7,748)
EBIT from continued operations	2021	(1,882)	633	(11)	353	384	(533)	(1,056)
	2020	(2,768)	(78)	(182)	203	259	(289)	(2,855)
Profit/ (Loss) from continued operations	2021	(2,251)	289	5	286	354	(521)	(1,838)
	2020	(3,967)	(248)	(186)	164	226	(310)	(4,321)
Profit (Loss) for the period	2021	(2,251)	289	5	286	556	(521)	(1,636)
	2020	(3,967)	(248)	(186)	164	412	(310)	(4,135)

*) 2020 has been adjusted due to the separation of the Certification and Testing activities into a separate segment.

The above table has been prepared based on the Segment Information note of the consolidated financial statements.

Passenger Transport

Like the previous year, 2021 was affected by the Covid-19 pandemic, during which a number of passengers and sales continued to decline, especially in international transport due to government measures taken in the individual waves of the pandemic. Nevertheless, even at the time of the most significant reduction in the population's mobility, ČD continued to provide basic services in regional and long-distance transportation to ensure commuting to and from work and other necessary journeys.

The basic goal of the long-distance and regional passenger transportation strategy for 2022 will be particularly to maintain the existing services, to ensure transportation services in scope and quality aligned with the requirements of orderers. The upward trend in passenger numbers and revenue growth from previous years, however, will be affected by the ongoing Covid-19 pandemic and related government measures, the same as in 2020 and 2021. In case of positive development and return of life in the Czech Republic to the state before the pandemic outbreak, the ČD's goal in 2022 will be to gradually increase a number of passengers and sales to the level before 2020.

Long-distance Transport

In 2021, ČD concluded two new contracts with the Ministry of Transport of the Czech Republic, the orderer of long-distance transportation, for the provision of services performed under a public service obligation, namely a contract for the R9 Prague – Havlíčkův Brod – Brno/Jihlava route with performance from December 2021 for a period of three years and a contract for the R10 Prague - Hradec Králové – Trutnov route with performance from December 2021 for a period of seven years. So far, this line has been contractually included in the so-called "big" ten-year contract concluded for the period since December 2019 till December 2029.

In December 2020, the operation of the R23 Kolín – Ústí nad Labem route which was part of a „big" ten-year contract was terminated. Route was assigned by the Ministry of Transport of the Czech Republic to a competing carrier on a direct assignment basis.

Together with previously concluded contracts, in 2022 ČD will operate a total of 21 long-distance transport routes based on seven concluded contracts. However, a contract for the operation of the R27 Ostrava – Krnov - Olomouc route will expire already in December 2022. For this route the Ministry of Transport of the Czech Republic notified direct assignment for a period of 5 years. The notification period will end in March 2022. ČD will apply for the operation of this line.

In the area of long-distance transportation, improving the quality of travel and adaptation of the offered service portfolio to customers' needs will continue. At the turn of 2021 and 2022, 10 completely new five-wagon non-traction units InterJet were delivered and gradually deployed on the R15 and Ex6 routes, which will significantly contribute to quality and attractiveness of railway transportation on the given routes. Improving quality of rolling stock and increasing the offer of additional services for passengers, both on board of trains and at stations, is one of the main prerequisites for achieving ČD's goals in this segment.

Regional Transport

Also in the area of regional transportation, significantly affected by the Covid-19 pandemic, steps and measures were taken operatively to help ensure the vast majority of connections, despite the fight against this disease and quarantine measures among ČD employees.

Due to the fact that contracts with six regions (Olomouc, South Moravia, Ústí nad Labem, Zlín, Liberec and Pilsen) are concluded in a gross regime, where the risk of sales is borne by the region, the economic effects of a drop in sales to passengers on ČD were practically completely eliminated in these regions. In addition, a new agreement with the Hradec Králové Region has been valid since 12 December 2021 in so-called regime of shared sales risk, where the region and ČD split risks and opportunities of sales by half, which will further reduce sales risk in 2022.

In general, it can be noted that regional transportation is significantly less dependent on passenger revenues than long-distance transportation and, conversely, is significantly more dependent on payments from orderers. The fall in passenger revenues did not impact this segment of passenger transportation as significantly as in case of long-distance transportation.

In December 2021, ČD terminated the contract for the LK - Východ operating set, where Die Länderbahn took over the operation. However, ČD won a new contract with the Hradec Králové Region, which became valid in December 2021. Despite considerable interest from competing carriers, ČD managed to acquire all 5 operating sets and thus further strengthen its position in the Hradec Králové Region. Furthermore, a new agreement with the Pilsen Region on the P2 line became valid in December 2021, and new express trains were put into operation between Pilsen and Karlovy Vary on the P1 west line in 2021.

In 2022, negotiations on a new contract form will take place in the Ústí nad Labem Region, where the Ústí nad Labem Region Council has selected the ČD's bid on U11, U15 and U6 lines as a winning bid for a period of 10 years. Furthermore, ČD won the tender in the Moravian-Silesian Region to provide transportation services by public passenger railway transport on the S6 line Ostrava main railway station - Frýdek-Místek - Frenštát pod Radhoštěm město on the 323 route Ostrava - Valašské Meziříčí. A new contract will be concluded in 2022. In December 2021, the Pilsen Region again began to demand carriers for its Southwest - Bohemian Forest and Pilsen regions. The region has been selecting a carrier for these operating sets not for the first time. This time it chose a direct assignment, however, several carriers will be invited to negotiate, and ČD will apply for both operating sets.

Further processing of transportation and financial models and offers continues in other regions and operating sets, including amendments to already concluded public service contracts.

Supplementary Services

The reduction in passenger mobility due to Covid-19 in 2020 also affected the majority of provided supplementary services.

Due to government measures, the **ČD Bike** rental season could not begin until 1 May 2021 after a six-and-a-half-month break. In the ČD Bike bicycle rental shops, of which 70 were opened throughout the Czech Republic in 2021, interest in e-bike rentals has again grown. In all rental shops quality branded bikes were prepared for those interested, namely a total of 648 trekking and mountain bikes, 57 e-bikes and 62 scooters. In selected rental shops, it was possible to rent children's bicycles and children's bicycle seats. ČD responded to the growing interest in renting e-bikes, so customers have been given this option in 22 rental shops. Scooters were also available at 19 stations. Great emphasis was again placed on hygiene measures during the six-month high season, and all equipment was thoroughly disinfected upon return. The all-season rental shops were expanded from six branches to twelve (these rental shops are also open in winter). In 2021, we simplified a printed contract text, so a customer has been given an opportunity to get familiar with the ČD Bicycle Rental Terms and Conditions, published on the ČD website. Furthermore, a new bicycle rental shop was established in Jeseník, a rental shop in Třebíč was reopened after the reconstruction and a possibility of renting bicycles in the Ústí nad Orlicí and Jihlava stations was expanded.

ČD continues to support projects connected with the first and the last mile linked to railway transportation to promote ecological travelling. These include cooperation with **Biketower** parking cycle operators near railway stations. Thanks to this cooperation, customers with a valid customer application on the In Card can store their bicycle (including e-bike) for the first 24 hours free of charge. In 2021, cycle towers were newly opened in Hranice and Milovice. The VIK (Virtual In Card) reader was placed in the Hranice test room and after the trial operation it was also installed in Milovice. The possibility of using VIK for bicycle storage thus expands a service for ČD customers. In total, bicycle towers already operated in 18 cities in the Czech Republic, in 17 of which the ČD In Card could be used.

At the end of the year, the free **ČD WiFi** service was supplemented with traffic management and load balancing, which resulted in even distribution of bandwidth for all users in a train, thus optimizing costs associated with a service. The SIM cards of the Swiss mobile operator have been added to the WLABmz sleeping cars that run to Switzerland, and WiFi is available throughout the journey between Prague and Zurich. In cooperation with the CTU, the signal level of mobile operators on the Ex3 line was measured in trains with mobile signal repeaters, without mobile signal repeaters and in InterJet trains that were newly equipped with special windows providing higher throughput of mobile signal into the train interior.

The **on-board portal** was available to passengers on trains led by SC Pendolino, ČD rail jet and selected InterPanter units. In 2021, investment to install the remaining InterPanter units was approved. Due to the Covid-19 pandemic and lack of technical equipment on the market, this investment was postponed until 2022. After its implementation, the on-board portal service will be provided in all InterPanter units operating on the R13 and R19 lines. The new InterJet units put into operation at the turn of the year, were also equipped with an on-board portal.

The **ČD Minibar** service was provided on long-distance trains on 8 lines (Ex1, Ex6, R9, R10, R11A, R11B, R15, R18). The Covid-19 pandemic again had a major impact on service operating in 2021. The service was partially resumed in June on the Ex1, Ex6, R9, R10, R11B, R15 and R18 lines. Due to extensive traffic closure activities, the service on the R11A line was not resumed until the end of 2021. A separate chapter is variety of goods, where some items were replaced at the end of 2021 so that our offer was still attractive to passengers. As there was an increase in prices from suppliers, there was also a slight increase in prices of goods. Numbers of products sold in the first half of 2021 confirm popularity of the ČD Minibar service. The total number of items sold in 2021 exceeded 1 million, which is, however, almost half the result compared to 2019. In 2022, thanks to a new sales system, we will allow passengers cashless payments for purchases of refreshments within this service.

The **ČD Restaurant** full-value catering service followed up on already traditional seasonal offers, which we use to supplement and make permanent offers more attractive. However, development of this service was limited by arrival of the pandemic and subsequent re-closure of restaurants, including those on board trains, and other operating restrictions related to the pandemic. During the year, stickers with a QR code referring to the menu were installed in the SC Pendolino and ČD rail jet units, thus reducing paper menus.

In long-distance trains, we offer **ČD Kino** for the youngest passengers, where the composition of movies and fairy tales was changed twice during the year. The service was provided in SC Pendolino units (Ex6, R15 lines) and ČD railjet (Ex3 line) and in standard cars of Bmz229 series (Ex6 and R15 lines). In line with improvement of supplementary services for passengers, new purchase orders for new vehicles for long-distance transportation also count with the children's cinema. At the end of the year, the ČD Kino service was extended to other passenger trains, thanks to the deployment of InterJet units, which were also equipped with a cinema. By moving the Bmz229 cars at the end of 2021, passengers on the R17 line can now also use the ČD Kino service.

As part of improving customer service, we expanded additional assortment offered for sale in **ČD Centres** and stations with extended sales of goods. ČD makes an effort to offer products primarily of Czech production. The assortment has been expanded by new items and an overview of all offered items was published at www.cd.cz/reklamnipredmety. New showcases were placed in selected sales areas to make the offered assortment visible. We are also working intensively on the online ČD Fanshop, where we will offer an extended range of goods.

The **ČD Ski** season supporting connections to partner ski resorts in the Czech Republic and Moravia did not take place due to closed ski resorts. It was agreed with partner ski resorts to maintain cooperation in the next seasons to support travel to the mountains for leisure activities by ČD trains.

ČD Autovlak traditionally connects Prague with Poprad, Košice, and Humenné in Slovakia. Up to 5 wagons run daily to transport private cars and motorcycles on night connections between the Czech Republic and Slovakia. However, due to the Covid-19 pandemic, its operation was gradually resumed only from June 2021.

The name **ČD Night** was chosen in preparation for the rebranding of night traffic. Modernization of Bcmz recliners and WLABmee sleeper cars continued. The modernized WLABmee cars will offer comparable standards in the Economy category as the WLABmz series bed cars. During modernization, the emphasis was, among other things, on increasing passenger safety. The service on board brought a fundamental change, where passengers can choose breakfast according to their own taste and put it together from the offered components. During 2021 it was possible to purchase a ticket and pay a surcharge for sleeping cars from Prague to Zurich in the My Train application.

ČD continued to participate in the **#dostbyloplastu (#enoughplastic)** project and the use of plastics in catering service offerring, hygiene packages in sleeping cars and at individual workplaces continues to be reduced. This applies in particular to the use of ecological packaging and other more environmentally friendly material.

As of 1 July 2021, the **ČD Lounge** waiting room service was also renewed in line with release of pandemic measures.

The **cloakrooms** were reopened in the Brno Main Station and Pilsen Main Station after reconstruction of the stations where there was great interest in this service. The price of the depository in cloakrooms has increased by CZK 10 / suitcase in average.

After resumption of full operation of long-distance trains, the **Premium Services** were provided free of charge on a total of 169 EuroCity, InterCity, Express and Railjet trains in 1st class and on SuperCity trains in 2nd class.

Free **bonus services** were provided on SuperCity trains in 1st class and on rail jet trains in business class on 29 trains.

Discounted or free parking offer within the **ČD Parking** service was expanded by the railway stations Roztoky u Křivoklátu, Bzenec, Lipník nad Bečvou and Nezamyslice. There are another 2 car parking lots in the ČD Parking Frýdek-Místek and Ostrava-Svinov under construction. The total number of locations offered by the ČD Parking service thus increased to 45.

The **ČD Taxi** service was operated without changes throughout the year. The connection of the My Train application with the application of the Czech start-up company providing a taxi service is being prepared.

In 2021, we started cooperation with E.ON company with the first installation of charging stations for electric vehicles near the stations.

Trading Activity

Continued pandemic measures and limited travel of foreign tourists did not allow to return to the 2019 results.

Sales of some products remained the same as in 2020, while sales of special trains increased by 60%. This was despite weaker demand for special trains and passenger trains in connection with the Covid-19 pandemic. In particular, the Moscow-Nice train was not resumed and a number of traditional transports were not carried out, such as transport of the participants of the March for Life, transport of visitors to the Colours of Ostrava festival, transport of Italian students from Italy to Krakow and others.

On the other hand, a significant increase was recorded in 2021 in the area of special trains and trains without passengers. This was mainly due to finalization of deliveries of new vehicles for ČD (InterJet trains, push-pull types). As part of test and approval process, a number of test drives had to be completed for the vehicles. For this it was necessary to hire traction vehicles and ČD personnel. Furthermore, in 2021 we managed to succeed in the tender of the Railway Administration for the measurement of overhead lines, which has been carried out by competing carriers in previous years.

At the end of the year, the website with special train offers was modified to better reflect the needs of a customer and to improve ČD's position in search engines. Due to expected weaker demand for charter trains and cars from foreign customers and a smaller volume of completed deliveries of new vehicles, in 2022 we will focus more on gaining customers among individuals, event agencies and film agencies, which we expect to be less affected by epidemic restrictions.

In contrast, we recorded a 19% drop in sales for the Outgoing Train. The reason was government measures in connection with Covid-19 not only in the Czech Republic but also in neighbouring countries. This led to the cancellation of a number of cultural, sports, social, but also corporate events. Several contracted events were also dropped, of which only some had an alternative date set. Thus, only transports to events that complied with strict regulations were preserved, particularly transport of sports clubs.

Purchases in the corporate e-shop were also lower, by 8%. Here, too, the reason was the continuing reduction in business travel of companies and non-resumption of travel agency purchases to 2019 level. At the end of 2021, the new functionality of the corporate e-shop for contracted sellers was successfully tested. Companies providing resale of travel documents (particularly travel agencies and companies without API) can thus easily register and take advantage of the ČD corporate e-shop without complicated administration.

In Card sales with the IN Business application decreased by 1% and we also recorded the same decrease in sales to corporate employees based on acquisition offers.

Sales of tickets via ČSAD SVT Prague increased by 88% for sales via API, and sales for other contracted partners stagnated.

At the end of the year, a cooperation agreement was reached between ČD and the logistics company Zásilkovna. Thanks to this cooperation, the portfolio of services provided was expanded to include the possibility of picking up the purchased consignment (or submitting it for transportation) at selected stations, where this service is provided by our employees. The pilot operation was launched in 19 stations (Brno main station, Brno-Královo Pole, Břeclav, Děčín main station, Havlíčkův Brod, Hradec Králové main station, Hranice on Moravia, Kroměříž, Olomouc main station, Opava East, Ostrava-Svinov, Otrokovice, Prague-Holešovice, Prague-Libeň, Přerov, Tábor, Tišnov, Ústí nad Labem and Zábřeh in Moravia). Passengers are interested in the service, so we are preparing to expand to other stations.

The number of registered customers in the ČD Body program increased by 7% year-on-year. The program offers 45 benefits (including ČD products) from 32 partners. Compared to 2020, this is an increase in the number of partners by 33%. The offer of theatre and museum visits was expanded, and over-the-counter food supplements and sightseeing tours were added, not only in Prague. As the number of partners continues to grow and passengers have more choice outside of ČD products, there is a decrease in deferred revenues.

Customer Check-in

In 2021, further development of electronic passenger check-in continued in the My Train application and in the ČD e-shop, which resulted in an increase in the share of online purchases within ČD's distribution channels. During 2021, several novelties were introduced – especially the extension of the My Train application to mediate the SMS ticket sale for individual public transport systems, application extension to other types of tickets (ČD network tickets, Pilsen Regional Integrated Transport tickets), elimination of the need to present an identity card. Last but not least, the sale of tickets and reservations of the Single Tariff System (OneTicket) was supported for all trains operated under the public service contract regime in the Czech Republic. These steps pursue ČD's strategic goal of increasing the share of tickets sold electronically and, at the same time, making ČD's online sales channels the first choice for rail passengers in the Czech Republic. We record positive feedback especially with the My Train application available for the Android and iOS platforms, which has long maintained a high customer rating (at the level of 4.6* out of 5* on Google Play and the AppStore during 2021). For 2022, it is planned to expand other additional transport services available in online channels (especially the solution of the so-called the first and the last mile, direct sale of connecting tickets for public transport, etc.) and to improve the user interface (new responsive website for all modern devices, etc.)

Further modernization of the check-in system continued in 2021, which, among other things, enabled further development of dynamic pricing (e.g., strengthening train ticket sales) or simplifying work at ticket counters (a new version of sales application with shopping cart function). Cooperation with regional integrated systems continued in the form of integration of IDS tickets into ČD check-in systems.

To support travel, the Train for Trip application was used, which stimulated customers to travel by train in their free time. The application is continuously being developed and also represents a key information channel to support railway-related events.

Customer Satisfaction

In November 2021, a passenger satisfaction survey in long-distance and commercial trains was carried out on a sample of more than 3,300 respondents. The key finding is that satisfaction with ČD is high even during the Covid-19 pandemic related measures, which were marked by discomfort in public transport (especially wearing respirators and masks). Passengers positively perceived quality of passenger services which was connected to gradual renewal of the fleet and expansion of services before and during a trip. Negative perception was often connected to delays, which, however, usually cannot be objectively influenced by ČD due to ongoing modernization work on the railway infrastructure.

Communication

Active promotion of its own products and services, but also communication of all railway benefits is an integral part of České dráhy's strategy aimed at stimulating greater public interest in using public transport as a fast, reliable and ecological way for everyday commuting and leisure travel.

Corporate communication, including product and service marketing, reflected the ongoing Covid-19 pandemic in 2021. The correct grasp of the creative part of the campaigns and the selected media mix was confirmed by several marketing and consumer awards. For example, České dráhy defended the title of the Most Trusted Brand among Transport Service Providers in an independent survey of 4,000 consumers. The company also won twice the prize for creativity in the most prestigious Czech advertising competition ADC Czech Creative Awards 2021 and twice placed first in the advertising club on the professional marketing website www.mediar.cz. The face of ČD's advertising campaigns, Ivan Trojan, became in turn the winner of the EFFIE 2021 award.

Other activities aimed at promoting the history, present and future of the Czech railways were also successful. Six thousand people visited the traditional Railway Day in Lužná u Rakovníka, and the ČD's Facebook profile with 105 thousand fans became the largest railway transport profile in our country last year. The View from the Train project then received the Most Watched Digital Project in Transport award in 2021 for 30 million views and 100,000 customers.

The most important goal of corporate communication was to inform the public about new services and products or about safety in trains regarding limiting the spread of coronavirus. Despite the difficult situation, it was possible to motivate customers to travel once at the time of relaxed measures. In response to the realized campaigns, 50,000 users downloaded the My Train application and interest in leisure travel products increased year-on-year.

According to the brand's annual survey, passenger and non-passenger public responds positively to efforts to renew the fleet and improve services. Once again, the shift in the monitored attributes, such as credibility and modernity, has been confirmed. Thanks to the operating staff, ČD is increasingly perceived as kind, friendly and helpful. In the future, however, the Company must focus on explaining the ability of railway carriers to influence delays. Unfortunately, non-compliance with timetables caused by external factors is the reason why many passengers consider trains to be unreliable, which damages the ČD brand and can even lead to the loss of customers. Therefore, this topic will also be a part of the communication plan for 2022, together with the modernization of the fleet, ecological aspect of railway transport and support for the revival of international travel by České drahy trains.

Operating Indicators

Number of trains departed in 2021 *)	
Long-distance passenger transportation	166,525
Regional passenger transportation	2,302,349
Total	**2,468,874**

*) These values are related to the number of trains in their entire public routes (departure station, destination station and arrival and departure waypoints).

Timetable performance (performance in the entire public route)	
Long-distance passenger transportation	73.0 %
Regional passenger transportation	88.4 %
Total	**87.3 %**

Timetable performance with deduction of causes for delay outside the carrier (performance in the entire public route)	
Long-distance passenger transportation	96.5 %
Regional passenger transportation	98.9 %
Total	**98.8 %**

ČD's responsibility for train delays (performance in the entire public route)	
Long-distance passenger transportation	14.7 %
Regional passenger transportation	11.0 %
Total	**12.0 %**

Most train delays are caused by reasons at the end of the infrastructure manager (traffic closures, construction reasons, defects in the railway infrastructure, etc.). Specifically, these reasons account for **57.4%** of all primary timetable disturbances. The carrier is responsible for **26.0%** of the primary timetable disturbances (particularly increased frequency of passengers, disposition of the carrier and defects of traction vehicles) and **16.6%** are external factors (particularly weather effects and train delays on arrival from foreign railways).

Force major events were one of the reasons for non-performance. There were **6,697 cases** of emergencies and incidents on the Railway Administration infrastructure with a shutdown of operations which was followed in the MIMO system, in 2021.

Emergencies and incidents in operation usually require adoption of operational measures in passenger transportation. Except for changes in staff turnover, locomotives and trains, it means the introduction of substitute transportation and, if necessary, cancellation of trains without compensation (no spare transport capacities are available, roads are not viable, track is expected to become operational earlier than possible arrival of substitute transport, a train is replaced by a later one, with extended stopping, etc.).

In 2021, we evidence the following data on operational arrangements for emergencies:

Number of trains with operational replacement transport	
- long-distance transportation	973
- regional transportation	9,997
Total	**10,970**
- due to the carrier	1,598
- of which due to defects in traction vehicles	1,042
- due to other than carrier	9,372
Total	**10,970**
Extent of operational substitute transportation	
- long-distance transportation [train kilometres]	26,433.4
- regional transportation [train kilometres]	188,221.2
Total [train kilometres]	**214,654.6**

Number of trains partially or totally cancelled without compensation	
- long-distance transportation	23,506
- regional transportation	42,197
Total	**65,703**
- due to the carrier	3,924
- of which due to defects in traction vehicle	3,536
- due to other than carrier	61,779
Total	**65,703**
Extent of operative renunciation of trains	
- long-distance transportation [train kilometres]	4,025,762.9
- regional transportation [train kilometres]	878,883.9
Total [train kilometres]	**4,904,646.8**
Share of trains that have been operationally cancelled on the total (planned) number of trains	**2.59 %**

Quality Standard Assessment for 2021

The quality of service provided to the travelling public forms a substantial part of České dráhy's image as it is visible and monitored by the general public, mass media, competitive carriers and orderers of regional and long-distance passenger transportation. ČD's quality standards determine a single quality level of provided services to passengers and orderers and are based on the Company's current financial abilities.

The quality management system is applied in České dráhy in the scope of all requirements of the ČSN EN ISO 9001, ČSN EN ISO 45001 and ČSN EN ISO 50001 standards.

Measurement of compliance with quality standards utilising inputs from internal controls, outputs of inspections by customers, fulfilment of the timetable, evaluation and analysis of operational work, received complaints and suggestions is supplemented by measurement of customer satisfaction in the form of a questionnaire survey, mystery shopping and specific research.

In 2021, the quality of services provided to the traveling public was affected by the Covid-19 pandemic. Despite this, České dráhy tried to maintain the level in line with individual standards.

Where the level of compliance with individual standards for a defined period was lower than the set minimum value, individual business units were required to review the reasons, take remedial action and implement them immediately.

The conclusions of the audit activities for 2021 are in line with the quality standard requirements. In 2021, a total of 91,391 inspections were carried out, 11,349 of which were at stations and 80,042 on trains. The control activity in 2022 will be focused on verifying effectiveness of measures taken to meet requirements of the quality standards.

The card of the standard		Required measure	2021	Meeting standards
1.	**Information and tickets**			
1.1.	**Sale and inspection of tickets and trains**			
	Providing ticket sales (except for substitute bus service)	99%	99.33%	met
	Quality of work of train personnel when selling tickets	99%	99.97%	met
1.2.	**Providing information on trains**			
	Providing information on trains (except for substitute bus service)	99%	99.48%	met
	Quality of work of train personnel	99%	99.98%	met
1.3.	**Sale of tickets at railway stations**			
	Sale of tickets in every staffed railway station or stop	99%	99.49%	met
	Alternative ticket sale	99%	99.99%	met
1.4.	**Providing information to passengers at railway stations**			
	Providing information to passengers in a staffed railway station/stop	90%	98.84%	met
	Quality of work of railway station personnel	99%	99.97%	met
1.5.	**Behaviour of the train and railway station personnel**	99%	99.97%	met
1.6.	**Information systems in trains**			
	Functionality of providing information	99%	98.23%	not met
	Quality of work of train and wagon personnel	99%	99.93%	met
1.7.	**Information systems at railway stations**			
	Functionality of providing information	99%	94.43%	not met
	Quality of work of railway station personnel	99%	99.90 %	met
2.	**Accuracy of train connections and the general principle of actions in case of operational emergency**			
2.1.	**Operational emergency events in railway transport**			
	Reliability of the timetable	98%	99.00%	met
	Quality of solutions for extraordinary events	75%	87.30%	met

The card of the standard		Required measure	2021	Meeting standards
2.2.	**Compliance with planned requirements and planned train capacity**	95%	96.00%	met
2.3	**Accuracy of compliance with timetable for long-distance and regional transportation**			
	Long-distance transportation			
	Trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation	min 78%	72.10%	not met
	Trains arriving within the tolerance limit of 6 - 60 minutes for accurate transportation	max 20%	27.30%	not met
	Trains arriving within the tolerance limit over 60 minutes for accurate transportation	max 2%	0.60%	met
	Long-distance transportation – responsibility of the carrier			
	Trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation	min 94%	96.70%	met
	Trains arriving within the tolerance limit of 6 - 60 minutes for accurate transportation	max 5.5%	3.20%	met
	Trains arriving within the tolerance limit over 60 minutes for accurate transportation	max 0.5%	0.10%	met
	Regional transportation			
	Trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation	min 91%	88.50%	not met
	Trains arriving within the tolerance limit of 6 - 60 minutes for accurate transportation	max 8%	11.40%	not met
	Trains arriving within the tolerance limit over 60 minutes for accurate transportation	max 1%	0.10%	met
	Regional transportation – responsibility of the carrier			
	Trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation	min 97%	99.00%	met
	Trains arriving within the tolerance limit of 6 - 60 minutes for accurate transportation	max 2.5%	1.00%	met
	Trains arriving within the tolerance limit over 60 minutes for accurate transportation	max 0.5%	-	met
2.4.	**Connection trains**			
	Compliance with connection planning border	95%	96.02%	met
	Compliance with procedure to ensure connecting links	99%	99.96%	met
3.	**Compliance with the contracted scope of transport and cancellation of transport connections**			
	Compliance with the contracted scope of transport	99%	99.85%	met
	Cancellation of transport connections	1%	0.15%	met

The card of the standard		Required measure	2021	Meeting standards
4.	**Cleanliness of trains and railway station facilities**			
4.1.	**Cleanliness of train stations and operational facilities/ availability of restrooms**	99%	100%	met
4.2.	**Cleanliness of railway carriages and railway station equipment**	95%	97.65%	met
5.	**Customer´s satisfaction survey**			
	Customer´s satisfaction survey	100%	100%	met
6.	**Handling complaints, reimbursement of transportation costs and compensation in the event of non-compliance with service quality standards**			
6.1.	**Handling passengers' complaints**	100%	100%	met
	Filling coefficient per 100 thousand transported passengers	7	6.63	met
	Justified filling coefficient per 100 thousand transported passengers	4	1.24	met
	Average time for handling a complaint	30 days	15.9 days	met
6.2.	**Exercising the right arising from transportation contracts and refunds to passengers**	100%	100%	met
	Unjustified request rejections	none	none	met
	Loss of the request	none	none	met
	Dealing with the request in the determined period	100%	100%	met
	Average request handling time	4 weeks	10-28 days	met
7.	**Assistance provided to disabled people with reduced mobility and orientation**			
	Satisfying a customer's order or requirement	99%	99.80%	met
	Sorting requirements by orders	99%	99.68%	met
	Functionality and technical capacity of mobile platforms	99%	99.04%	met

Comment on non-compliance with some standards in section 1 Information and transport documents:

Non-compliance with the standard "Information systems in vehicles", there was a partial non-compliance with the standard for the set indicators in the area of functionality of providing information.

Problems with adhering to the planned order persist for a long time, when other types of vehicles without information systems are operationally ordered. Traffic restrictions in connection with the Covid-19 pandemic have also resulted in repeated changes in the train order. As part of a long-term measure to increase safety, priority was given to train staff to focus on the safe operation of train departure, which has reduced the time capacity to inform passengers (this is especially true for connections with a higher frequency of stops). A short-term problem was the incorrect display of information in the vehicle information systems after the timetable change in April 2021 (train route change, train connections).

Non-compliance with the standard "Information systems at stations", there was a partial non-compliance with the standard for the set indicators in the area of functionality of providing information.

The information systems at the stations are operated by the Railway Infrastructure Administration state organisation, the performance is evaluated as a system subcontracting. Unsatisfactory announcement of information about the platform persists (information is published only at the time of train arrival, information is changed repeatedly - repeated transfer of passengers between the platforms). Also unsatisfactory approach to announcement of train delays at lineside stations persists (aggregate expected delays versus gradually increasing delays at short intervals). Vandalism, aimed at damaging printed information about emergencies and traffic closure activities on publicly accessible stands and notice boards, also plays a significant role in the incomplete announcement of information to the traveling public.

Comment on non-compliance with some standards in section 2. Accuracy of transport connections and general principles of actions in case of operational emergencies:

The standard "Timetable accuracy in long-distance and regional transportation" has not been met, in the following categories:

- trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation in long-distance and regional transportation,
- trains arriving within the tolerance limit of 6 - 60 minutes for accurate transportation in long-distance and regional transportation.

The total fulfilment of the ČD passenger transportation timetable decreased by 0.4% (87.7% vs. 87.3%).

As for the causes of delays, worsened timetable compliance was particularly due to the increased number of traffic closures and the resulting secondary delays.

The decisive primary share of delays is due to traffic closures and other construction reasons at the end of the Railway Administration, state organization (21.2%) and these reasons resulted in secondary delays - especially train sequence and crossing (23.3%), securing connections within and beyond waiting times (21.1%), turnover of trains, locomotives and ČD personnel (8.9%). The increase in the share of delays occurred particularly in provision of connections and turnover of trains, locomotives and personnel. The share of ČD's fault in the causes of delays for all passenger trains is 12.0%.

It is similar in the long-distance and regional transportation segments, where the delays were mainly caused by the reasons on the side of the railway operator and transfer of delays between trains as a result of these events.

The share of ČD's own fault is 14.7% in long-distance transportation and 11.0% in regional transportation.

Passenger Rolling Stock Service

In 2021, planned maintenance and repairs of rolling stock for passenger transportation (hereinafter „ŽKV") were provided in the ČD Group mainly by our own capacities in the Regional Maintenance Centres throughout the Czech Republic. Services were partly purchased from a subsidiary DPOV, a.s. (hereinafter „DPOV").

Periodic repairs of a higher degree, modernization and reconstruction of passenger rolling stock were performed by DPOV and by external contracted certified repairers. Periodic renewals of the ŽKV were partially performed by selected workplaces of the Regional Maintenance Centres (hereinafter „OCÚ"). The volume of periodic repairs carried out in 2021 was almost twice as high as in previous years.

In connection with the Implementing Regulation of the EU Commission no. 2019/779 (ECM), steps to meet the legislative requirements in individual segments of the certification process continued. In the autumn of 2021, a request for an ECM audit was submitted to the Railway Authority of the Czech Republic. The audit will take place at the beginning of 2022.

The renewal of passenger rolling stock took place in 2021 in accordance with the management plan. The increase in the financial plan for periodic repairs and provision of repair capacities, carried out already in 2020, enabled the 96% fulfilment of the repair plan performance. The reasons for the unused funds were a delay in selected contracts for vehicle modernization and repeating a small set of public contracts for the selection of a contractor for periodic vehicle repairs. At the beginning of 2021, periodic renewals of vehicles, particularly R1 grades, were fully transferred from the initial pilot phase to standard performance in the Regional Maintenance Centres. Mastering this step is the base for the future ability to carry out revisions at further higher levels. Some of OCÚ workplaces are profiled in the so-called competence centres for maintenance and repairs, which will continue to focus more on performance. An example is the workplace in Praha-Vršovice specializing in Vectron locomotives, in Liberec specializing in Stadler units, in Česká Třebová specializing in 471 units or workplace in Olomouc performing chassis inspections of passenger cars and units.

As in 2020, decommissioning of vehicles during reduction of a train numbers during the Covid-19 pandemic was also utilised, both for elimination of some minor defects and preventive inspections focused on the condition of air conditioning, heating and functionality of basic vehicle systems.

During 2021, the ČD's fleet "rejuvenated" as a result of the purchase of 15 new RegioPanter electric units and the delivery of 9 five-car car sets. On the other hand, the order for the supply of 5 Push-Pull trains intended for the Moravian-Silesian Region, has been delayed. At least 4 trains were deployed in trial operation with passengers and with 750.7 locomotives on the Bohumín - Ostrava main railway station - Frenštát pod Radhoštěm line.

The modernisation of the 14 diesel railcars of the 811 series and their trailers has been completed at DPOV. The diesel railcar of the 810 series underwent a complete modernisation of the interior with the installation of air conditioning in the passenger compartments and the train driver's stations. Included in modernisation of the vehicle was also the replacement of the internal combustion engine with a more powerful and more environmentally friendly one in terms of emission. The operational deployment will be within the Moravian-Silesian Region.

In case of "bohemization" of Stadler 646 diesel units in ŽOS Zvolen, 2 units were delivered for trial operation within the Olomouc Region in the autumn of 2021.

According to the individual assignments of the municipalities, changes to the approved condition were implemented for regional vehicles, which bring benefits for passengers. Examples are WLAN devices for the possibility of internet connection on-the-go, plugs for powering small electronic devices or passenger information systems. At the same time, all traction vehicles are equipped with GPS units.

During 2021, the installation of equipment for measuring electricity consumption on electric locomotives and units continued. In total, almost 300 vehicles are already fully functional or ready to fit measuring boxes. In the next years, the project is expected to continue with the use of subsidies.

For the 362/362 WTB, 162 WTB series locomotives, the ETCS installation phase went into series assembly. On the contrary, in case of the vehicles of other series we managed to enter a contractual relationship or at least to start negotiations. In connection with the conversion of the AC / DC traction voltage system, the order in Škoda Pars, a.s. for the conversion of 12 units series 440 to 640 was in progress.

Among the projects implemented during 2021 in the area of towed vehicles, we can mention the modernization of Bcmz 834 series wagons in DPOV or reconstruction of WLABmee 823 series sleeping cars in Škoda Pars, a.s. On the contrary, the suppliers Tratec-CS s.r.o. failed to deliver 16 modernized passenger cars of the Bdmtee series, which were planned for performances in the Pardubice Region. A novelty for passengers is 180 new passenger cars for long-distance international transportation with a maximum speed of 230 km/h, for which the contract was concluded in 2021. Delivery of the first cars is expected in 2024.

Freight Transport

The Company´s Mission, Vision and Goals

ČD Cargo, a.s. (hereinafter "ČD Cargo") is a modern, dynamic company that builds its future on four pillars. We are aware that it wouldn´t be possible without modern vehicles, that is why interoperability is one of the pillars. A sufficient number of interoperable locomotives is a necessary condition for fulfilling the goals of the next pillar, which is expansion abroad. We hold all the necessary authorisations to operate railway freight transport in several countries – in Austria and Germany through our branches, in Poland, Slovakia and Hungary through our subsidiaries. The licensing process in Croatia should be completed in 2022. The third pillar of our long-term strategy is intermodality. We are the partners of all major combined transport operators. As we consider the ownership share in two terminals – in Lovosice and in Brno – to be a great competitive advantage, we are also preparing other similar projects. We are constantly expanding our transport portfolio using modern Innofreight technology. We are socially responsible and consider CSR to be the fourth pillar of our business. We carry out transportation using electricity produced from renewable sources and we reduce the energy intensity of our operations. We are the proud founders of the ČD Group Endowment Fund - ŽELEZNICE SRDCEM ("THE RAILWAY WITH THE HEART").

Freight Transport

In 2021, ČD Cargo transported 60.196 million tonnes of goods on the domestic market, which is approximately 2% more than was transported in 2020. Revenues from freight transportation reached CZK 10.772 billion in 2021, which is CZK 587 million more than in 2020. The largest year-on-year increase in sales was achieved in iron and engineering products, wood and paper products, chemical products and liquid fuels, as well as hard coal and coke commodities. On the other hand, the largest year-on-year decline in sales was in automotive. The ČD Cargo Group transported a total of 62.7 million tonnes of cargo in 2020 *(these statistics represent a consolidated view of the transport volume, i.e., the tonne realised by the companies within the Group on interstate routes is counted only once)*.

The boom that metallurgy was experiencing were fully reflected in the results of the iron and engineering products commodity. This was reflected both in increased shipments of iron ore and in a significant increase in demand for shipments of metallurgical products. Also, in the building commodity, the transport volume exceeded in 2021. The active commercial policy with regard to the offer of transports to traffic closures brought a positive effect. One of the most important new engagements was the autumn transport of waste debris from Lužice to Most to the CELIO landfill. While performance in the brown coal commodity declined in the first half of the year, the end of the year was driven by increased demand for this commodity. It was a logical reflection of the situation on the energy market when power and gas prices climbed very high and there was great interest in coal from both power and heating plants. The performance of the hard coal and coke commodities fluctuated during the year. This was influenced by the reduction of mining in OKD, a.s. and also the changing situation in Polish mines. In the Czech Republic, the importance of hard coal for energy is gradually declining, but its importance for metallurgy is unquestionable. This is also reflected in the year-on-year increase in coke shipments. Shipping in case of chemical products and liquid fuels commodity increased year on year. The results in the wood and paper products commodity are consistently good, which is the result of ČD Cargo's active trading policy while removing calamitous wood. It happened in a number of new locations; a large part of wood went to export. Transport of grain has the greatest impact on the results of food and agricultural commodity. After a promising start to the year, a gradual downturn resulted in limiting shipments to ad hoc business cases, both in export and in transit through the Czech Republic. The performance in other commodities reflected a slight decrease in postal transports due to extensive traffic closure activities. In contrast, shipments of newly manufactured rolling stock increased. We have carried out major international military transports. Combined transport in 2021 was influenced by many global factors. In addition to the Covid-19 pandemic that resulted in reduced activity of Chinese ports, disorganized conditions and chaos in maritime transportation between East Asia and Europe had the greatest impact, leading to significant increases in transport prices and reduced reliability and performance. Unfortunately, the shortage of electronic components for car production had a significant effect on the automotive commodity, as a result of which production was reduced or even stopped in the most car manufacturers.

Foreign branches in Austria and Germany have also had a successful year, not only in the provision of regular transports, but also in a number of ad hoc business cases. Cooperation with subsidiaries is becoming more important in acquiring new business cases.

Fleet Management

To ensure the operation of freight trains, ČD Cargo evidenced 773 traction locomotives as of 31 December 2021, of which 46 locomotives acquired under secured loans. 661 locomotives were used for transport operations. As of 31 December 2021, the freight wagon fleet consisted of 20,418 freight wagons of various types, of which 835 were acquired under financial lease or secured loans. Of the total fleet, 16,016 cars were in average operating condition. The fleet was expanded by leased wagons in average number of 3,770 and up to 12 interoperable locomotives as needed.

During 2021, 1,203 wagons were scrapped due to physical wear and tear, moral obsolescence, and poor technical condition and 120 wagons were sold for further use in the ČD Cargo Group. During 2021, one locomotive was physically scrapped and about 7 machines were sold to those driven by nostalgy and interested in further use. Suitable parts from disposed vehicles have been recovered for repair of other vehicles.

Maintenance and repairs of railway rolling stock were carried out mainly in ČD Cargo's own rolling stock repair shops, also at České dráhy, a.s., DPOV, a.s. Přerov and in external contractual capacities. During 2021, 2,630 wagons and several dozen locomotives underwent periodical maintenance (1,422 overhauls and 1,208 technical inspections).

ČD Cargo's freight vehicle repair centres participated in the installation of equipment for power measurement in electric locomotives, assembly radio stations (GSM-R) and occupational health and safety operation events on traction locomotives. For Eas freight wagons used for wood, scrap a coal transportation, this was a continuous reconstruction of the combined wooden floor with a full metal one.

In 2021, we received 18 modernised 742.71x series locomotives (modernisation of the 742 series locomotive, already a total of 33 units) and further 5 option diesel locomotives for the light rail service and the 744 shift. The trial operation of 10 locomotives of the 388 series from Bombardier Transportation was also in progress.

In 2021, the implementation of ETCS took place on locomotives of 163, 363, 753.7 series and prototype locomotive 130 (so-called retrofits). For newly produced and modernised vehicles, ETCS is part of a delivery. In 2021, also the conversion of the 163 to 363 series locomotives started.

Furthermore, adaptation of the freight rolling stock continued to meet the needs of the transportation market aiming to increase the operability of wagons in international traffic. Further 108 Eanos high-sided wagons and 100 Sgnss wagons were acquired to the ČD Cargo's fleet.

In order to comply with European legislation in the area of use of so-called "silent wagons", ČD Cargo had a total of 14,426 wagons suitable for „silent" operation, of which 11,593 were owned by ČD Cargo.

In the area of freight wagons management, great attention to planning and utilization of vehicle capacity was paid in 2021 and will be paid in the subsequent years. The aim of this effort is to minimize inefficiencies in transportation and fleet management.

Regular evaluation of utilization of vehicle capacity is conducted within the company's reporting, including identification of key issues for individual trading groups of freight wagons. Possible excess fleet capacity is used in other business activities for lease purposes, so that management of the available freight wagons is as efficient as possible and provides additional resources to ensure its operability.

Rolling Stock Lease

One of the important trading activities within other business lines is long-term and short-term lease of rolling stock. Traction vehicles adapted to operate in a particular country outside the Czech Republic are leased to our partners in a form of long-term lease. In case of short-term lease of traction vehicles, it is about their deployment for specific partial performance according to business cases and it primarily relates to the interoperable locomotives.

In the area of freight rolling stock lease, we offer our customers both long-term and short-term or repeated lease of vehicles for spot and one-off trades. For these needs, vehicles released from its total unbound capacity are used. We offer the lease of majority of the wagon ranges, including tank wagons, and we put an effort to cooperate on projects to use non-operating vehicles. These are various forms to secure decommissioned wagons to become operational and their subsequent operation.

Free capacities of rolling stock are being used more and more frequently in business case execution in cooperation with subsidiaries and branches within expansion on foreign markets.

Expected Development, Goals and Targets

2021 has shown that predicting further development is very challenging and not always accurate in some segments, such as energy. 2022 will not be an exception in this respect either, as the global economic and political situation will be affected by several very unclear trends and events, which effects to the world economy cannot be estimated in its entirety at this time. First, it will still be a Covid-19 pandemic. Trade in Europe will certainly be affected by the European Union's relations with Russia and economic and political development in some post-Soviet countries, such as Kazakhstan. Last but not least, rising energy and other input prices will have a significant impact. ČD Cargo ,s results may be sill affected by very complicated situation in the automotive industry, where Czech carmakers are still failing to stabilize production and sales of new cars.

Despite all the above effects, ČD Cargo expects stabilization of domestic transport performance and further growth on foreign markets. The company will continue to implement measures to increase effectiveness of internal processes and use of its capacities and assets. In the area of investments, ČD Cargo will proceed with modernization and renewal of the locomotive and wagon fleet. In the latter case, the company will focus mainly on vehicles for commodity transportation where recession is not expected (intermodal transport, fuel). Replacement of brake blocks and implementation of mobile ETCS parts will continue as well.

The company's economic goals include, in particular, maintaining a stable level of cash-flow, outcoming from ensuring the planned level of revenues from its own transportation on one hand, and on the other hand from the effective use of expenditures and ensuring sufficient liquidity in medium and long term. The long-term goal is to stabilize the profitability of the core and other businesses.

Asset Management

Number of all buildings owned by ČD as of 1 January 2021	3,630
- of which entered into the land register	*3,015*
Number of all buildings owned by ČD as of 31 December 2021	3,462
- of which entered into the land register	*2,872*
The number of land plots owned by ČD as of 1 January 2021	15,782
The number of land plots owned by ČD as of 31 December 2021	15,449
The area of land plots owned by ČD (m2) as of 1 January 2021	61,411,522
The area of land plots owned by ČD (m2) as of 31 December 2021	60,960,490

The difference in the number of buildings in the Land register that ceased to be included on the title deed of ČD is 143.

The number of registered plots in the Land register is gradually decreasing compared to the previous years, when it was increasing due to preparing a separation of property at railway stations between ČD and SŽ. Also, redundant assets are being sold during preparation of a separation of property.

The total number of ČD buildings entered in the Land register decreased from 3,015 to 2,872, meaning a decrease by 143 buildings. Number of buildings in the Land register decreased by approximately 4.7%.

Number of apartments in buildings owned by ČD as of 1 January 2021	602
- of those rented out	*358*
Number of apartments in buildings owned by ČD as of 31 December 2021	551
- of those rented out	*331*
Number of external rental contracts for premises and land owned by ČD	7,900
- of those number of rental objects in ČD records	*19,471*
Number of internal rental contracts for premises and land owned by ČD	454
- of those number of rental objects in ČD records	*4,115*
Income from external lease contracts for buildings, land and apartments (CZK mil.)	281
Income from internal lease contracts for buildings, land and apartments (CZK mil.)	20
Total external income from building rental and operation (CZK mil.)	321
Income from the sale of property (CZK mil.)	226

In 2021 the most significant **sales of property** took place in the Prague districts of Libeň, Karlín (a set of land plots) and Uhříněves (a land plot), further in the cities of Česká Lípa, Kralupy nad Vltavou, Kladno (sets of real estate) and Bohumín (integrated complex).

In 2021, **repairs and investments** continued to improve the working environment both in the premises used by ČD's employees and in the premises leased to external entities. Investment costs were incurred on reconstruction and modification of administrative buildings in Olomouc (Táborská street) and in Přerov, furthermore, construction work on reconstruction of the OPT building in Olomouc and Bohumín has begun and continues. Work also continues on reconstruction of the building at Masaryk Railway Station in Prague - object B that should be completed this year. Furthermore, extensive reconstruction of the water supply system in Česká Třebová will begin and reconstruction of the building in Brno - Kulkova Street from the subsidy program will begin. Possibilities to obtain a subsidy for reconstruction of the administrative building in Hradec, where the RSM headquarters should be located, are also being investigated.

In 2021, specification of property in railway station locations under the railroad intended for transfer to SŽ continued, preparation of contractual documentation is ongoing and at the end of the year we began a transfer of data to an expert to valuate the subject of a transaction. During the year, a pre-notification procedure was initiated at the European Commission with the involvement of the Office for the Protection of Competition and the Ministry of Finance. Compensation for the use of land plots owned by ČD under the railway tracks and related infrastructure under SŽ's management has been claimed from SŽ.

In 2021, ČD continued to co-operate with the developer in preparation of the next stages of the real estate project in the Smíchov railway station location.

In 2021, the Žižkov freight station (NNŽ) continued intensive cooperation with the City of Prague, the Ministry of Culture and other entities involved in the Commission of the Council of the Capital City of Prague for the use of NNŽ in preparation for a sale of a heritage protected building and related land. These activities will continue in 2022.

Information and Communication Technology Services

The ČD Group ensures its needs in the area of ICT through both its professional IT departments and through its subsidiaries **ČD – Informační Systémy, a.s.** ("ČD-IS") and **ČD – Telematika a.s.** ("ČD-T").

In 2021, we completed a significant part of the third stage and started the fourth stage of the strategic program of the ČD Group for ICT – **modernisation of passenger transport information systems project (so-called MISOP)** that is being realized by ČD-IS and that will continue throughout 2022, with a partial overlap of some parts until 2023.

Another significant project of the ČD Group in the area of passenger transportation was the successful implementation of the Single Tariff System (the "SJT" or "OneTicket"), particularly booking functionalities for both non-commercial and commercial connections.

2021 brought also other projects that were successfully implemented, particularly in the information and cyber security and data protection areas. A set of security elements in the cyber security area was implemented, ensuring increased protection of the Company's assets, including new access options to individual applications and systems of the Company. More attention is paid to the protection of personal data, particularly against misuse. The strategic goal is to protect all key assets of the Company in connection with ICT communication.

In the area of support systems, the last stage of implementation of Automated Processing of Supplier Invoices (the "VIM") and the other user-advanced stages of the Electronic Document Approval project (the "SED") took place in 2021.

Subsidiary **ČD-IS** is a key provider of comprehensive IT/ICT services for the ČD Group, it carries professional competencies in the modern technology both in development and operation of complex information systems. In 2021, it continued to strengthen and expand its competencies in the field of cyber security - within the Security Operation Centre project (hereinafter SOC), aiming of maximum protection of the ICT environment against attacks from third parties. At the same time, it provides the ČD Group with key critical services in order to minimize the ČD Group's dependence on external suppliers.

ČD-IS also offers and provides IT services outside the ČD Group: to the transportation service organizers, cities and other transportation partners. The changes expected in the public transportation sector that will be gradually implemented are a great challenge for ČD-IS. Long-term ambition of ČD-IS is to satisfy all the needs and wishes of customers regarding delivery and implementation of new systems and applications, including their integration into an existing environment, to ensure their smooth and secure operation – **aiming to achieve and maintain the position of the main supplier and guarantor of ICT solutions throughout the transportation sector**.

As part of ČD-IS's acquisition activities, the portfolio of services provided in the area of vehicle systems and specialised transport software and hardware was extended. In 2021, it realized installation of Wi-Fi in ČD vehicle systems (471 series), it also took part in installation of various communication environments in ČD vehicles (646 series).

Core assignments for ČD-IS in 2021 include, in addition to the MISOP project mentioned above, further development and optimization of the search engine, development of systems for commercial and operational activities in the railway freight sector, other development projects in the field of railroad management and check-in of bus passengers, including cooperation with IDS and individual transportation companies.

Following the negative impacts of the Covid-19 pandemic for the operational activities of ČD Group, the company ČD-IS recorded an increase in operational and maintenance activities requirements and needs related mainly to the service and operation of terminal equipment for customers from the ČD Group. At the same time, some internal processes were further developed and digitized, in order to optimize the company's internal costs and thus gradually simplify the processes.

ČD-T is an important provider of wholesale internet, data and voice services and a supplier of services in the field of management, maintenance and construction of optical infrastructure. It owns one of the largest optical networks in the Czech Republic, which is part of the key infrastructure of the state. In the railway transportation area, ČD-T is a leader in implementation of the mobile part of the ETCS system, where it cooperates with the technology companies ALSTOM a Siemens. It also focuses its activities on expanding construction activities and servicing and operating large telecommunications units. As part of road telematics, ČD-T carries out, for example, tunnel service or smart parking and offers custom solutions to improve road safety and smoothness. ČD-T provides its services to demanding clients from the state administration, the railway transportation segment, further to large international companies and local internet connectivity providers.

In 2021, ČD-T continued service and maintenance of telecommunication and security technology and infrastructure, e.g., GSM-R construction projects, relocation of optical and security cables and, also, its engagement in the system integration of a new technological infrastructure passport (TPI) for SŽ. The core project and competence area of ČD-T is the delivery of the mobile part of the ETCS for České dráhy (362, 362 WTB and 162 WTB series) and ČD Cargo (163 and 363 series). During 2021, the company gained a new contract for the supply of 34 cars of the 961 series for ČD.

ČD-T together with the ČEZ Group and Severočeská vodárenská společnost a.s. within the Association of Critical Infrastructure of the Czech Republic work on creating optimal conditions for the operation and protection of critical infrastructure in the Czech Republic.

In 2021, ČD-T underwent a change in ownership structure and entered 2022 as a 100% owned subsidiary of České Dráhy. The company's strategy for the next period is development of business opportunities in the ČD Group, in particular, ambition to succeed in equipment ETCS competitions for other series of rolling stock, strengthening the strategic partnership with SŽ, creating new products and services with higher added value and own in-house competencies and revenue growth outside the railway infrastructure and transportation sector.

ČD-T will continue strengthening partnerships with companies that provide ICT services to end-customers in business and government segments and offering joint solutions using its own unique infrastructure and know-how.

Research and Development

In 2021, the subsidiary Výzkumný Ústav Železniční, a. s. (Railway Research Institute, hereinafter "VUZ") conducted innovation and research activities at both the national and international levels.

One of the main international innovative projects is the **CARBODIN Car Body Shells, Doors and Interiors** project supported by Shift2Rail. This project was running throughout 2021 and was extended to 4/2022. The project focuses on implementation of composite materials in rolling stock. The project outcome will combine various production techniques, automation concepts, introduction of jointly cured and jointly bonded composite parts. In the second half of 2021, VUZ submitted a working version of the Analysis of relevant TSI standards and related EN norms for assessment of a project technical solution, which are necessary for successful transfer of a new product from the development phase to the test phase, resp. start of series production.

The other international research activity is cooperation on the project RegioHyt - Regional Hydrogen Trains on Czech railways. VUZ carried out this project in 2021 in cooperation with ÚJV Řež, a. s., the University of Chemical Technology in Prague, the Czech Hydrogen Technology Platform and the company SINTEF AS. The project is supported within the **1st Public Competition of the KAPPA Program – CZ RESEARCH Program EEA and Norway Funds 2014-2021**. The aim of the project is to analyse the Czech railway lines and locate an area where hydrogen trains would be technically, economically, and environmentally suitable compared to other technologies. VUZ, as an organization responsible for the line selection, prepared a draft of parameters of the evaluation matrix for the line selection and subsequently, based on the input parameters, prepared a suggested list of a total of 16 railway lines in the Czech Republic which potentially could be used for hydrogen propulsion. The suggestion also assessed variants of several consecutive lines across different regions within the Czech Republic. The Ústí nad Labem - Děčín - Česká Lípa - Liberec line, 113 km long, was selected for the pilot analysis to be carried out by the Norwegian partner SINTEF that will perform a pilot assessment of technical and economic suitability of hydrogen trains on this line and line selection parameters will subsequently be revised based on this analysis.

In 2021, VUZ invested a large part of its research capacity in the final phase of an ongoing innovative project developing GNNS technology: **TIRSMD707– "Suggestion and verification of conditions for deploying train locators based on GNSS systems on the Czech railway network"**. This project is supported by the Technology Agency of the Czech Republic - BETA2 program. In March 2021, a testing and measuring experiment took place in ZC Velim, which had to test quality of the GNSS signal, including experiments with illegal GNSS signal interference. Signal quality was tested depending on a speed and type of power supply. As part of the measurement, 1,059.234 km were covered, which consisted of 78 circuits on the large test circuit (1,035.528 km) and 6 circuits on the small test circuit (23.706 km).

The 383.060-1 „Vectron" series locomotive was used to carry out the experimental measurements together with the measuring vehicle, for which the VUZ designed a temporary mounting of the antenna system. Thanks to this new experimental design setting, the quality of the GNSS signal and at the same time the effect of AC and DC traction could be tested at speeds of up to 200 km/h. The end of the project is planned for 4/2022.

In 2021, VUZ participated in preparation of an application for a subsidy from the TAČR program – DOPRAVA2020+, the 3rd public tender for the **H2 microgrids project – Regional hydrogen economy for accelerating decarbonisation of transport**. The aim of the project was to create methodology of modular island solutions enabling development of hydrogen infrastructure in transportation using affordable solutions, creating guidelines for assessment and approval of regional solutions by municipalities and pilot verification of methods in feasibility studies in specific selected regions. Due to the lack of financial resources on the subsidy provider' side, the project has not been selected for implementation.

People

People are among the key pillars of the 2030 ČD strategy.

Stabilization of staff, education of a new generation and change of corporate culture to support higher efficiency and customer orientation are steps that should continuously contribute to successful implementation of the strategy.

Activities of the Employee Care Department in 2021 were an integral part of fulfilling this long-term strategy.

An important strategic step was to change the organizational structure aiming to combine performance and services of passenger transportation into one centre and thus achieve effective management in this area, as well as centralization of some activities for more efficient administration and management, as well as strengthening communication and cooperation across organizational units.

2021 was marked by many strategic changes and innovations in the area of processes and services towards an internal customer. Due to the ongoing waves of the pandemic, primarily we focused on strengthening digitalization and modernizing methodological procedures in order to accelerate and simplify the overall cooperation and reduce the administrative burden for internal clients.

In the area of recruitment and personnel marketing, we strengthened our cooperation with a key partner between universities – the Jan Perner Faculty in Pardubice - where in the autumn we ceremoniously opened a relaxation and educational corner for students. This project was implemented based on a student demand and a general lack of such space within the school building. At the same time, we continue to implement internships and professional training for hundreds of high school students and strengthen promotion not only in schools, but also in excursions, lectures and consultations of student work. Cooperation with the secondary school in Česká Třebová in a newly established railway academy started aiming to train young train drivers to the level of the VOZ exam.

With regard to a situation on a labour market and a long-term shortage of candidates in the technical and worker professions, we support recruitment with a wide mix of communication and marketing activities. We focus on online banner and PPC advertising, ČD media areas, but we also use internal programs such as referrals and mentoring aiming to reduce intergenerational differences, support involvement of long-term employees and improve quality of the adaptation period for new joiners. To support employees' engagement and succession planning, we plan to launch a talent program this year that will identify talented employees and prepare them for further career progression through a several-month development cycle. Another key strategic goal of the Employee Care Department is continuous development of the Company in the field of education. Last year, we focused on the management, which has a fundamental impact on retention, satisfaction, commitment and performance of České dráhy's employees, for whom we have prepared a managerial development program. This year, we plan to build on this program by deepening the skills already acquired and developing other areas of management.

Another strategic initiative is to set the Company's corporate culture and values and at the same time to map employee satisfaction. At the end of the summer, a company-wide satisfaction survey was launched aiming to obtain valuable information about the Company's climate and basic data for further activities in the area of setting up the Company's corporate culture and building its brand inside and out. The survey also included an analysis of risk factors for train drivers, which was part of a set of activities to strengthen railway safety. Other continuously implemented activities include psychological interviews after extraordinary events, psychological sessions and workshops for engineers, through which the possibilities of psychological care and support for train drivers after extraordinary event were presented.

Last year, in cooperation with the project office, we successfully launched the „Zlepšovák" program, where employees could participate in innovative changes and thus in the overall development of the Company. During the four quarterly rounds, more than 700 suggestions for improvement were accepted, 13 of which were financially rewarded, and their implementation began either in 2021 or is planned for 2022.

In accordance with European legislation and its requirements for ECM certification, the training and testing regulations of České dráhy have been updated and training content for maintenance staff at all levels is currently being prepared. A training module for drivers is being prepared for the purposes of the ETCS system, which is a part of the national ERTMS implementation plan setting out parameters for uniform, improved and safer railway security. It should contribute to the fastest possible adaptation to the new system and serve as a supplement to the already implemented ETCS module on simulators.

In order to modernize the methods and tools of education in passenger transportation and further strengthen safety, the virtual reality project was launched last year, which significantly contributes to an experiential and more efficient teaching system. The planned pilot training module focuses on the process of commissioning a train.

Further steps in the area of modernization, which contributed to faster processing of administrative tasks, were the introduction of home office records within the attendance system, and adjustment of the system to the requirements of state supervisory authorities. Introduction of the Komando application, which enables to display shifters and a shift progress into driver's tablets, digitalization of equipment components according to the OK 3 regulation and, last but not least, the launch of an employee portal for subsidiaries VUZ, DPOV and DVI.

From the point of view of building the employer brand and brand awareness, the Company achieved great success in 2021 thanks to the award in the Employer of the Year competition. It ranked third in the Best Employer category with more than 5,000 employees / Prague area, building on a success of the previous year. In the same prestigious competition, this year we also managed to win an award for the project of the ČD Group Endowment Fund – ŽELEZNICE SRDCEM („THE RAILWAY WITH THE HEART"), which was among the top five in the Czech Republic.

The activities of the Employee Care Department in cooperation with operating units and other support units thus contributed not only to the fulfilment of steps within the People pillar, but also to other pillars of the ČD strategy such as Efficient Corporations, Customer Orientation, Finance, Modernization and Innovation.

International Relations

Despite the continuing unfavourable pandemic situation in connection with the Covid-19 pandemic, ČD remained active on the international field.

During 2021, we answered several public consultations and calls for information, which directly or indirectly concerned rail transport and impact on the railway sector as a whole. These are the part of the European legislative process, to which ČD actively contributes wit its information and can thus minimize impact of forthcoming EU initiatives and laws, especially in the area of international passenger transport, alternative propulsions and their necessary infrastructure, ticket sales and multimodal transport proposals.

Furthermore, the Board of Directors decided on the position of ČD as a founding member of Europe´s Rail. The new partnership builds on the previous Shift2Rail joint venture. It is based on a public-private partnership that supports investment in innovation and research on the railways under the Horizon Europe program. From the position of a founding member, ČD will have access to all the challenges and, in addition, will have competence to manage European projects that it has suggested.

The European Parliament, on a proposal from the Commission, has decided that 2021 will be the European Year of Railways. The aim was to promote train travel and to draw attention to its safety and environmental friendliness. In last September, a specially designed European train appeared in the Czech Republic, which consecutively visited all member states that have railways. In the Czech Republic, the European train passed major railway junctions Bohumín, Ostrava, Břeclav, Brno, Prague and Pilsen. Thanks to this pan-European project, ČD had the opportunity to negotiate with the European Commission, DG MOVE and other stakeholders directly on board the train.

At the end of 2021, the EU Newsletter began to be published, which serves as an information channel between ČD and EU institutions, including members of the European Parliament.

Despite the difficult pandemic situation, an international meeting was held in Prague. At the round table, railways representatives from the so-called „V4" and Austria met to discuss their experience with implementation of the ECM maintenance system according to IV railway package, ETCS installations and approval of upgraded vehicles.

In 2021, ČD also continued to participate in activities of the most important international platforms and organizations, which are mainly UIC, CER, CIT and OSŽD. Furthermore, it was decided to increase the number of CER working groups by ČD in order to be able to promote standpoints in individual areas and the ČD's interests within the entire railway sector. At the end of 2021, negotiations began with the Office of the Government of the Czech Republic on a possible form of ČD's involvement during the second half of 2022, when the Czech Republic will chair the Council of the European Union.

Environmental Protection

2021 was marked by the ongoing Covid-19 pandemic. In accordance with the recommendations of the Ministry of Health and the Regional Hygiene Station, we immediately applied all measures limiting spread of the disease so as to maintain the operability of the railways.

As part of ensuring day-to-day operations, ČD is a socially responsible company. Part of the day-to-day operation is continuous monitoring focused mainly on the following areas - waste management, water management, air protection, nature and landscape protection, chemicals and chemical mixtures, emergencies in which hazardous substances leaked, soil and groundwater remediation. Furthermore, legislative changes in the field of the environment are monitored, of which all organizational units of ČD are immediately informed.

- **Waste management** – recording and control of hazardous and other waste production, including take-back. Waste disposal always takes place in accordance with applicable legislation and waste is always handed over to an authorized person. In connection with the Covid-19 pandemic, the generated infectious waste is disposed of according to current legislation and hygiene methodology.

- **Water management** – recording and control of the permitted volume of taken and discharged water. Ongoing monitoring is focused on meeting the limits set by state administration bodies for both drinking and wastewater. Emergency plans are continuously updated in places where defective substances are handled.

- **Air protection** – with regard to the stricter legislative limits on air pollution, ČD is continuously modernizing its pollution sources. Emission measurements, boiler efficiency, cleaning and inspection of flue gas paths are performed at specified intervals according to valid legislation.

- **Protection of nature and landscapes** – in accordance with the valid legislation and with regard to ensuring the safety and smooth operation, the maintenance of the accompanying greenery is ensured. Tree inventory and operational safety monitoring is carried out on an ongoing basis.

- **Chemical substances and chemical mixtures** – all handling, including storage, is always carried out in accordance with the conditions of the relevant safety data sheets and fire protection.

- **Leakage of harmful substances** – leakages of hazardous substances into the environment are handled by ČD's organizational units in accordance with the Regulation on the Protection of the Environment against Pollution by Hazardous Substances with the participation of a state administration body. Issued decisions of state administration bodies are binding.

- **Soil and groundwater remediation** – if consequences of an accidental leak cannot be eliminated within the initial intervention, the state administration body shall decide on corrective measures. In case of a decision on a corrective measure, risk analysis is first prepared, based on which a remediation project is prepared, which must always be approved by the state administration body in order to ensure compliance with the imposed corrective conditions. The achieved results and the scope of work are checked on regular quarterly inspection days. The state administration body monitors the remediation work every six months.

Subsequent Events

During January to March 2022, the Company drew long-term loans in the amount of CZK 4.5 billion.

At the end of February 2022, continuing political tensions between Russia and Ukraine escalated into a conflict with Russia's military invasion of Ukraine. A worldwide response to Russia's violations of international law and aggression against Ukraine was the imposition of extensive sanctions and restrictions on business activities. We consider these facts to be non-adjusting subsequent events. The overall impact of recent developments has been reflected in increased volatility in financial and commodity markets and other implications for the economy. Business risks, including the adverse effects of economic sanctions on Russia, business disruptions (including supply chains), intensified cyber-attacks, the risk of breaches of legal and regulatory rules, and many others, are difficult to assess and their overall impact and potential effects are currently unknown.

In 2022, there were changes in the composition of the Supervisory Board. On 10 February 2022 two members of the Supervisory Board, Jan Vrátník and Vojtěch Kocourek were dismissed and new members of the Supervisory Board Miroslav Zámečník, Petr Šlegr and Jiří Minka were appointed.

On 15 February 2022 there were also changes in the Board of Directors. At an extraordinary meeting of the Supervisory Board the resignation of Václav Nebeský, the Vice-Chairman of the Board of Directors, was accepted. Effective from 16 February 2022, Michal Kraus was appointment as Vice-Chairman of the Board of Directors of the Company. The resignation of Petr Pavelec, a member of the Board of Directors and the resignation of Ivan Bednárik, the Chairman of the Board of Directors were also accepted. Effective from 16 February 2022, Blanka Havelková was appointed as a member of the Company's Board of Directors. On 24 March 2022, Michal Krapinec was elected as Chairman of the Board of Directors and Chief Executive Officer of the Company, effective from 4 April 2022. On 7 April 2022 the Supervisory Board appointed Lukáš Svoboda as a member of the Board of Directors, effective 8 April 2022.

On 28 February 2022, the Czech National Bank took steps to revoke the license of Sberbank CZ, a.s. As of that date, the companies in the ČD Group had deposits with this bank in the amount of CZK 261 million. Companies are negotiating intensively about access to deposited funds.

On April 20, 2022, the subsidiary ČD Cargo, a.s. issued bonds with a total nominal value of EUR 40 million (CZK 975 million), with maturity at 31. 12. 2028, and with a fixed interest income of 1.92% p.a.

There were no other significant events between the balance sheet date and the time of preparation of this annual report.

Independent Auditor's Report

To the shareholder of České dráhy, a.s.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the consolidated financial position of České dráhy, a.s., with its registered office at Nábřeží L. Svobody 1222, Prague 1 (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2021, and of the Company's separate financial performance and separate cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year ended 31 December 2021;
- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021; and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2021;
- the separate statement of profit or loss for the year ended 31 December 2021;
- the separate statement of comprehensive income for the year ended 31 December 2021;
- the separate statement of changes in equity for the year ended 31 December 2021;
- the separate statement of cash flows for the year ended 31 December 2021; and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
T: +420 251 151 111, www.pwc.com/cz
PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council (the “EU Regulation”) and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the “Audit regulations”). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

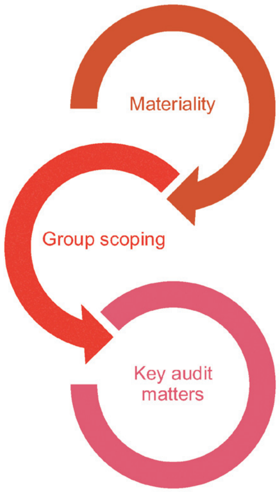
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic, with the Act on Auditors and with the EU Regulation. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, the Act on Auditors and the EU Regulation.

Our audit approach

Overview



Overall materiality for the Group: CZK 385 million

Overall materiality for the Company: CZK 239 million

We have identified seven entities and one subgroup which were subject to our audit based on their size or level of risk. Within the audit procedures described above we have cooperated with component auditors from Poland, Slovakia and Germany. All component auditors belong to PwC network. The entities, for which we performed the above procedures, represent 99% of Group revenues. The scope of the audit provides us sufficient and suitable basis for our opinion on the separate and consolidated financial statements.

Methods, significant assumptions and other information used to estimate the provision for legal disputes related to regulation of market competition.

Methods, significant assumptions and data used to estimate the recoverable amount of property, plant and equipment.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements (together the “financial statements”). In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for each set of financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate, on each set of financial statements as a whole.

Overall Group materiality	CZK 385 million
Overall Company materiality	CZK 239 million
How we determined it	Materiality for the Group and the Company was determined as 1% of total revenues
Rationale for the materiality benchmark applied	We considered profit before tax as a primary basis for materiality calculation, however, due to its high year-on-year fluctuation, we decided to use revenues, which is a more stable indicator.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of each set of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Methods, significant assumptions and data used to estimate the provision for legal disputes related to regulation of market competition. In November 2016, proceedings were initiated by the European Commission (hereinafter the “EC”) regarding a possible violation of Article 102 of the Treaty on the Functioning of the European Union (hereinafter the “TFEU”) on alleged abuse of the Company‘s dominant position on the Prague-Ostrava route as a response to the entry of a new competing rail carrier. In 2020, the EC issued a statement of objections to the detriment of the Company. The Group‘s management has assessed the provision for litigation, including the assessment of the probable outcome, which is based on a number of estimates and assumptions as at the balance sheet date and is therefore subject to considerable uncertainty. Based on the amount of the proceeds to which the potential breach relates, the estimated duration of the potential breach and the opinion of external consultants on the estimated percentage likely to be applied to the relevant revenues in the range of 5 to 10%, a provision of CZK 700 million has been recognised, which corresponds to the estimated costs to settle the fine for the alleged infringement and related expenses as at 31.12.2021. In June 2016, the EC performed the local investigation in the headquarter of ČD based on suspicion of a cartel agreement made for mutual sales of rolling stock contrary the Article 101 of the TFEU. The EC has not yet issued	In connection with the verification of the provision for litigation, we performed the following procedures: We have read the list of significant legal disputes provided by management of the Group. We received confirmation letters from law firms. We held discussions with the Company‘s Legal Department and some external legal advisors. We verified the assumptions used to estimate the provision for legal disputes. We tested the accuracy and completeness of the input data used to calculate the provision and mathematical accuracy of the submitted provision calculation. We assessed the disclosures in the financial statements relating to the provision for legal disputes whether they meet the disclosure requirements of the relevant standards (IAS 37 and IAS 1).

a statement of objections. Based on the nature of information and documents requested by the EC from ČD during 2021, the Group's management decided that a statement of objections could be issued as early as in 2022. Therefore, the Group's management further analysed the up-to-date communication with the EC and attempted to evaluate a potential liability and assess the provision for legal disputes, including assessment of probable outcome which was based on a number of estimates and assumptions at the date of the financial statements and was therefore subject to significant uncertainty. Based on the amount of revenues to which the potential infringement relates, the estimated duration of the potential infringement and the opinion of external advisors on the estimated percentage likely to be applied to the relevant revenues, a provision of CZK 1,000 million was recorded as of 31 December 2021, which corresponds to the estimated costs to settle the fine for the alleged infringement and related expenses.

This key audit matter is relevant for both, the consolidated financial statements of the Group and the individual financial statements of the Company.

For further information on the provision for litigation, see Note 25.1 of the separate financial statements and Note 27.1 of the consolidated financial statements.

Methods, significant assumptions and data used to estimate the recoverable amount of property, plant and equipment.

Due to the negative effects of the Covid-19 pandemic, the Group's management concluded that impairment indicators exist for the Passenger transport cash-generating unit that includes the rolling stock, other stand-alone movables used to operate passenger rail transport and the allocated part of corporate assets. The recoverable amount of the cash-generating unit was determined as its value in use. Certain assumptions used to determine the recoverable amount depends on judgement of the Group's management, in particular:

- the estimated future cash flows in the Group's most up-to-date budgets and plans ("business plans");
- the growth rate used for the period beyond the time interval included to these business plans; and
- the discount rate used to determine the present value of the future cash flows.

Based on physical observation and internal analyses, the Group's management identified fixed assets for which a significant doubt about their future usability exists. In April 2022, the Group's management decided on decommissioning the series 380 locomotives from the fleet after 2025. We consider this decision to be an adjusting post balance sheet event, because the decision reflects the status and conditions of those fixed assets, budgets, plans and strategies that have not been significantly changed since 31 December 2021. The recoverable amount of these assets was estimated as their fair value less cost to sell. The fair value was estimated on the basis of market value of locomotives

In connection with the verification of the recoverable amount of the Passenger transport cash-generating unit, we performed the following procedures:

We evaluated the assumptions of future cash flows which were based on estimated revenues, operating expenses and capital expenditures for replacement of fixed assets.

We compared the input data with the Company's long-term plan approved by the Company‘s Board of Directors.

We verified the mathematical accuracy of the discounted cash flow model.

We compared the actual results for 2021 with the previous year‘s budget in order to evaluate the accuracy of the forecasts prepared by the Group‘s management.

With the support of our valuation experts, we:

- tested determination of the discount rate based on a comparison of the input information used (where appropriate) against externally available information and we tested whether the differences are within an acceptable range;
- considered an adequacy of the applied long-term growth rate by comparing it with the expected growth rate for the passenger transport industry for the period beyond the time interval covered by the Company‘s long-term plan.

with comparable usage and technical parameters, taking into account differences in technical equipment, service availability, maintenance requirements, aging, etc. The estimated fair value in the range of CZK 45-50 million per unit represents the best estimate of the Group's management. In 2021, the impairment loss of CZK 1,110 million was recognised. As at 31 December 2021, accumulated impairment losses for these locomotives amount to CZK 1,609 million.

This key audit matter is relevant for both, the consolidated financial statements of the Group and the individual financial statements of the Company.

For further information on the impairment of assets see Note 14.1 of the separate financial statements and Note 16.1 of the consolidated financial statements.

We assessed the disclosures in the financial statements relating to the possible impairment of assets whether they meet the disclosure requirements of the relevant standards (IAS 36 and IAS 1).

In connection with the verification of the recoverable amount of the series 380 locomotives, we performed the following procedures:

We held discussions with the internal specialists in the area of passenger and freight rolling stock.

We evaluated the assumptions used by the Group's management to estimate the market value of the assets.

We evaluated adequacy of the input data used for the impairment loss calculation and verified the mathematical accuracy of the calculation.

We assessed the disclosures in the financial statements relating to the possible impairment of assets whether they meet the disclosure requirements of the relevant standards (IAS 36 and IAS 1).

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on each set of financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the share of individual subsidiaries on the Group financial position and performance and specifics of the industry in which the Group and the Company operate.

The Group operates mainly in railway transport of passengers and cargo and in the related services in the Czech Republic and Central Europe. The consolidated financial statements includes companies listed in the consolidated financial statements including ČD Cargo subgroup. Company alone together with ČD Cargo a.s. are the largest entities.

In our audit we determined the scope of work, which was considered necessary for individual components and the subgroup. The audit scope definition criteria were especially size, complexity and level of risk from the perspective of audit procedures.

Audit procedures related to the entities located in the Czech Republic were performed by the group audit team, the procedures related to foreign subsidiaries were performed by component auditors from the PwC network on the basis of the instructions submitted by the ČD Cargo subgroup audit team. We have established an adequate level of communication with the component auditors, which provided us adequate basis for our opinion. This communication included, especially, the regular exchange of information obtained during the audit and discussions of the key audit and accounting procedures.

The scope of work described above covers 99% of the Group's revenues, 88% of the Group's loss before tax and 99% of the Group's assets. We consider the remaining entities as not being significant to the Group.

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

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include both of the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Group and the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors, supervisory board and audit committee of the Company for the financial statements

The board of directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

The audit committee of the Company is responsible for monitoring the financial statements' preparation process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement showing that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Information required by the EU Regulation

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the audit committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 26 April 2022 in accordance with Article 11 of the EU Regulation.

Appointment of auditor and period of engagement

We were appointed as the auditors of the Group and the Company for years 2019-2022 by the Steering Committee of the Company on 27 March 2019. Our uninterrupted engagement as auditors of the Group and the Company has lasted for 6 years.

Provided non-audit services

We declare that the PwC Network has not provided non-audit services to the Company and its subsidiaries that are prohibited under Article 5 (1) of the EU Regulation, as amended by the Czech law following Article 5 (3) of the EU Regulation.

The non-audit services that we have provided to the Company and its subsidiaries in the period from 1 January 2021 to 31 December 2021 are disclosed in Note 8 of the notes to the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Milan Zelený.

27 April 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by

Václav Prýmek

Milan Zelený
Statutory Auditor, Licence No. 2319

Consolidated Financial Statements
for the Year 2021 Prepared in Accordance with IFRS as Adopted by the EU

Name of the company: České dráhy, a.s.
Registered office: Nábřeží L. Svobody 1222, 110 15 Prague 1
Legal form: Joint Stock Company
Corporate ID: 70994226

Components of Consolidated Financial Statements prepared for the year 2021 under IFRS as adopted by the EU:

Consolidated Statement of Profit and Loss

Consolidated Statement of Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Equity

Consolidated Cash Flow Statement

Notes to the Consolidated Financial Statements

Consolidated Financial Statements were authorised for issue on 27 April 2022
Statutory Body of the Entity

Michal Krapinec
Chairman of the Board of Directors
České dráhy, a.s.

Lukáš Svoboda
Member of the Board of Directors
České dráhy, a.s.

Consolidated Statement of Profit and Loss for the Year Ended 31 December 2021

		Year ended 31 Dec 2021 CZK million	Year ended 31 Dec 2020 *) CZK million
CONTINUING OPERATIONS			
Revenue	6	38,534	35,915
Other operating income	7	1,822	1,279
Cost of services, raw materials and energy	8	(15,708)	(15,458)
Employee benefit costs	9	(14,808)	(14,902)
Depreciation and amortisation	10	(9,049)	(7,748)
Other operating costs	11	(1,847)	(1,941)
Profit/(Loss) from operating activities		**(1,056)**	**(2,855)**
Finance costs	12	(1,349)	(2,044)
Finance income	13	705	586
Share of the profit of associates and joint ventures	20	17	7
Profit/(Loss) before tax		**(1,683)**	**(4,306)**
Income tax expense	14	(155)	(15)
Profit/(Loss) for the period from continuing operations		**(1,838)**	**(4,321)**
DISCONTINUED OPERATIONS			
Profit/(Loss) from discontinued operations	15	202	186
Profit/(Loss) for the period		**(1,636)**	**(4,135)**
Attributable to the owners of the Company		(1,655)	(4,154)
Attributable to the non-controlling interests		19	19

*) Revised, see Note 15.

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021

		Year ended 31 Dec 2021 CZK million	Year ended 31 Dec 2020 CZK million
Profit/(Loss) for the period		**(1,636)**	**(4,135)**
Actuarial remeasurements of employee defined benefit obligations		49	17
Revaluation of investments in equity instruments at fair value through other comprehensive income		1	(14)
Other comprehensive income/(loss) for the period (items that are not subsequently reclassified to profit or loss)		**50**	**3**
Foreign exchange gains less losses from translation of foreign operations		(40)	(17)
Change in cash flow hedge reserve	26.2.3	2,091	(487)
Change in cost of hedging reserve	26.2.4	35	21
Related income tax credit/ (expense)		(42)	13
Other comprehensive income/(loss) for the period (items that may be reclassified to profit or loss in subsequent periods)		**2,044**	**(470)**
Other comprehensive income/(loss) for the period after tax		**2,094**	**(467)**
Total of comprehensive income/(loss) for the period		**458**	**(4,602)**
Attributable to the owners of the Company		439	(4,621)
Attributable to the non-controlling interests		19	19

Consolidated Statement of Financial Position as at 31 December 2021

		31 Dec 2021 CZK million	31 Dec 2020 CZK million
Property, plant and equipment	16	81,029	74,775
Investment property	17	475	621
Goodwill	18	141	141
Intangible assets	18	1,109	1,100
Right-of-use assets	19	4,957	4,480
Investments in joint ventures and associates	20	209	200
Deferred tax asset	14	14	12
Other financial assets	23	2,301	1,211
Other assets	24	28	8
Total non-current assets		**90,263**	**82,548**
Inventories	21	2,231	2,221
Trade receivables	22	4,004	3,167
Prepaid income tax		69	15
Other financial assets	23	439	222
Other assets	24	2,746	1,795
Cash and cash equivalents	25	3,434	5,751
Assets held for sale	15	338	-
Total current assets		**13,261**	**13,171**
TOTAL ASSETS		**103,524**	**95,719**
Share capital	26	20,000	20,000
Capital contributions	26	19,506	17,454
Accumulated loss		(2,687)	(757)
Equity attributable to the owners of the Company		**36,819**	**36,697**
Non-controlling interests	1.3.2	51	628
Total equity		**36,870**	**37,325**
Loans, borrowings and lease liabilities	27	44,635	42,850
Deferred tax liability	14	1,746	1,688
Provisions	28	211	255
Other financial liabilities	29	213	192
Other liabilities	30	117	231
Total non-current liabilities		**46,922**	**45,216**
Trade payables	16	9,498	4,761
Loans, borrowings and lease liabilities	27	3,664	2,698
Income tax liabilities		48	49
Provisions	28	2,716	2,134
Other financial liabilities	29	675	410
Other liabilities and contract liabilities	30	3,033	3,126
Liabilities from assets held for sale	15	98	-
Total current liabilities		**19,732**	**13,178**
TOTAL LIABILITIES		**103,524**	**95,719**

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital in CZK million	Share premium in CZK million	Cash flow hedge reserve in CZK million	Reserve and other funds *) in CZK million	Retained earnings/ (Accumulated losses) in CZK million	Equity attributable to the owners of the Company in CZK million	Non-controlling interests in CZK million	Total equity in CZK million
Balance as at 1 January 2020	**20,000**	**16,440**	**1,026**	**423**	**3,429**	**41,318**	**621**	**41,939**
Comprehensive income/(loss)								
Loss for the period	-	-	-	-	(4,154)	(4,154)	19	(4,135)
Other comprehensive income/(loss) for the period	-	-	(474)	(6)	13	(467)	-	(467)
Total comprehensive income/(loss) for the period	**-**	**-**	**(474)**	**(6)**	**(4,141)**	**(4,621)**	**19**	**(4,602)**
Transactions with owners								
Allocation to the reserve fund	-	-	-	45	(45)	-	-	-
Dividends paid	-	-	-	-	-	-	(12)	(12)
Total transactions with owners for the period	**-**	**-**	**-**	**45**	**(45)**	**-**	**(12)**	**(12)**
Balance as at 31 December 2020	**20,000**	**16,440**	**552**	**462**	**(757)**	**36,697**	**628**	**37,325**
Comprehensive income/(loss)								
Loss for the period	-	-	-	-	(1,655)	(1,655)	19	(1,636)
Other comprehensive income/(loss) for the period	-	-	2,049	45	-	2,094	-	2,094
Total comprehensive income/(loss) for the period	**-**	**-**	**2,049**	**45**	**(1,655)**	**439**	**19**	**458**
Transactions with the owners								
Allocation to the reserve fund	-	-	-	14	(14)	-	-	-
Change in non-controlling interest **)	-	-	-	10	(261)	(251)	(596)	(847)
Other	-	-	-	(66)	-	(66)	-	(66)
Total transactions with the owners for the period	**-**	**-**	**-**	**(42)**	**(276)**	**(317)**	**(596)**	**(913)**
Balance as at 31 December 2021	**20,000**	**16,440**	**2,601**	**465**	**(2,687)**	**36,819**	**51**	**36,870**

*) Reserve and other funds are described in Note 25.2.
**) More information on the impact of the change in the non-controlling interest in ČD-Telematika a.s. is provided in Note 1.3.2.

Consolidated Cash Flow Statement for the Year Ended 31 December 2021

		Year ended 31 Dec 2021 CZK million	Year ended 31 Dec 2020 CZK million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year		**(1,636)**	**(4,135)**
Income tax	14	203	59
Dividend income	7	(2)	(3)
Finance costs – interest expense	12	1,112	1,091
Gain on the sale and disposal of non-current assets	7	(216)	(170)
Depreciation and amortisation of non-current assets	10	7,803	7,731
Impairment/ (Reversal of impairment)	11	1,233	46
Change in provisions	28	546	1,743
Foreign exchange losses/(gains)		(540)	376
Share of the profit of joint ventures and associates	20	(17)	(7)
Other		125	63
Cash flows from operating activities before changes in working capital		**8,611**	**6,794**
Decrease/(increase) in trade receivables	22	(999)	53
Decrease/(increase) in inventories	21	(95)	(337)
Decrease/(increase) in other assets	23, 24	(356)	(502)
Increase/(decrease) in trade payables		503	(971)
Increase/(decrease) in other payables and contract liabilities	29, 30	(270)	(180)
Total changes in working capital		**(1,217)**	**(1,937)**
Cash flows from operating activities		**7,394**	**4,857**
Interest paid	12	(1,090)	(1,065)
Income tax paid	14	(209)	(135)
Dividends received	7	7	8
Net cash flows from operating activities		**6,102**	**3,665**

Consolidated Cash Flow Statement for the Year Ended 31 December 2021

		Year ended 31 Dec 2021 CZK million	Year ended 31 Dec 2020 CZK million
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment	16	(10,465)	(7,476)
Proceeds from disposal of property, plant and equipment	7	261	240
Payments for investment property	17	(3)	(5)
Payments for intangible assets	18	(218)	(243)
Received interest	13	30	71
Net cash flows used in investment activities		**(10,395)**	**(7,413)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	31	5,518	3,899
Repayments of loans and borrowings	31	(1,356)	(1,830)
Repayment of principal of lease liabilities	31	(1,129)	(1,006)
Transactions with non-controlling interests	1.3.2	(847)	-
Dividends paid		-	(12)
Net cash flows from financing activities		**2,186**	**1,051**
Net decrease in cash and cash equivalents		**(2,107)**	**(2,697)**
Cash and cash equivalents at the beginning of the period		5,751	8,436
Effects of changes in foreign exchange rates		(72)	12
Cash and cash equivalents at the end of the period	**25**	**3,572**	**5,751**
Cash flows from discontinued operations	15	138	-

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2021

1. General Information

1.1. General information

České dráhy, a.s. (hereinafter „the Company“ or „ČD“) was established on 31 March 2002 under Act No. 77/2002 Coll. on the joint stock company České dráhy, the state organisation Správa železniční dopravní cesty (Railway Route Administration) and the Changes to Railways Act 266/1994 Coll., as amended, and the State Enterprise Act 77/1997 Coll. On 1 January 2003, the state organisation České dráhy discontinued its activities and ČD and the state organisation Správa železniční dopravní cesty were formed as its legal successors. As at that date, the Company was recorded in the Commercial Register. Subsequently, on 1 January 2020, the amendment to the Railways Act changed the name of Správa železniční dopravní cesty (SŽDC) to Správa železnic, státní organizace (Railway Administration, the state organization, hereinafter "SŽ").

The Company is the Parent Company of the České dráhy Group. The České dráhy Group (hereinafter "the Group") consists of České dráhy a.s. ("the Parent Company") and subsidiaries listed in Note 1.3. The consolidated financial statements have been prepared as at and for the year ended 31 December 2021. The reporting period is the calendar year, i.e. from 1 January 2021 to 31 December 2021.

The sole shareholder of the Company is the Czech Republic. The Company's share capital is CZK 20,000 million. The Company's registered office is at Nábřeží L. Svobody 1222, Prague 1.

1.2. Principal activity

The Group's main business activity is operating of railway transport. Other activities of the Group include mainly property management. In addition, the Group is engaged in other activities relating to its principal business activity.

The assets comprising the railway infrastructure do not belong to the Group, but to the state. The right to operate these state assets is exercised by SŽ. SŽ secures the operability and servicing of the railway infrastructure.

1.3. Definition of the consolidation group

1.3.1. Entities included in the consolidation

Name of the entity	Registered office	Corporate ID	Ownership percentage *)	Degree of influence
České dráhy, a.s.	Prague 1, Nábřeží L. Svobody 12/1222	70994226		
ČD - Telematika a.s.	Prague 3, Pernerova 2819/2a	61459445	100 **)	Control
Výzkumný Ústav Železniční, a.s.	Prague 4, Novodvorská 1698	27257258	100	Control
DPOV, a.s.	Přerov, Husova 635/1b	27786331	100	Control
ČD Cargo, a.s.	Prague 7, Jankovcova 1569/2c	28196678	100	Control
ČD - Informační Systémy, a.s.	Prague 3, Pernerova 2819/2a	24829871	100	Control
Dopravní vzdělávací institut, a.s.	Prague 8, Prvního pluku 621/8a	27378225	100	Control
ČD travel, s.r.o.	Prague 1, 28. října 372/5	27364976	51.72	Control
CD Cargo Germany GmbH	Germany – Frankfurt am Main, Niddastrasse 98-102	HRB 73576	100	Control
CD Cargo Austria GmbH	Austria – Wien, Rotenturmstraße 22/24	FN 291407s	100	Control
CD Cargo Poland Sp. z o.o.	Poland – Warsaw, Grzybowska 4/3	140769114	100	Control
CD Cargo Slovakia, s.r.o.	Slovakia – Bratislava, Seberíniho 1	44349793	100	Control
CD Cargo Hungary Korlátolt Felelősségű Társaság	Hungary - 4150 Püspökladány, Keleti sor utca 26-4	09-09-031990	100	Control
ČD Cargo Adria d.o.o.	Croatia - Zagreb, Savska cesta 32	081371623	100 **)	Control
ČD Cargo Logistics, a.s.	Prague 1, Opletalova 1284/37	27906931	100	Control
Terminal Brno, a.s.	Brno, K terminálu 614/11	28295374	66.93	Control
ČD-DUSS Terminál, a.s.	Lovosice, Lukavecká 1189	27316106	51	Control
ODP-software, spol.s r.o.	Prague 3, Pernerova 2819/2a	61683809	100	Control
ČD relax s.r.o.	Prague 1, 28. října 372/5	05783623	51.72	Control
CHAPS spol. s r.o.	Brno, Bráfova 1617/21	47547022	100	Control
ČSAD SVT Praha, s.r.o.	Prague 8, Křižíkova 4-6	45805202	100	Control
SVT Slovakia s.r.o.	Banská Bystrica, Partizánska cesta 97	36620602	80	Control
INPROP, s.r.o.	Žilina, Rosinská cesta 12	31609066	100	Control
Tramex Rail s.r.o.	Blansko, Brněnská 1748/21b	26246422	100	Control
VUZ Slovakia, s.r.o.	Slovakia - Bratislava, Seberíniho 1	53156587	100 **)	Control

*) Ownership percentage is the same as the voting rights percentage.
**) There was a change in the designated companies compared to the comparative period - see Note 1.3.2.

The following entities are not controlled by the Group, therefore they are not consolidated:

Name of the entity	Registered office	Corporate ID	Ownership percentage *)	Degree of influence
Smíchov Station Development, a.s.	Prague 8, U Sluncové 666/12a	27244164	51 ***)	Joint control
Žižkov Station Development, a.s.	Prague 8, U Sluncové 666/12a	28209915	51 ***)	Joint control
Masaryk Station Development, a.s.	Prague 1, Na Florenci 2116/15	27185842	34	Significant
JLV, a.s.	Prague 4, Chodovská 228/3	45272298	38.79	Significant
RAILLEX, a.s.	Prague 2, Belgická 196/38	27560589	50	Joint control
BOHEMIAKOMBI, spol. s r.o.	Prague 1, Opletalova 921/6	45270589	30	Significant
Ostravská dopravní společnost, a.s.	Ostrava, U Tiskárny 616/9	60793171	50	Joint control
Ostravská dopravní společnost - Cargo, a.s.	Ostrava, U Tiskárny 616/9	05663041	20	Significant
Smart Ticketing s.r.o.	Prague 3, Pernerova 2819/2a	02033011	50 **)	Joint control

*) Ownership percentage is the same as the voting rights percentage.
**) There was a change in the designated companies compared to the comparative period - see Note 1.3.2.
***) In accordance with the Articles of Association of these entities, the unanimous consent of the parties sharing control is required for important decisions to be taken.

The following table shows the main activities of the companies included in the consolidation.

Name of the entity	Principal activity
ČD - Telematika a.s.	Provision of telecommunication services, software and advisory services
Výzkumný Ústav Železniční, a.s.	Research, development and testing of rail vehicles and infrastructure facilities
DPOV, a.s.	Inspections, repairs, modernisation and renovation of railway vehicles
ČD Cargo, a.s.	Brokerage of services in freight transportation and shipping
ČD - Informační Systémy, a.s.	Provision of telecommunication services, software and advisory services
Dopravní vzdělávací institut, a.s.	Organisation of professional courses, training and other educational events, language courses
ČD travel, s.r.o.	Travel agency and provision of travel services
CD Cargo Germany GmbH	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping
CD Cargo Austria GmbH	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping
CD Cargo Poland Sp. z o.o.	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping
CD Cargo Slovakia, s.r.o.	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping
CD Cargo Hungary Korlátolt Felelősségű Társaság	Rail freight transport, wholesale of raw materials and fuels, storage and other
ČD Cargo Adria d.o.o.	Rail freight transport, wholesale brokerage of raw materials and fuel, storage and other
ČD Cargo Logistics, a.s.	Shipping
Terminal Brno, a.s.	Operations of the combined transport terminal in Brno
ČD-DUSS Terminál, a.s.	Operations of the container terminal in Lovosice
Smíchov Station Development, a. s.	Design, renovations, modernisation and development of the Smíchovské railway station
Žižkov Station Development, a. s.	Design, renovations, modernisation and development of the Žižkov railway station
Masaryk Station Development, a. s.	Development of the Masaryk railway station
JLV, a.s.	Provision of accommodation and catering services
RAILLEX, a.s.	Handling of cargo and technical services in transportation, shipping
BOHEMIAKOMBI, spol. s r.o.	Brokerage of services in transportation except for transportation by own vehicles
Ostravská dopravní společnost, a.s.	Operation of railway transportation and lease of railway vehicles and railway wagons
ODP-software, spol.s r.o.	Development and support of mobile POS systems for trains passengers service and systems with contactless cards
ČD relax s.r.o.	Travel agency activity with a specific focus only on fitness and recovery stays for employees of ČD Group
Ostravská dopravní společnost - Cargo, a.s.	Operation of rail transport and rental of railway traction vehicles and railway wagons
CHAPS spol. s r.o.	Development, maintenance and operation of IT applications and systems
ČSAD SVT Praha , s.r.o.	Development and operation of information systems for transport
SVT Slovakia s.r.o.	Development and operation of information systems for transport
INPROP, s.r.o.	Design and solutions of information system for inventory management
Smart Ticketing s.r.o.	Activities related to Information technology
Tramex Rail s.r.o.	Development, production, installation and servicing of electronic equipment and components for railway applications for rolling stock
VUZ Slovakia, s.r.o.	Research and development in the field of transport, brokerage

The Company and its subsidiaries are hereinafter referred to as the “Group”.

The Group includes the ČD Cargo Group, which consists of ČD Cargo, a.s. and its subsidiaries.

1.3.2. Changes in the composition of the Group

On 10 May 2021, ČD Cargo Adria d.o.o., 100 % subsidiary of ČD Cargo, a.s., was established and registered in the Croatian Commercial Register.

On 24 June 2021, České dráhy, a.s. became the sole shareholder of ČD - Telematika a.s. as a result of the acquisition of a minority interest (29.04 %).

The following table presents the impact of the change in the Company's ownership interest in ČD-Telematika a.s.

(CZK million)	
Carrying value of acquired non-controlling interest	596
Paid to non-controlling interest	847
Decrease in equity attributable to the owners of the Company	**(251)**

Since 8 November 2021, Výzkumný Ústav Železniční, a.s. has been operating through its 100 % subsidiary VUZ Slovakia, s.r.o. also on the territory of the Slovak Republic.

Details of partially owned subsidiary that has significant non-controlling interest:

Subsidiary	**Ownership interests held by non-controlling interests**		**Profit belonging to non-controlling interests in CZK million**		**Accumulated non-controlling interests in CZK million**	
	31 Dec 2021	31 Dec 2020 *)	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
ČD – Telematika a.s.	**0.00 %**	**29.04 %**	**0**	**14**	**0**	**580**

*) The ownership interest coincides with the share of voting rights held by non-controlling interests (CZK million)

(CZK million)

ČD – Telematika a.s.	**31 Dec 2020**
Non-current assets	1,788
Current assets	1,831
Non-current liabilities	488
Current liabilities	1,135
Total equity	1,996
Equity attributable to the owners of the Company	1,416
Non-controlling interests	580

(CZK million)

	The year ended 31 Dec 2020
Revenue	1,775
Costs	(1,728)
Profit for the period	**47**
Profit attributable to the owners of the Company	33
Profit attributable to the non-controlling interests	14
Total profit	**47**
Total comprehensive income attributable to the owners of the company	33
Total comprehensive income attributable to the non-controlling interests	14
Total comprehensive income	**47**
Net cash flows from operating activities	(24)
Net cash flows used in investment activities	(296)
Net cash flows from financing activities	(72)
Net cash flow	**(392)**

1.4. Impact of Covid-19 on the financial statements for the year ended 31 December 2021

In 2021, passenger transport was negatively affected by the ongoing Covid-19 pandemic (the drop in sales against the plan was 15% in domestic transport and 14% in international transport). The consequences of the pandemic affected the transport market throughout the whole year, due to restrictive measures taken in order to mitigate the health impacts (especially in the first half of the year), which disrupted business and economic activities and thus significantly reduced the mobility and numbers of passengers both in domestic and international transport.

In 2021, in connection with the Covid-19 pandemic, the Group received a grant of CZK 558 million from the Ministry of Transport (hereinafter "MT") as a compensation for the losses incurred by the Group between March and June 2020, while operating regular passenger rail transport beyond the public service obligations and for operating public passenger transport services by transregional and long-distance rail transport. Further, in 2021 the Group received the grant from MT within the Covid - Uncovered Costs program in the amount of CZK 40 million.

In addition, the Group continued to implement cost-saving measures to mitigate the effects of the crisis caused by the Covid-19 disease. In connection with the cutting personnel costs, the Group in the first half of the year continued with the partial unemployment scheme for selected employees, according to the Section 209 of the Labour Code for the necessary period and concluded an agreement with the state to receive a contribution to cover part of personnel costs paid by the Group under the partial unemployment scheme (Antivirus program) in the amount of CZK 79 million (Note 32.5).

Impairment tests are usually performed on an annual basis. As at 31 December 2021, the Group reviewed whether there were any new impairment indicators present due to the uncertainty caused by Covid-19. No further significant adjustment to accounting estimates has been deemed necessary. Possible future impacts on the valuation of individual assets and liabilities are monitored and analysed on an ongoing basis.

2. Significant Accounting Policies

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2.2. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies used in the preparation of these financial statements are presented below. Accounting policies are consistent in the reporting period with the accounting policies used in previous periods, if not stated otherwise.

The preparation of consolidated financial statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying accounting policies. Areas with a high degree of judgment or complexity, or areas with assumptions or estimates significant for these financial statements are described in the Note 4.

The going concern basis of the entity

At the time of approval of the consolidated financial statements, the Group's management has a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. Therefore, these financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classifications of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

2.3. Basis of consolidation

The consolidated financial statements incorporate financial information of the Company and entities controlled by the Company (subsidiaries). Control is achieved when the Group has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersal of holdings of the other vote holders;
– potential voting rights held by the Group, by other voting rights holders or by other parties;
– rights arising from other contractual arrangements;
– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ends when the Group loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

The profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. The total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2.4. Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values at the date of acquisition of assets transferred by the Group, the Group's liabilities arising against the former owners of the acquiree and the shares issued by the Group in exchange for control in the acquiree. Acquisition-related costs are recognized in profit or loss when incurred.

Identifiable assets acquired and liabilities assumed are recognised at their fair value, with the following exceptions:

- deferred tax assets or liabilities, and assets and liabilities related to arrangements of the employee benefits are recognized and measured in accordance with IAS 12 Income Taxes, or IAS 19 Employee Benefits, respectively,
- liabilities or equity instruments related to share-based payments agreements in the acquiree, or agreements on share-based payments of the Group replacing the share-based payment arrangements in the acquiree are measured at the acquisition date in accordance with IFRS 2 Share-based Payment.

Goodwill is measured as the excess of the consideration transfer of the amount of any non-controlling interests in the acquiree and the fair value of any Group's previously held equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed, measured at the date of acquisition. If, after reassessment, the share of the fair value of the identifiable net assets of the acquiree exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any Group's previously held equity interest in the acquiree, the amount of surplus is immediately recognized in profit or loss as a bargain purchase gain.

Non-controlling interests, which represent current ownership interests of third parties and entitle the holders to the proportionate share of the acquiree's net assets in case of liquidation may be initially measured at fair value or at proportionate share of non-controlling interest on the recognized identifiable net assets acquired. The measurement basis can be selected individually for each specific acquisition. Other types of non-controlling interests are measured at fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and becomes part of the consideration transferred in a business combination. Changes in fair value of contingent consideration classified as changes within the "measurement period" shall be made retrospectively with a corresponding adjustment to goodwill. Changes within the "measurement period", are changes that arise from additional information obtained during the "measurement period" (which may not exceed one year from the acquisition date) about facts and circumstances that existed as at the acquisition date.

Subsequent accounting for changes in the fair value of contingent consideration, that cannot be considered as changes within the measurement period, depend on the classification of contingent consideration. Contingent consideration that is classified as equity is not remeasured at the date of the subsequent financial statements and its subsequent payment is charged to equity. Contingent consideration classified as an asset or liability is revalued to profit or loss at the date of the subsequent financial statements.

If the business combination is achieved in stages, the shares in the acquired entity, previously owned by the Group, are revalued to fair value at the acquisition date (i.e. the date when the Group acquires control) and any resulting gain or loss is recognized in profit or loss. Amounts related to holding sharesin the acquiree before the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, if such an approach was appropriate in the event of the sale of these shares.

If the initial accounting for a business combination is not complete by the end of the reporting period in which the combination occurred, the Group presents the outstanding item at their provisional amounts. Provisional amounts are adjusted during the "measurement period" (see above) or additional assets and liabilities are captured, in order to reflect new information obtained about new facts and circumstances that existed at the acquisition date and which, if it were known, affected the amounts provided at that date. The completion period may not exceed one year from the acquisition date.

2.5. Revenue recognition

2.5.1. Revenue from contracts with customers

In the first phase, all contracts with customers are analysed in order to identify obligations towards the customer. Subsequently, the transaction price is determined and, in case of several identified performance obligations, is allocated according to their relative standalone selling prices. Consequently, revenue is recognised at the appropriate amount for each performance obligation at a certain point in time or over time of the contract term (it may be recognised over several reporting periods). Revenues are reported net of value added tax and are further reduced by expected returns from customers, rebates and other similar discounts.

The Group recognizes revenue when the performance obligation is satisfied by transferring a promised service or good (asset) to a customer, which means that once a customer obtains control of that asset. Revenue is recognized in the amount of the transaction price allocated to the performance obligation. The received payment is initially recognised as a contract liability that is subsequently released to revenue as the performance obligation is satisfied.

Revenue from passenger transport is recognised in the period in which transport services are provided taking into account a stage of completion of a service (e.g. validity period of long-term travel documents). Revenues from domestic and international freight transport are recognized when a service is provided with respect to a stage of completion of individual transactions determined by the actual day/kilometers of transport performed in the referred period to the total number of day/kilometers of transport.

In contrast to domestic one, international transport also includes the settlement process of proceeds and revenues from foreign carriers and sellers of international tickets. In some cases, such settlements may be delayed by a few months. For this reason, revenue as at the date a service has been provided is estimated based on the information available to the Group.

In addition to selling tickets and similar documents, a significant part of revenue from transport includes revenue from the usage of passenger cars in the RIC mode („Regolamento Internazionale delle Carrozze"), based on the Convention for the Reciprocal Use of Wagons in International Traffic, with the settlement on a quarterly basis. Therefore, in this case revenue is also estimated.

Revenues from orderers such as the Ministry of Transport and regions are key revenues and are included in the Passenger transportation segment.

For passenger transport revenues, the Group applies practical expedient in accordance with IFRS 15.B16 and recognizes revenues in the amount it has a right to invoice.

The transaction price has a fixed and a variable considerations. The fixed part represents the transaction price without consideration of fees and penalties. The variable component exists in the form of fees and penalties associated with the failure of the Group to fulfil the contractual obligation in relation to customers i.e. breach of timetable, damages to the transported goods, etc. In case of the variable component, the revenue is recognised to the extent to which it is highly probable that the revenue will not be subject to reversal in future.

2.5.2. Other income

Dividend income is recognized when there is a right to receive payment and the receipt of such payment is probable.

Interest income is recognised when it is probable that the economic benefits will flow into the Group and the amount of income could be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount. If a financial asset is considered credit-impaired, interest income is calculated based on the asset's amortised cost (i.e. the gross carrying amount less the loss allowance).

2.6. Lease

2.6.1. The Group as a lessee

At the inception date of a contract, the Group assesses whether it is a lease contract or contains an embedded lease. The Group recognises the right-of-use asset and a corresponding lease liability in respect of all lease contracts in which the Group is a lessee, except of short-term leases (with a lease term of 12 months or less and containing no purchase options) and low-value asset lease (such as laptops and personal computers, small items of office furniture and phones). For these leases, the Group recognizes lease payments as operating expenses on a straight-line basis over the term of a lease.

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term that are not yet paid at that date. The lease payments are discounted using the interest rate implicit in a lease or, if this rate is not available, incremental borrowing rate should be used.

Lease payments included in the measurement of a lease liability includes the following:

– fixed lease payments less any receivables from lease incentives;
– variable lease payment that are based on an index or a rate, initially measured using an index or rate as at the commencement date;
– amounts expected to be payable by the Group as guaranteed residual value;
– exercise price of a purchase option if the lessee is reasonably certain that the option will be exercised; and
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising this option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured (and the related right-of-use asset must be adjusted accordingly), if:

– there is a change in a lease term or if there is a material event or change in circumstances that led to a change in the assessment of an option to purchase the underlying asset. In such a case, the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.
– there is a change in lease payments resulting from a change in an index or a rate or change in the amounts expected to be payable under guaranteed residual value. In this case, the lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate.
– a lease contract is modified, and the modification is considered to be a separate lease. In this case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using the revised discount rate as at on the effective date of the modification.

Leases liabilities are presented within the statement of financial position in line of Loans, borrowings and lease liabilities.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date after deduction of any lease incentives received and also includes initial direct costs. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

The right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease, or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation begins at the commencement of the lease (at the date the asset is available for use by the Group).

The right-of-use assets are presented as a separate line in the statement of financial position.

At the end of each reporting period, the Group assesses whether there is any indication that right-of-use assets are impaired and recognizes any identified impairment losses in accordance with the rules described in Note 2.12 Property, plant and equipment.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use assets. Related payments are recognized as expenses in the period in which the event or condition that gives rise to those payments occurs and are presented in Other operating expenses in the consolidated statement of profit or loss.

As a practical expedient, IFRS 16 allows a lessee not to separate non-lease components from lease components and instead to account for each leasing component and any associated non-lease components as a single arrangement. The Group did not use this practical expedient. For the contract that contains a lease component and one or more other lease or non-lease components, the Group allocates the contract consideration to each lease and non-lease component based on the relative stand-alone price of a given component.

2.6.2. The Group as a lessor

Leases in which the Group is a lessor are classified as finance or operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset to lessees are classified as finance leases. All other leases are classified as operating leases.

If the Group is the intermediate lessor, it accounts for the main lease and the sublease as two separate contracts. Subleases are classified as finance leases or operating leases by reference to the right-of-use asset arising from the principal lease.

In an operating lease, income is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and concluding an operating lease are included in the carrying amount of the leased asset and are expensed on a straight-line basis over the term of the lease.

Amounts due from lessees under finance leases are recognised as receivables in the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment.

After initial measurement, the Group regularly assesses the estimated unguaranteed residual value and recognizes an allowance for expected credit losses from lease receivables, in accordance with the accounting policies for financial assets carried at amortized cost.

Income from finance lease is calculated based on the gross carrying value of lease receivables, except for credit-impaired financial assets, for which interest income is calculated on the basis of their net carrying value, i.e. after deducting the allowance for expected credit losses.

2.7. Foreign currencies

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. Given the economic substance of transactions and the environment in which the Group operates, the presentation currency used in the consolidated financial statements is the Czech crown (CZK). The Czech crown is also the functional currency of the Company.

Transactions denominated in foreign currencies are translated and recorded at the fixed exchange rate announced by the Czech National Bank on the date of the transaction. If the current exchange rate does not change significantly over time, the Group uses average exchange rate of this period for a longer period of time - usually one month. At the date of the consolidated financial statements, monetary items denominated in foreign currencies are translated to Czech crowns at the Czech National Bank exchange rate as at that date. Non-monetary items that are measured at historical cost in a foreign currency are not remeasured for changes in foreign exchange rates after initial recognition.

Exchange differences are recognised in profit or loss, except for exchange differences on transactions entered into in order to hedge certain foreign currency risks. Such foreign exchange rate differences are recognised directly in other comprehensive income and reclassified to profit or loss when the hedged underlying items affect profit or loss.

For the purposes of presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries and associates are recorded in CZK using exchange rates prevailing at the date of the consolidated financial statements. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in the consolidated statement of comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.8. Borrowing costs

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they incurred.

2.9. Grants

Government grants and grants from the European Union are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets, are recognised as a reduction of the cost of those non-current assets in the consolidated statement of financial position.

Other government grants are recognised in profit or loss as Other operating income over the periods necessary to match them with the costs which they are intended to compensate, on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support without future related costs are recognised in profit or loss in the period in which they become receivable.

2.10. Employee benefit costs

Employee benefit costs predominantly include payroll costs, payments to the statutory health insurance, social security and pension insurance schemes and other employee benefits costs resulting from the collective agreement.

Employee benefit liabilities and provisions reported in the consolidated statement of financial position represent their present value and are calculated using the incremental method. Additions to these liabilities and provisions are expensed in the reporting period in which services, that entitle the employees to such benefits, have been rendered.

The provision for long-term employee benefits is determined using the Projected Unit Credit Method, with an actuarial valuation at the end of each reporting period. Gains or losses arising from adjustments and changes in actuarial assumptions for post-employment defined benefit obligations are included in other comprehensive income, changes in the provision for other long-term benefits are recognised in profit or loss.

2.11. Taxation

The income tax includes current tax and deferred tax.

2.11.1. Current tax

Current tax calculation is based on taxable profit for the year. The taxable profit differs from the profit recorded in the consolidated statement of profit and loss as it does not include items of income or expense that are taxable or deductible in other years, and items that are not taxable or deductible. The Group's current tax is calculated using tax rates in accordance with the legislation that has been adopted or factually adopted by the end of the reporting period.

2.11.2. Deferred tax

Deferred tax is recognised based on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used to calculate taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. In accordance with the initial recognition exemption, deferred tax asset or deferred tax liability are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination, if the transaction, when initially recorded, affects neither accounting nor taxable profit.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.11.3. Current tax payables and deferred tax for the period

Current and deferred tax are recognised as expenses or income in profit or loss, except when they relate to items that are recognised outside of profit or loss (whether in comprehensive income or directly in equity), in which case tax is also recognised outside of profit or loss.

2.12. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated impairment losses and, in case of buildings and equipment, by accumulated depreciation. Freehold land is not depreciated.

Assets under construction are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs. Depreciation of these assets, on the same basis as depreciation of other assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, applying the straight-line method. Freight rolling stock is depreciated using the component method of depreciation. Freight wagons and traction vehicles without components are depreciated to the estimated residual value. Components of these freight railway vehicles are depreciated based on their performance, according to the actual kilometres ran. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

The following useful lives were used in the depreciation calculation:

	Number of years
Constructions	20 – 50
Vehicles	
Locomotives	*20 – 35*
Passenger cars	*20 – 30*
Freight wagons (without components)	*25 – 33*
Components	2 – 15
Optical fibers	25 and 50
Equipment	8 – 20

Property, plant and equipment items are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of these assets. Gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The Group capitalises major (periodical) repairs of rolling stock. The costs of repairs are recorded as a separate asset (component) and are depreciated over the useful life of repairs. The depreciation period of the components is determined for the series of rolling stock and component types.

Average useful life:

	Number of years
First substantial repair of units	4
First substantial repair of vehicle	6
Major repair of vehicle	11

Strategic spare parts (exchangeable units) are reported within Vehicles. Other spare parts that meet the conditions for classification in accordance with IAS 16 are reported within Assets under construction.

2.13. Investment property

Investment property, namely property held to earn rental income and/or for capital appreciation (including property under construction for future use as investment property), is initially measured at cost, including transaction costs associated with its acquisition. Subsequent to initial recognition, the Group measures its investment property using the cost model; the carrying amounts are decreased by accumulated depreciation and impairment.

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its sale. Gains and losses on derecognition of the property (determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss in the period in which the property is derecognised.

The depreciation method and useful life are determined by the Group for investment property in accordance with the property included in the Construction group (see Note 2.12).

2.14. Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives of assets. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

The following useful lives were used in the amortisation calculation:

	Number of years
Software	3 – 10
Software licenses	6 – 10
Contractual relations	5
Customer relations	5
Know-how	10
Trade marks	10

An intangible asset is derecognised upon disposal, or when no future economic benefits are expected from its use or sale. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in profit or loss in the period when the asset is derecognised.

2.15. Goodwill

Goodwill is initially measured at the amount corresponding to the difference between the consideration increased by the value of any non-controlling interest and by the fair value of any previously held interest and the net amount of acquired identifiable assets acquired and assumed liabilities and contingent liabilities. After initial recognition, goodwill is recognised at cost less accumulated impairment losses. Recognised goodwill is tested for impairment. This test is performed at least once a year or more often if there are indicators of possible impairment of goodwill. At the acquisition date, goodwill is allocated to those cash-generating units that are expected to benefit from the synergies resulting from the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are substantially independent of cash inflows from other assets. The impairment of goodwill is set by determining the recoverable amount of those cash-generating units to which goodwill has been allocated. If the recoverable amount of such cash-generating unit is lower than its carrying amount, impairment loss is recognised. Recognised goodwill impairment losses cannot be reversed later. In case of a partial sale of a cash-generating unit to which goodwill has been allocated, the carrying amount of goodwill related to the sold part of the cash-generating unit is included in profit or loss on disposal. The amount of derecognised goodwill is determined based on the relative values of the sold part of the cash-generating unit in comparison with the part that remains in the Group's ownership.

2.16. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated in order to determine the amount of possible impairment. When it is impossible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are also allocated to individual cash-generating units, if reasonable and consistent basis of allocation can be determined. Otherwise, corporate assets are allocated to the smallest group of cash-generating units for which it is possible to determine a reasonable and consistent basis for allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least once a year and when there is any indication that the asset might be potentially impaired.

The recoverable amount is equal to the higher of fair value less cost to sell and value in use. When assessing value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which have not been adjusted with estimates of future cash flows.

If the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

If the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated of its recoverable amount while ensuring that the increased carrying amount does not exceed the carrying amount that would have been determined in previous years if no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

2.17. Investments in joint ventures and associates

The joint venture is a joint arrangement whereby the parties that have joint control of arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control over the arrangement, which exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the decisions relating to relevant activities of the entity into which the investment was made, but it is not control or joint control over such entity. In this case, the Group ordinarily controls 20-50 % of voting rights.

The economic results, assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements by using the equity method. Under the equity method, investments in joint ventures and associates on initial recognition are carried at cost in the consolidated statement of financial position and are subsequently adjusted for the Group's share of profit or loss and other comprehensive income of the associate or joint venture. If the Group's share of losses of the associate or joint venture exceeds the Group's investment in the associate or joint venture, the Group will stop to show its share of further losses. Additional losses are recognised only when the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group will stop using the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held-for-sale. If the Group retains an interest in the former associates and joint ventures and the retained share is a financial asset, the Group recognises all the retained interest at fair value at that date and the fair value is considered carrying amount at initial recognition of the financial asset in accordance with IFRS 9. The difference between the carrying amount of the former associate or joint venture at the date of termination of use of the equity method and the fair value of the retained interest in the former associate or joint venture is included when determining the gain or loss on the sale of associate or joint venture. The Group also accounts for all amounts recognised in other comprehensive income in relation to that former associate or joint venture in the same way as if the associate or joint venture directly disposed of the related assets or liabilities. Therefore, a gain or loss previously recognised in other comprehensive income by an associate or a joint venture would be reclassified to profit or loss upon disposal of the related assets or liabilities, the Group reclassifies the gain or loss from other comprehensive income to profit or loss (as a reclassification adjustment) when it terminates the use of the equity method for that investment.

The Group continues to apply the equity method when the investment in an associate becomes an investment in a joint venture or if an investment in a joint venture becomes an investment in an associate. These changes in ownership do not trigger revaluation to fair value. If the Group reduces its ownership interest in an associate or joint venture, but continues to use the equity method, then the previously recognised portion of the gain or loss in other comprehensive income is reclassified to the profit or loss, should the gain or loss be reclassified into profit or loss at the sale of the related assets or liabilities.

If the Group's entities trade with a joint venture or an associate of the Group, profits or losses arising from those transactions with joint venture or associate are recognised in the consolidated financial statements of the Group to the extent of interest in a joint venture or an associate that does not belong to the Group.

2.18. Inventories
Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. The net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Spare parts that meet the conditions of classification in accordance with IAS 16 are recognised as Property, plant and equipment (Note 2.12).

2.19. Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

In cases when some or all of the expenditure required to settle a provision are expected to be reimbursed by another party, an asset is recognized when it is certain that the reimbursement will be received by the Group and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised valid expectations in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures triggered by the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

A provision can be used only for expenditures for which the provision was originally recognised. Change in a provision is recognised in profit or loss for a specific expense category; the unused portion of the provision is recognised in Other operating income.

Current liabilities arising from onerous contracts are recognized and measured as provisions. Onerous contract is understood as a Group's contract under which the unavoidable costs of meeting obligations under the contract exceed the envisaged economic benefits expected to be received under such a contract. The costs of fulfilling the contract include both the incremental costs of fulfilling the contract and the allocation of other costs that are directly related to fulfilling a contract.

2.20. Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities other than those measured at fair value through profit or loss are added upon initial recognition to the fair value of financial assets or deducted from the fair value of financial liabilities, respectively. The exceptions are transaction costs that are directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss which are recognised immediately in profit or loss.

Financial assets are classified into the following three categories: financial assets at amortised cost, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. The classification depends on the Group's business model and the nature of the contractual cash flows of the particular financial asset.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or as financial liabilities measured at amortised cost.

2.20.1. Effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts expected future cash inflow/outflow (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) with the exception for expected credit losses through the expected life of the debt instrument, to their gross amortised cost at initial recognition.

Income and expenses are recognised on an effective interest rate basis for debt instruments other than financial assets and liabilities classified as at fair value through profit or loss.

2.20.2. Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include equity investments not held for trading. The Group includes among these assets equity investments that are not traded on an active market.

Investments in equity instruments measured at fair value through other comprehensive income are initially measured at fair value increased by transaction costs. They are subsequently measured at fair value, whereas gains and losses from changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve.

Dividend income from equity investments is recognised in profit or loss when the Group has a right to receive dividends.

2.20.3. Financial assets at amortised cost

Loans and receivables (including bank balances) are financial assets held within the business model which objective is to collect contractual cash flows that are solely payments of the principal and interest on the outstanding principal. Hence, the Group measures these assets at amortised cost applying the effective interest method less any allowance for expected credit losses. These assets are recognised when the cash, goods or services are provided directly to a debtor by the Group with no intention of trading the receivable.

Interest income is recognised by applying the effective interest rate, except for short-term receivables for which the recognition of interest would be immaterial.

2.20.4. Financial assets at fair value through profit or loss

Financial assets which are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reports in this category financial derivatives presented under Other financial assets.

Financial assets measured at fair value through profit or loss are measured at fair value at the end of each reporting period, and all gains or losses of fair value are recognized in profit or loss to the extent that they are not part of the hedging relationship (see the hedge accounting policy). The method of determining fair value is described in Note 36.3.

2.20.5. Expected credit losses on financial assets

Financial assets, other than those at fair value through profit or loss, are reduced by an allowance for expected credit losses as at the asset recognition and at subsequent measurement.

Full model (3-stage impairment model): the financial asset is initially categorised within Stage 1, where credit loss allowance is recognised at an amount equal to 12-month expected credit losses. During the useful life of an asset, the Group considers if there is significant increase in credit risk. If the significant increase in credit risk is identified, the financial asset is reclassified to Stage 2, where the credit loss allowance is recognised at a lifetime expected credit loss. In the case of a counterparty default, such asset is reclassified to Stage 3, where interest income on financial assets is recognised by applying the initial effective interest rate to the amortised cost net of allowances for expected credit losses.

For the purpose of determining expected credit losses, the Group applies the simplified approach in accordance with IFRS 9, which allows the assessment of the lifetime expected loss for all short-term trade receivables, contractual assets and receivables from financial leases.

The simplified model is applied for current trade receivables not containing a significant financing component and financial lease receivables. The Group recognises the allowances for receivables assessed on a portfolio basis based on the impairment matrix including historical inputs reflecting future expectations.

For receivables assessed on an individual basis, the Group considers the following factors that affect the debtor’s ability to meet its obligations:

– 30 and more days past due date,
– forward looking information,
– knowledge of a customer,
– payment morale.

Based on historic experience, the Group uses the following criteria for default determination:

– If information gathered from external sources indicates that a debtor will not be able to pay its creditors in full (bankruptcy, insolvency proceedings).
– If the financial asset is more than 90 days past due and the Group has no evidence that the delay in payments is not sufficient criterion for default determination.

2.20.6. Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group substantially retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Upon derecognition of an asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. Upon derecognition of an investment in an equity instrument, that the Group recognizes at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

2.20.7. Financial liabilities at fair value through profit or loss
Financial liabilities are classified as financial liabilities at fair value through profit or loss when they are either held for trading or designated as measured at fair value through profit or loss.

This category includes financial derivative instruments recognised under other financial liabilities.

Financial liabilities at fair value through profit or loss are measured at fair value, with any resulting gain or loss on changes in fair value being recognized in profit or loss (unless they are part of a designated hedging relationship - see hedge accounting policies). The fair value is determined as described in Note 36.3.

2.20.8. Financial liabilities measured at amortised cost
Financial liabilities that are not held for trading or designated as financial liabilities at fair value through profit or loss are subsequently measured at amortised cost applying the effective interest method.

Loans are initially recognized at fair value less transaction costs. In subsequent periods, loans are carried at amortized cost using the effective interest rate method.

2.20.9. Derecognition of financial liabilities
The Group derecognises financial liabilities only when its obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.20.10. Derivative financial instruments
The Group enters into a variety of financial derivative contracts to manage its exposure to interest rate, currency and commodity risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

Derivatives that do not meet the criteria for hedging derivatives are recorded by the Group at fair value through profit or loss.

A derivative with a positive fair value is recorded as a financial asset, while a derivative with a negative fair value is recorded as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has an enforceable right to set-off and intends to exercise it.

2.20.11. Hedge accounting

The Group designates certain hedging instruments as either fair value hedges, or cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Since the inception, the Group documents and monitors on an ongoing basis, whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. The Group monitors the hedge ratio, sources of ineffectiveness and credit risk impact. Hedge accounting corresponds to the Group's risk management strategy. Under IFRS 9, the Group recognises the basis spreads separately from cross-currency interest rate swaps as cost of hedging.

If a hedging relationship ceases to meet the hedge effectiveness requirement associated with the hedging ratio, but the risk management objectives for that hedging relationship remain the same, the Group adjusts the hedging ratio for that hedging relationship (i.e. rebalances the hedging) to meet the required criteria.

2.20.12. Cash flow hedges

The effective part of changes in the fair value of financial derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedging reserve. The Group recognises cost of hedging separately if the criteria of cost recognition through other comprehensive income have been met. The gain or loss relating to the ineffective part is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued only when the hedging relationship no longer qualifies for hedge accounting (fully or partially), after considering any rebalancing of the hedging relationship or when the hedging instrument expires or is sold, terminated, or exercised. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedging reserve at that time remains in equity and is remeasured through profit or loss when the forecast transaction is recognised. When a forecast transaction is no longer expected to occur, gain or loss accumulated in the cash flow hedging reserve is reclassified immediately to profit or loss.

2.20.13. Fair value hedge

Changes in the fair value of financial derivatives that are designated and qualify as fair value hedges are recognised immediately in profit or loss, together with any changes in the fair value of the hedged asset or liability that relate to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item related to the hedged risk are recognized in the line of the consolidated statement of profit and loss relating to the hedged item.

The Group terminates hedge accounting only when the hedging relationship (or part of it) ceases to meet the qualification criteria (after rebalancing, if relevant), i.e. upon expiration of the hedging instrument or upon its sale, termination or implementation of the contract in question. The termination of hedge accounting is accounted for prospectively. The adjustment to the carrying amount of the hedged item that reflects fair value and arises from the hedged risk is amortized to profit or loss from the date of the adjustment.

2.20.14. Financial derivatives held for trading

All derivative transactions that the Group concludes are acquired on economic terms for hedging purposes, but some of them are not classified as hedging instruments for formal reasons. Derivatives that do not meet the conditions for hedging derivatives are recorded as derivatives held for trading. The change in fair value of derivatives held for trading is recognised as an expense or income from derivative transactions.

3. Adoption of New and Revised International Financial Reporting Standards

3.1. Standards and interpretations effective for the annual period ended 31 December 2021

During the year ended 31 December 2021, the following standards, amendments and interpretations, (relevant to the Group's activities) became effective:

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	1 January 2021
IFRS 16 - Amendments IFRS 16 – Covid-19-Related Rent Concessions	1 June 2020

The adoption of the abovementioned amendments during the period did not have a significant impact on the disclosures or amounts presented in these financial statements. The Group analysed the possible impact of the interest rate benchmark reform and concluded that the reform was not yet relevant to the Group.

3.2. Standards and interpretations used prior to the effective date

The Group has applied the Amendment to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract before its effective date (effective for annual periods beginning on or after 1 January 2022) for the provision for onerous contracts. The Amendment to IAS 37 specifies that the 'costs of fulfilling' a contract comprises the costs that relate directly to the contract. When creating a provision for onerous contracts, among these costs the Group includes incremental costs of fulfilling a contract (e.g. direct labour costs, material consumption) as well as the allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of depreciation charge for items used in fulfilling the contract). The amendment to IAS 37 was initially applied in the consolidated financial statements for the year 2020.

3.3. Standards and interpretations issued but not yet used

As at the date of the financial statements, the following standards and interpretations were published (that were relevant to the Group's activities), but were not yet effective or applied by the Group before its effective date.

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 - Reference to the Conceptual Framework	1 January 2022
IFRS 10, IAS 28 - Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	Date will be determined *)
IAS 1 - Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1 January 2023 *)
IAS 1 - Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
IAS 8 - Amendments to IAS 8 - Definition of Accounting Estimates	1 January 2023
IAS 12 - Amendment to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023 *)
IAS 16 - Amendments to IAS 16 - Proceeds before Intended Use	1 January 2022
Various standards - Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022

*) Standards, amendments and interpretations that has not yet been approved for the use in the EU.

The management of the Group expects that the adoption of these standards, amendments and interpretations will not have a significant impact on the Group in the following periods.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not clearly evident from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below.

4.1. Key sources of estimation uncertainty

4.1.1. Impairment of assets

The Group assesses the recoverable amount of all assets when there are indicators of their impairment (with the exception of intangible assets with indefinite useful lives or intangible assets under construction, which recoverable amount is assessed annually). This assessment is based on expected assumptions and may change in the future depending on the development of the current situation and the availability of information. Impairment of property, plant and equipment is disclosed in Note 16.1.

4.1.2. Provisions for legal disputes and business risks

The Group is involved in a number of regulatory, court and out-of-court commercial disputes. Where the criteria for the recognition of provisions have been met, the Group creates provisions for these disputes on the basis of the best available information and estimates. However, the actual outcome of the disputes may differ from these estimates. Information regarding legal disputes is disclosed in Notes 28 and 35.1.

4.1.3. Leasing – rental period

The Group uses an estimate to determine the lease term of contracts concluded for indefinite period. This estimate was made with respect of the period and termination conditions of individual contracts. For the contracts with indefinite duration assessed on the basis of a portfolio approach, the Group has determined the estimated lease term as a period of 5 years, as considering past experience, it is reasonably certain that these leases will not be terminated by the Group during this estimated lease term.

In addition, each significant contract is also assessed separately based on individual contract provisions, economic situation on the market of a given asset, as well as the past experience with the lessor, and thus the lease terms is adjusted accordingly.

Contracts with SŽ for the lease of premises at railway stations are concluded for individual areas (seven large framework contracts). When measuring individual leased premises under the same contract, the Group used aggregation into portfolios under the framework contracts because of the insignificance of these individual rental premises. Due to the fact that these contracts were concluded with SŽ for 50 years, they are evaluated in the same way as contracts with indefinite duration and the estimated lease term is therefore set at 5 years for the purposes of lease term determination. Lease contracts contains an early termination clause, however the Group uses it primarily in the event of termination of transport at a given location.

4.2. Judgements used in the application of accounting policies

4.2.1. Payments from the public service orderers

The Group receives payments from the regional budgets and the Ministry of Transport's budget for railway transport as the provision of public services. The Group also receives payments from the budget of Ministry of Transport for the provision of transport services at discounted prices for selected population groups (students, pensioners). The Group recognises these payments as revenue from contracts with customers.

In case of payments from the orderers, the essence of the contractual relation with the regions or the Ministry of Transport is the order of transport service availability in a given location or on a specified line. This service is provided by the Group regardless a number of passengers using a transportation service. This is not a grant since the contract for the transport service availability has been competed among a number of parties interested in providing that service and the subject of the service is not transport of specific individuals, but public transportation availability. Payment for the provision of the service is received by the company which wins a tender and ensures the service by its own means, in compliance with the competed conditions.

The preferential prices for different categories of customers (students, pensioners, individuals with reduced mobility) are measures where a customer uses the service (passenger transport) and pays only part of its price and the remaining part is paid by a third party (in this case the state). It is not a subsidy to the carrier since in fact it is a direct subsidy of a market price to the population groups and not an economic incentive to influence behaviour of a carrier in a particular way.

5. Segment Information

5.1. Activities that generate revenue for reportable segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, in order to allocate resources to appropriate segments and to assess their performance. In 2021, the Group set aside a new reportable segment, Certification and Testing, in accordance with the terms of IFRS 8. For reasons of better comparability, comparatives as at 31 December 2020 have been reclassified. The Group's reportable segments under IFRS 8 are therefore as follows:

– Passenger transport – other information on rail passenger transport is disclosed in Note 6.
– Freight transport – other information on rail freight transport is disclosed in Note 6.
– Property management – the segment provides the management and operations of real estate owned by the Group, including internal and external leases.
– Certification and Testing - the segment provides research, development and testing in the field of rolling stock and infrastructure equipment.

5.2. Segment revenues and expenses

The analysis of the Group's results by reportable segments in the format in which the report is presented to the chief operating decision maker is as follows.

2021

(CZK million)	Passenger transport	Freight transport	Property management	Certification and testing	Total of reportable segments	Others *)	Elimination**)	Total
Revenue								
out of which revenues from external customers outside the Group	**23,303**	**12,401**	**-**	**15**	**35,719**	**2,088**	**-**	**37,807**
Revenue from passenger transport	6,593	-	-	-	6,593	-	-	6,593
Revenue from freight transport	-	11,518	-	-	11,518	-	-	11,518
Revenue from the orderers	16,529	-	-	-	16,529	-	-	16,529
Revenue from other services	181	883	-	15	1,079	2,088	-	3,167
out of which revenues in the Group	**202**	**82**	**-**	**698**	**982**	**2,813**	**(3,795)**	**-**
Revenue from passenger transport	5	-	-	-	5	-	(5)	-
Revenue from other services	197	82	-	698	977	2,813	(3,790)	-
Total revenue from contracts with customers	**23,505**	**12,483**	**-**	**713**	**36,701**	**4,901**	**(3,795)**	**37,807**
Rental income outside the Group	-	364	363	-	727	-	-	727
Rental income in the Group	-	52	58	-	110	-	(110)	-
Total rental income	**-**	**416**	**421**	**-**	**837**	**-**	**(110)**	**727**
Total revenue	**23,505**	**12,899**	**421**	**713**	**37,538**	**4,901**	**(3,905)**	**38,534**
Traction costs	(2,578)	(1,043)	-	-	(3,621)	-	7	(3,614)
Payment for the use of the railway infrastructure	(1,787)	(880)	-	-	(2,667)	-	1	(2,666)
Consumption of material, energy and services	(5,159)	(3,624)	(325)	(161)	(9,269)	(3,455)	3,296	(9,428)
Total purchased consumables and services	**(9,524)**	**(5,547)**	**(325)**	**(161)**	**(15,557)**	**(3,455)**	**3,304**	**(15,708)**
Employee benefit costs	(9,191)	(4,524)	(214)	(131)	(14,060)	(1,181)	433	(14,808)
Depreciation and amortisation	(6,395)	(2,308)	(105)	(62)	(8,870)	(309)	130	(9,049)
Impairment ***)	(4)	45	(16)	-	25	(12)	-	13
Other operating income	1,143	401	265	6	1,815	538	(558)	1,795
Other operating expenses	(1,416)	(333)	(37)	(12)	(1,798)	(98)	63	(1,833)
Profit/(Loss) on operating activities	**(1,882)**	**633**	**(11)**	**353**	**(907)**	**384**	**(533)**	**(1,056)**
Finance costs	(1,045)	(289)	(6)	-	(1,340)	(42)	33	(1,349)
Finance income	676	44	22	1	743	5	(26)	722
Profit/(Loss) before tax	**(2,251)**	**388**	**5**	**354**	**(1,504)**	**347**	**(526)**	**(1,683)**
Income tax expense	-	(99)	-	(68)	(167)	7	5	(155)
Profit/(Loss) for the period from continuing operations	**(2,251)**	**289**	**5**	**286**	**(1,671)**	**354**	**(521)**	**(1,838)**
Profit/(Loss) from discontinued operations	-	-	-	-	-	202	-	202
Profit/(Loss) for the period	**(2,251)**	**289**	**5**	**286**	**(1,671)**	**556**	**(521)**	**(1,636)**

*) The 'Others' column includes income and expense of all subsidiaries apart from ČD Cargo Group and Výzkumný Ústav Železniční, as well as income and expenses of the Company which do not belong to Passenger transport and Property management segments.
**) The 'Elimination' column includes eliminations of intragroup relations.
***) Impairment includes impairment losses / reversals of impairment of property, plant and equipment, investment property and assets held for sale, expected credit losses on receivables, write-off of inventories to the net realizable value.

2020 *)**

(CZK million)	Passenger transport	Freight transport	Property management	Certification and testing	Total of reportable segments	Others *)	Elimination**)	Total
Revenue								
out of which revenues from external customers outside the Group	**21,555**	**11,731**	**-**	**19**	**33,305**	**1,848**	**-**	**35,153**
Revenue from passenger transport	5,901	-	-	-	5,901	-	-	5,901
Revenue from freight transport	-	11,008	-	-	11,008	-	-	11,008
Revenue from the orderers	15,449	-	-	-	15,449	-	-	15,449
Revenue from other services	205	723	-	19	947	1,848	-	2,795
out of which revenues in the Group	**250**	**71**	**-**	**546**	**867**	**2,636**	**(3,503)**	**-**
Revenue from passenger transport	6	-	-	-	6	-	(6)	-
Revenue from other services	244	71	-	546	861	2,636	(3,497)	-
Total revenue from contracts with customers	**21,805**	**11,802**	**-**	**565**	**34,172**	**4,484**	**(3,503)**	**35,153**
Rental income outside the Group	-	451	311	-	762	-	-	762
Rental income in the Group	-	13	45	-	58	-	(58)	-
Total rental income	**-**	**464**	**356**	**-**	**820**	**-**	**(58)**	**762**
Total revenue	**21,805**	**12,266**	**356**	**565**	**34,992**	**4,484**	**(3,561)**	**35,915**
Traction costs	(2,472)	(1,169)	-	-	(3,641)	-	8	(3,633)
Payment for the use of the railway infrastructure	(1,612)	(883)	-	-	(2,495)	-	2	(2,493)
Consumption of material, energy and services	(5,216)	(3,506)	(341)	(192)	(9,255)	(3,113)	3,036	(9,332)
Total purchased consumables and services	**(9,300)**	**(5,558)**	**(341)**	**(192)**	**(15,391)**	**(3,113)**	**3,046**	**(15,458)**
Employee benefit costs	(9,343)	(4,517)	(179)	(114)	(14,153)	(1,146)	397	(14,902)
Depreciation and amortisation	(5,283)	(2,056)	(85)	(58)	(7,482)	(348)	82	(7,748)
Impairment	163	(229)	29	-	(37)	16	(1)	(22)
Other operating income	411	636	106	14	1,167	439	(334)	1,272
Other operating expenses	(1,221)	(620)	(68)	(12)	(1,921)	(73)	82	(1,912)
Profit/(Loss) on operating activities	**(2,768)**	**(78)**	**(182)**	**203**	**(2,825)**	**259**	**(289)**	**(2,855)**
Financial expense	(1,770)	(269)	(22)	(1)	(2,062)	(49)	67	(2,044)
Financial income	571	71	18	1	661	14	(82)	593
Profit/(Loss) before tax	**(3,967)**	**(276)**	**(186)**	**203**	**(4,226)**	**224**	**(304)**	**(4,306)**
Income tax expense	-	28	-	(39)	(11)	2	(6)	(15)
Profit/(Loss) for the period from continuing operations	**(3,967)**	**(248)**	**(186)**	**164**	**(4,237)**	**226**	**(310)**	**(4,321)**
Profit/(Loss) from discontinued operations	-	-	-	-	-	186	-	186
Profit/(Loss) for the period	**(3,967)**	**(248)**	**(186)**	**164**	**(4,237)**	**412**	**(310)**	**(4,135)**

*) The 'Others' column includes income and expense of all subsidiaries apart from ČD Cargo Group and Výzkumný Ústav Železniční, as well as income and expenses of the Company which do not belong to Passenger transportation and Property management segment.
**) The 'Elimination' column includes eliminations of intragroup relations.
***) Revised comparative period with respect to the new reported segment Certification and testing and reporting of discontinued operations in 2021, see Note 15.

6. Revenue

6.1. Breakdown of revenue

(CZK million)	2021	2020 *)
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Passenger transport segment	**23,303**	**21,555**
Revenue from passenger transport - fare	6,593	5,901
Domestic passenger transport	*4,816*	*4,509*
International passenger transport	*1,777*	*1,392*
Revenue from passenger transport - payments from public service orderers	16,529	15,449
Payment from the state budget	*4,362*	*4,272*
Payment from the regional budgets	*12,167*	*11,177*
Revenue from other services	181	205
Freight Transport segment	**12,401**	**11,731**
Revenue from freight transport	11,518	11,008
Revenue from domestic freight transport	*4,029*	*3,964*
Revenue from foreign freight transport	*7,489*	*7,044*
Revenue from freight transport - Germany	*2,190*	*2,338*
Revenue from freight transport - Austria	*1,063*	*1,018*
Revenue from freight transport - Slovakia	*990*	*858*
Revenue from freight transport - Poland	*1,184*	*724*
Revenue from freight transport – other countries	*2,062*	*2,106*
Other revenue from freight transport **)	659	541
Other revenue from domestic freight transport	*452*	*411*
Other revenue from foreign freight transport	*207*	*130*
Other transport related services	224	182
Certification and testing segment	**15**	**19**
Revenue from other services	15	19
Not assigned to segments	**2,088**	**1,848**
Sale of other services	*2,088*	*1,848*
Sale of other services recognised over time	*2,088*	*1,848*
Sales of telematics services	*984*	*946*
Sales of railway testing services	*697*	*546*
Sales of other own services	*407*	*356*
Total revenue from contacts with customers	**37,807**	**35,153**
RENTAL INCOME		
Property management segment	363	311
Freight transport segment	364	451
Total rental income	**727**	**762**
Total revenue	**38,534**	**35,915**

*) Revised, see Note 15.
**) Other revenue from freight transport include mainly revenues from services performed in railway stations, supplementary services and siding services.

Payments from public service orderers relate to regional and long-distance domestic passenger transportation.

The Group provides transport services in public railway transport for a stated (rectified) price and assures transport services in the specified categories of passenger trains on the railway network of the Czech Republic. The scope of these services and the compensation (revenue of the Group) are specified in contacts with the state and municipal authorities. The payment from the ordering party - the state is limited by the volume of financial resources that were determined by the state budget to cover the provable losses in railway passenger transport.

In 2021, the Group operated long-distance transport under public service contracts concluded with the Ministry of Transport of the Czech Republic. The decisive volume of services was provided under a newly concluded contracts valid from 15 December 2019 for a period of 10 years.

Since the 2020/21 timetable, the Group has operated a total of 21 long-distance transport lines on the basis of 7 public service contracts, which represents 82.1 % of services ordered as a public service by the Ministry of Transport of the Czech Republic.

In regional transport, most contracts have been concluded and valid since 2020, in which it was therefore necessary to focus great attention on their proper performance. During the year 2021, 38 new contracts have been concluded with the regions. The vast majority of newly concluded contracts were implemented in the regime of so-called market consultation and subsequent direct assignment. An exception is the contract with the South Moravian Region, which was concluded within the standard tender procedure, and the contract with the Pilsen Region for the P2 operating set, which is effective from December 2021.

Most of the year 2021 was associated with the COVID-19 pandemic and subsequent crisis measures. In the area of regional transport, steps and measures were taken promptly, which partially helped reducing economic losses caused mainly by the decline in passenger numbers. Due to the fact that contracts with 6 regions (Olomouc, South Moravian, Ústí nad Labem, Zlín, Liberec and Pilsen Regions) are concluded in the so-called gross regime, where the risk of sales is borne by a region, the economic effects of a drop in revenues from passengers on ČD were eliminated in these regions. In addition, a new agreement with the Hradec Králové Region has been in force since 12 December 2021, where the so-called system of shared sales risk is set up, where the region shares the risk and opportunities of sales in half, which will further reduce sales risk in 2022 for ČD.

However, it must be noted that regional transport is significantly less dependent on revenues from passengers than long-distance transport, and conversely – is significantly more dependent on payments from orderers, so compared to its magnitude, the impact of the decline in passenger revenues on this passenger transport segment was not so critical, as in case with long-distance transport.

Significant transactions with the main customers with government participation are presented in Note 32.5.

6.2. Contract liabilities and refund liabilities

The Group recognises the following contract liabilities and refund liabilities (see also Note 30) related to revenue from contracts with customers:

(CZK million)	31 Dec 2021	31 Dec 2020
Contract liabilities related to revenue from contracts with customers		
Prepaid products – i.e. kilometric bank, annual ticket	139	142
Prepayments received	48	85
Contract liabilities from telecommunication services	148	172
Other contract liabilities	13	38
Total contract liabilities	**348**	**437**

(CZK million)	31 Dec 2021	31 Dec 2020
Refund liabilities		
Liabilities from rebates and claims	29	29
Other refund liabilities	206	33
Total refund liabilities	**235**	**62**

6.2.1. Revenues from contract liabilities

(CZK million)	2021	2020
Revenues included in the opening balance of contract liabilities		
Revenue from passenger transportation - fare	130	188
Sale of other services	295	288
Total	**425**	**476**

6.2.2. Remaining contract liabilities

Passenger transport services are usually completed within a few hours and paid for just before the service is provided. In case of prepaid tickets, a contract liability is recognized. As at 31 December 2021, the Group has concluded more than 40 contracts with public service orderers (Ministry of Transport and the regions). Validity of these contracts varies individually from 1 to 15 years. According to these contracts, the Group is obliged to provide transport services to the specified extent. Income is recognised in the amount that the Group has a right to invoice. The orderers usually pay a fixed amount based on the payment schedule. If services provided by the Group exceed payments, a receivable is recognized due to the fact that a right to payment is unconditional, and only the passage of time is required before the payment is due. Receivables are usually due within 15-30 days. If payments exceed services provided, a liability is recognized. The Group does not disclose the allocated transaction price under practical expedient from IFRS 15.121. Transport revenue is disclosed in Note 6.1.

7. Other Operating Income

(CZK million)	**2021**	**2020*)**
Gain from disposal of property, plant and equipment and investment property	216	170
Gain on disposal of redundant assets	204	167
Compensations for shortage and damage	100	89
Contractual penalties and default interest	118	30
Dividends received	2	3
Foreign exchange gains - operational	235	477
Release of provisions (Note 28)	116	24
Release of credit loss allowance on trade receivable	27	-
Reversal of write-off of inventory to net realizable value	-	7
Revenue from grants	609	27
Revenue from litigation	1	53
Revenue from special trains	35	23
Other	159	209
Total other operating income	**1,822**	**1,279**

*) Revised, see Note 15.

Revenue from grants mainly represent grants from the Ministry of Transport in the amount of CZK 558 million as compensation of losses incurred in the first wave of the Covid-19 pandemic affecting railway operations in 2020 and also the grant of CZK 40 million from the Covid – Uncovered Costs program.

The category Other includes primarily sales from rolling stock performance and revenue from easement.

8. Cost of Services, Raw Materials and Energy

(CZK million)	2021	2020 *)
Traction costs	(3,614)	(3,633)
Traction fuel (diesel)	*(1,420)*	(1,333)
Traction electricity	*(2,194)*	(2,300)
Payment for the use of railroads	(2,666)	(2,493)
Other services, raw materials and energy	(9,428)	(9,332)
Consumed material	*(1,788)*	*(1,700)*
Consumed other energy	*(422)*	*(420)*
Consumed fuel	*(65)*	*(58)*
Repairs and maintenance	*(742)*	*(1,162)*
Travel costs	*(191)*	*(182)*
Telecommunication, data and postal services	*(310)*	*(306)*
Low value rent or short term rent	*(366)*	*(150)*
*RIC vehicle charges **)*	*(304)*	*(230)*
*RIV vehicle charges **)*	*(324)*	*(276)*
Transportation charges	*(1,640)*	*(1,859)*
Substitute bus service	*(180)*	*(135)*
Services of dining and sleeping carriages	*(131)*	*(113)*
Services associated with the use of buildings	*(298)*	*(301)*
Operational cleaning of rolling stock	*(505)*	*(455)*
Border area services	*(563)*	*(520)*
Advertising and promotion costs	*(90)*	*(130)*
Commission for the sale fares paid to other carriers, resellers	*(53)*	*(47)*
Infrastructure capacity allocation	*(110)*	*(85)*
Operation, maintenance and other IT-related services	*(106)*	*(113)*
Performances of fire brigade service	*(2)*	*(1)*
Services in the field of ecology	*(36)*	*(45)*
Railway rolling stock repair services	*(338)*	*(350)*
Telematics services	*(513)*	*(566)*
Other services	*(351)*	*(128)*
Total cost of services, raw materials and energy	**(15,708)**	**(15,458)**

*) Revised, see Note 15.
**) RIC and RIV vehicle charges are fees for the inclusion of foreign cars in the Group's trains in the Czech Republic, which are billed in the RIC (Regolamento Internazionale delle Carrozze) and RIV (Regolamento Internazionale Veicoli) regimes in accordance with the Conventions on the Mutual Use of Passenger Cars and Freight Wagons in the international transport.

Other services include mainly training costs, preventive health care, consulting, expert opinions, commission costs for representation abroad and other services.

Other services also include audit and non-audit services provided by the PwC network companies. Total remuneration for these services is presented below:

(CZK million)	**2021**	**2020**
Statutory audit of annual financial statements	(5)	(5)
Other non-audit services	(4)	(5)
Total	**(9)**	**(10)**

9. Employee Benefit Costs

(CZK million)	**2021**	**2020*)**
Payroll costs	(10,634)	(10,551)
Severance pays	(105)	(182)
Statutory social security and health insurance	(1,037)	(1,015)
Payments to supplementary pension insurance	(2,780)	(2,830)
Payments to capital life insurance	(63)	(72)
Other social costs	(94)	(95)
Other staff costs	(95)	(157)
Total staff costs	**(14,808)**	**(14,902)**

*) Revised, see Note 15.

Other social costs include mainly meal allowances. Other staff costs include mainly allowances for health recovery stays or remuneration to the members of the statutory bodies.

In 2021, Payroll costs were reduced by the government grant within the Antivirus program in the amount of CZK 80 million (2020: CZK 173 million).

10. Depreciation and Amortisation

(CZK million)	2021	2020 *)
Depreciation of property, plant and equipment	(6,507)	(6,577)
Depreciation of investment property	(20)	(26)
Depreciation of right-of-use assets	(987)	(821)
Amortisation of intangible assets	(289)	(300)
Impairment losses on property, plant and equipment, investment property and assets held for sale (Note 16.1)	(1,246)	(24)
Total depreciation and amortisation	**(9,049)**	**(7,748)**

*) Revised, see Note 15.

In 2021, Depreciation of property plant and equipment, was reduced by CZK 21 million (2020: increased by CZK 43 million), which relates to the allocation of costs of creation and use of a provision for onerous contracts. (Note 28.3)

11. Other Operating Expenses

(CZK million)	2021	2020 *)
Expected credit loss on receivables (Note 36.8)	-	(29)
Write-off of inventories to net realizable value	(14)	-
Costs of contractual fines and default interest	(5)	(5)
Taxes and fees	(17)	(22)
Insurance	(199)	(196)
Foreign exchange losses - operational	(239)	(436)
Shortages and damages	(65)	(77)
Expenses for uniforms and personal protective equipment	(48)	(40)
Provision for legal disputes relating to other operating expenses (Note 28.1)	(1,000)	(697)
Reimbursement of employee expenses	(16)	(17)
Damage compensation	(71)	(4)
Fines and penalties	(29)	(234)
Costs of written-off and assigned receivables	(32)	(16)
Other expenses	(112)	(168)
Total other operating expenses	**(1,847)**	**(1,941)**

*) Revised, see Note 15.

12. Finance Costs

(CZK million)	2021	2020
Interest on bank overdrafts and loans	(99)	(26)
Interest on issued bonds	(743)	(746)
Interest on lease liabilities	(80)	(104)
Interest from secured loans	(44)	(66)
Other interest expense	(215)	(176)
Less: amounts included in the cost of qualifying assets	79	32
Unwinding of the discount of provisions for liabilities and charges	(10)	(5)
Foreign exchange losses on loans, borrowings and lease liabilities	(107)	(879)
Bank charges	(11)	(11)
Other finance costs	(119)	(63)
Total finance costs	**(1,349)**	**(2,044)**

The capitalisation rate of interest costs in 2021 is 2.02 % p. a. (2020: 2.00 % p. a.).

13. Finance Income

(CZK million)	2021	2020
Foreign exchange gains on loans, borrowings and lease liabilities	674	510
Interest received	31	71
Other finance income	-	5
Total finance income	**705**	**586**

14. Income Tax

14.1. Income tax recognised in profit or loss

(CZK million)	2021	2020 *)
Tax for the current year recognised in the statement of profit and loss	(149)	(55)
Deferred tax recognised in the statement of profit and loss	(6)	41
Income tax related to previous periods	-	(1)
Total income tax expense related to continuing operations	**(155)**	**(15)**

*) Revised, see Note 15.

Reconciliation of the total tax charge for the year to accounting profit / loss multiplied by the applicable tax rate:

(CZK million)	2021	2020 *)
Profit/(Loss) for the period before tax	**(1,683)**	**(4,306)**
Statutory tax rate on corporate income in the Czech Republic	19%	19%
Expected tax (expense) / credit	**320**	**818**
Adjustments:		
Effect of the unrecognised deferred tax asset	(159)	(501)
Impact of different tax rates in other countries	(5)	(6)
Non-taxable income - fines	30	-
Other non-taxable income	75	27
Tax deductible research and development expenses not included in the deferred tax	3	4
Tax non-deductible expenses - shortages and damages	(11)	(8)
Tax non-deductible payroll expenses	(35)	(30)
Tax non-deductible expenses - fines	(190)	(176)
Other tax non-deductible expenses	(167)	(51)
Taxes paid abroad	(14)	-
Income tax related to previous periods	(2)	(1)
Deferred income tax related to the previous periods	-	(91)
Income tax recognised in profit or loss	**(155)**	**(15)**

*) Revised, see Note 15.

14.2. Income tax recognised in other comprehensive income

(CZK million)	2021	2020
Change in cash flow hedge fund	(42)	13
Total income tax recognised in other comprehensive income	**(42)**	**13**

14.3. Deferred tax

Deferred tax assets and liabilities are calculated as follows:

(CZK million)	31.12.2021	31.12.2020
Deductible temporary differences		
Non-current assets	6,604	4,721
Provisions	309	537
Receivables	268	74
Borrowing costs	-	884
Derivatives	(2,300)	(389)
Other	205	353
Basis for calculation of deferred tax	**5,086**	**6,180**
Corporate income tax rate	19%	19%
Deferred tax assets - calculated	**966**	**1,174**
Deferred tax assets - recognised	**14**	**12**
Taxable temporary differences		
Non-current assets	(10,267)	(10,358)
Provisions	565	842
Receivables	31	100
Borrowing costs	48	79
Derivatives	(77)	(32)
Other	509	483
Basis for calculation of deferred tax	**(9,191)**	**(8,886)**
Corporate income tax rate	19%	19%
Deferred tax liabilities - calculated	**(1,746)**	**(1,688)**
Deferred tax liabilities - recognised	**(1,746)**	**(1,688)**

The tax effect of temporary difference movements is calculated as follows:

(CZK million)	1 Jan 2021	Deferred tax recognised in profit or loss	Deferred tax recognised in other comprehensive income	Reclassification to discontinued operations	31 Dec 2021
Deferred tax assets					
Non-current assets	897	358	-	-	1,255
Provisions	102	(37)	(6)	-	59
Receivables	14	37	-	-	51
Borrowing costs	168	(168)	-	-	-
Derivatives	(74)	-	(363)	-	(437)
Other	67	(29)	-	-	38
Total deferred tax assets - calculated	**1,174**	**161**	**(369)**	**-**	**966**
Total deferred tax assets - recognised	**12**	**2**	**-**	**-**	**14**
Deferred tax liabilities					
Non-current assets	(1,968)	47	(33)	2	(1,952)
Provisions	160	(43)	-	(10)	107
Receivables	19	(13)	-	-	6
Borrowing costs	15	(6)	-	-	9
Derivatives	(6)	-	(9)	-	(15)
Other	92	7	-	-	99
Total deferred tax liabilities - calculated	**(1,688)**	**(8)**	**(42)**	**(8)**	**(1,746)**
Total deferred tax liabilities - recognised	**(1,688)**	**(8)**	**(42)**	**(8)**	**(1,746)**
Net deferred tax liability - calculated	**(514)**	**(58)**	**(411)**	**(8)**	**(991)**
Net deferred tax liability - recognised	**(1,676)**	**(6)**	**(42)**	**(8)**	**(1,732)**

(CZK million)	1 Jan 2020	Deferred tax recognised in profit or loss	Deferred tax recognised in other comprehensive income	31 Dec 2020
Deferred tax assets				
Non-current assets	647	248	2	897
Provisions	23	80	(1)	102
Receivables	19	(5)	-	14
Borrowing costs	-	168	-	168
Derivatives	(151)	-	77	(74)
Other	63	4	-	67
Total deferred tax assets - calculated	**601**	**495**	**78**	**1,174**
Total deferred tax assets - recognised	**18**	**(6)**	**-**	**12**
Deferred tax liabilities				
Non-current assets	(1,970)	(12)	14	(1,968)
Provisions	142	18	-	160
Receivables	11	8	-	19
Borrowing costs	-	15	-	15
Derivatives	(4)	-	(2)	(6)
Other	73	18	1	92
Total deferred tax liabilities - calculated	**(1,748)**	**47**	**13**	**(1,688)**
Total deferred tax liabilities - recognised	**(1,748)**	**47**	**13**	**(1,688)**
Net deferred tax liability - calculated	**(1,147)**	**542**	**91**	**(514)**
Net deferred tax liability - recognised	**(1,730)**	**41**	**13**	**(1,676)**

Due to low expected future taxable profits, the utilisation of deferred tax assets is uncertain. Therefore, if the resulting net position at the balance sheet date is a deferred tax asset, the Group does not recognize this asset. The unrecognised deferred tax asset as at 31 December 2021 amounts to CZK 952 million (31 December 2020: CZK 1,162 million).

15. Discontinued Operations and Assets Held for Sale

15.1. Sale of part of the business in the area of telematics

The Group plans to sell the part of the business of the subsidiary ČD-Telematika in the first half of 2022. This concerns the sale of the part of maintenance, service and other activities related to electronic communication operations in connection with the railway telecommunication property of SŽ.

15.2. Analysis of profit and cash flows from discontinued operations

The following table shows the profit from discontinued operations:

(CZK million)	The year ended 31 Dec 2021	The year ended 31 Dec 2020
Income	541	527
Expense	(291)	(297)
Profit before tax	250	230
Relevant income tax expense	(48)	(44)
Total profit from discontinued operations	**202**	**186**

(CZK million)	The year ended 31 Dec 2021	The year ended 31 Dec 2020
Cash flows generated from operating activities	151	121
Cash flows from investing activities	(38)	(19)
Cash flows from financing	-	-
Net cash flows from discontinued operations	**113**	**102**

15.3. Assets held for sale

The following table shows the value of net assets held for sale as at 31 December 2021:

(CZK million)	31 Dec 2021
Property, plant and equipment	101
Deferred tax asset	8
Inventories	5
Trade receivables	76
Other assets	10
Cash and cash equivalents	138
Total assets	**338**
Trade payables	28
Provisions	9
Other liabilities and contract liabilities	13
Income tax liabilities	48
Liabilities related to assets held for sale	**98**
Net assets	**240**

16. Property, Plant and Equipment

(CZK million)	Land	Constructions	Equipment	Vehicles for own use *)	Vehicles for rent	Components	Assets under construction	Prepay-ments	Total
Cost									
Balance as at 1 Jan 2020	5,691	14,918	4,851	95,060	3,212	24,833	2,308	1,148	152,021
Additions	3	106	103	2,116	-	3,957	2,015	465	8,765
Disposals	(42)	(67)	(91)	(521)	-	(2,634)	(208)	76	(3,487)
Reclassification	2	113	152	75	39	266	(752)	-	(105)
Balance at 31 Dec 2020	**5,654**	**15,070**	**5,015**	**96,730**	**3,251**	**26,422**	**3,363**	**1,689**	**157,194**
Additions	10	138	115	5,740	-	4,324	1,514	3,059	14,900
Disposals	(27)	(68)	(137)	(868)	-	(5,267)	(267)	(346)	(6,980)
Reclassification	(25)	862	201	342	210	428	(1,493)	(271)	254
Reclassification to assets held for sale	(12)	(62)	(86)	(5)	-	-	(28)	-	(193)
Balance at 31 Dec 2021	**5,600**	**15,940**	**5,108**	**101,939**	**3,461**	**25,907**	**3,089**	**4,131**	**165,175**
Accumulated depreciation and impairment									
Balance as at 1 Jan 2020	93	8,330	3,509	51,889	1,732	13,074	453	-	79,080
Depreciation	-	334	277	3,010	203	2,714	3	-	6,541
Impairment loss	6	-	7	452	-	-	4	-	469
Reversal of impairment	(28)	(2)	(7)	(408)	-	-	-	-	(445)
Disposals	-	(51)	(85)	(498)	-	(2,566)	-	-	(3,200)
Reclassification	-	(23)	4	301	(298)	(7)	(3)	-	(26)
Balance as at 31 Dec 2020	**71**	**8,588**	**3,705**	**54,746**	**1,637**	**13,215**	**457**	**-**	**82,419**
Depreciation	-	303	271	2,949	266	2,738	1	-	6,528
Impairment loss	8	4	7	1,728	-	-	4	-	1,751
Reversal of impairment	-	-	(7)	(497)	-	-	(1)	-	(505)
Disposals	-	(55)	(136)	(792)	-	(5,118)	(1)	-	(6,102)
Reclassification	-	145	18	163	(307)	171	(43)	-	147
Reclassification to assets held for sale	-	(12)	(75)	(5)	-	-	-	-	(92)
Balance as at 31 Dec 2021	**79**	**8,973**	**3,783**	**58,292**	**1,596**	**11,006**	**417**	**-**	**84,146**
Net book value									
Balance as at 1 Jan 2020	5,598	6,588	1,342	43,171	1,480	11,759	1,855	1,148	72,941
Balance as at 31 Dec 2020	5,583	6,482	1,310	41,984	1,614	13,207	2,906	1,689	74,775
Balance as at 31 Dec 2021	5,521	6,967	1,325	43,647	1,865	14,901	2,672	4,131	81,029

*) Vehicles purchased under secured loans agreements are presented within “Vehicles”. Their net book value is CZK 3,738 million as at 31 December 2021 and CZK 3,739 million as at 31 December 2020.

Reclassifications include particularly transfers of assets between individual groups (IAS 16, IAS 40) and transfer (activation) of assets under construction to individual categories of Property, plant and equipment (Land, Constructions, Equipment, Vehicles).

Strategic spare parts (exchangeable units) with an acquisition cost of CZK 155 million and a net book value of CZK 59 million as at 31 December 2021 are recognised in the vehicles (31 December 2020: at an acquisition cost of CZK 119 million and a net book value of CZK 61 million). Other spare parts with a net book value of CZK 863 million as at 31 December 2021 are recognised in the assets under construction (31 December 2020: CZK 892 million).

The most significant additions from 1 January 2020 to 31 December 2021 include the acquisition and modernization of rolling stock as part of the renewal of the Parent Company's fleet. Due to the long-term nature of acquisition of this type of assets, significant balances are recognised in the Assets under construction.

Trade payables includes payables from the acquisition of fixed assets in the amount of CZK 5,307 million as at 31 December 2021 (31 December 2020: CZK 787 million). Significant year-on-year increase in these payables connected to significant purchases of rolling stock at the end of 2021 and the invoices not due until 2022.

The largest additions in freight vehicles in 2021 were repairs of R and D type (components) of traction vehicles in the amount of CZK 549 million, modernisation of series 742.7 traction vehicles in the amount of CZK 545 million, overhaul repairs (components) of freight wagons in the amount of CZK 340 million. Further, during the accounting period the ČD Cargo Group acquired 5 pieces of the new 744 series traction vehicles in the total amount of CZK 217 million, 108 pieces of the new Eanos series freight wagons in the total amount of CZK 193 million, 100 pieces of the new Sgnss series freight wagons in the total amount of CZK 186 million, wheelsets (components) for freight wagons in the total amount of CZK 138 million, technical inspections (components) for freight wagons in the total amount of CZK 69 million, technical improvement of traction vehicles in the total amount of CZK 66 million, car body components to freight wagons in the total amount of CZK 43 million.

Significant additions in the area of telematics include purchase of geometric plans to mark the serviceability of the Railway high-speed transmission network in the total amount of CZK 64 million and components for CWDM and DWDM technologies in the total value of CZK 42 million.

In 2021, the Parent Company provided advances of CZK 1,045 million for the supply of EMU240 electric trains for regional transport, CZK 1,505 million for the supply of 230 km / h passenger cars, CZK 590 million for the supply of ten DMU120 diesel trains for regional transport and CZK 181 million for the equipment of electric locomotives by mobile part of ETCS. In 2020, the Parent Company provided an advance of CZK 538 million for the supply of nineteen EMU160 electric trains.

The Parent Company records grant promises in the amount of CZK 398 million for electric trains for the Pilsen and Karlovy Vary regions and for series 440 electric trains "transition to II. voltage system", in the amount of CZK 120 million, which are recognised in Other assets (Note 24).

In the area of acquisition and modernization of railway rolling stock, since 2010 ČD has implemented a total of nineteen grant project plans in the amount more than CZK 7.6 billion within the Regional Operational Programs (hereinafter referred to as the "ROP") in the individual regions. As a result of the returned grants according to the findings of the audit body of the Ministry of Finance and its up to date quantified correction, the Parent Company records an increase in the acquisition price of the Assets under construction in the amount of CZK 68 million as at 31 December 2021 (31 December 2020: CZK 336 million) and an increase in the acquisition prices of Vehicles in the amount of CZK 311 million as at 31 December 2021 (31 December 2020: CZK 43 million) (Note 16.1.2).

During 2021, the ČD Cargo Group partially used the grant advance received for the implementation of the European Train Control System (ETCS) for equipped locomotives of 742, 363 and 163 series, in total of CZK 342 million. Further, the ČD Cargo Group received a grant for the equipment of cars by „LL car blocks" (so-called silent brake blocks) in the amount of CZK 19 million.

Operating lease agreements in which the Group acts as a lessor and which relate to movable property are described in Note 33.

16.1. Impairment loses recognised in the reporting period

16.1.1. Asset impairment analysis

Passenger transport

As at the balance sheet date, the Group's management assessed if there were any indications of impairment of non-financial assets. Due to the negative effects of the Covid-19 pandemic, the Group's management concluded that impairment indicators exist for the Passenger transport cash-generating unit where the Group's management includes rolling stock (locomotives, passenger cars, other rolling stock including leased and recognised as right-of-use assets), other stand-alone movables used to operate passenger rail transport and the allocated part of corporate assets. This group of assets is tested for potential impairment as one cash-generating unit as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of the cash-generating unit was determined as the value in use. Value in use was determined based on the present value of future cash flows per cash-generating unit for the next ten years. The ten-year period reflects the assumptions for short- to medium-term market development and is used by the management as it allows to better reflect the planned investment program than the shorter period. The ČD's management is confident that due to the character of the railway transport it is able to forecast future cash flows over the whole ten-year period with sufficient reliability. Cash flows beyond the ten-year period have been extrapolated using a steady growth rate. This growth rate is in line with the long-term average growth rate for the sector in which the Company operates (passenger transport).

The calculation of future expected cash flows is based on an estimate of revenues, direct and indirect operating expenses and expenditures for replacement of fixed assets for the period of 2022-2031. Revenues from the sale of services are projected on the basis of the expected collection of fares and the contracted payments from public service orderers (the state and the regions), according to the expected return to 'normal' after the period affected by Covid-19 and also according to the expected payments from the state. Operating expenses are estimated based on the current structure of the Company and adjusted for expected development and cost-saving measures in the area of operating and personnel costs. Capital expenditures are based on the historical experience of the Group's management, planned development of passenger transport and commitments arising from contracts with public service orderers. In general, the projections of the above-mentioned components of expected future cash flows take into account the expected economic development, competition and other market factors, regulation, as well as the Group's strategy.

The discount rate reflects of risk specific to the cash-generating unit as assessed by the Group's management. The basis for calculating the discount rate is the weighted average cost of capital (WACC) calculated based on the Capital Asset Pricing Model (CAPM). To calculate the recoverable amount, the cash flows expressed in nominal values were estimated and discounted using a discount rate of 7.25 % (2020: 7 %). Estimated future operating cash flows and estimated capital expenditures for the ten-year period and for the calculation of residual value (perpetuity) were taken from the long-term plans of discounted cash flows of ČD for the period of 2022-2031 with perpetuity outlook that has been approved by the ČD's Board of Directors.

The expected growth rate is derived from the expected future development of the market, gross domestic product, the level of wages and interest rates and the expected economic growth of the country. A growth rate of 3 % (2020: 2 %) was used to calculate the recoverable amount.

The analysis performed as at 31 December 2021 confirmed that the recoverable amount of the cash-generating unit exceeds its carrying amount by CZK 5,423 million (2020: CZK 11,826 million).

Sensitivity analysis of impairment tests

When testing the recoverable amount of fixed assets of the cash-generating unit, a sensitivity analysis of the test results to changes in selected significant parameters used in the model was performed: the estimated future operating cash flows, the estimated capital expenditures for replacement of fixed assets, the discount rate used for calculating the present value of future cash flows and the growth rate.

	Operating cash flows for perpetuity		Estimated capital expenditures for perpetuity		Discount rate		Growth rate	
Parameter value	CZK 6,000 million		CZK 8,000 million		7.25%		3%	
	Increase by 10%	Decrease by 10%	Decrease by 10%	Increase by 10%	Decrease by 50 basis points	Increase by 50 basis points	Increase by 100 basis points	Decrease by 100 basis points
Increase/ (decrease) of recoverable amount	7,380	(7,380)	9,840	(9,840)	13,690	(10,655)	23,584	(14,500)
Impairment Yes/No	No	Yes	No	Yes	No	Yes	No	Yes
Value of impairment	-	(1,956)	-	(4,416)	-	(5,232)	-	(9,076)

The recoverable amount of the cash-generating unit would equal its carrying value, had the key assumptions been/changed as follows:

	Operating cash flows for perpetuity	Estimated capital expenditures for perpetuity	Discount rate	Growth rate
Parameter value	CZK 6,000 million	CZK 8,000 million	7.25%	3%
Parameter value where recoverable amount would equal carrying value	CZK 5,560 million	CZK 8,440 million	7.5%	2.68%

Freight transport

Management of ČD Cargo also assessed asset impairment indicators in connection with the COVID-19 pandemic impact. Assets from the fleet of wagons and locomotives were tested on the basis of a comparison of the current carrying and market value of individual vehicles. Fair value of these assets was determined in line with IFRS 13 requirements for level 3 assets. As part of impairment testing, the market value of these assets was compared with their carrying amount. The freight wagons' market value was determined on the basis of an expert opinion of a sample of vehicles from each interval as recoverable amount of physical liquidation of freight wagons based on their weight and a current price of scrap in proportion that corresponds with the fleet structure and its expected further use. The locomotives' market value was determined by comparing the operational and technical parameters of the locomotive series including their remaining useful lives with the most similar new locomotives currently traded on the market (for locomotives intended for further use) or as recoverable amount of physical liquidation based on their weight and a current price of scrap (for locomotives intended for scraping). The model confirmed that the market value of these assets as at 31 December 2021 and 31 December 2020 significantly exceeded their carrying amount.

16.1.2. Other impairment losses

Furthermore, based on physical observation and internal analyses, the Group's management identified fixed assets for which significant doubt about their future usability exists. Impairment losses were recognized for these items in the amount of the difference between the carrying value and the estimated recoverable amount. The recoverable amount of the series 680 tilting trains (Pendolino) and the series 380 locomotives was estimated as their fair value less cost to sell. Therefore, the recoverable amount of these rolling stock items was determined regardless of the cash-generating unit to which they belong. The fair value of the series 680 trains was determined on the basis of expert opinion. As at 31 December 2021, accumulated impairment losses for these trains amount to CZK 387 million (31 December 2020: CZK 414 million). In April 2022, the ČD's management decided on decommissioning the series 380 locomotives from the fleet after 2025. The fair value of the series 380 locomotives was estimated on the basis of market value of locomotives with comparable usage and technical parameters, taking into account differences in ageing, technical equipment, service availability, maintenance requirements, etc. The estimated fair value in the range of CZK 45-50 million per unit presents the best estimate of the Group's management. In 2021, the impairment loss of CZK 1,110 million was recognised. As at 31 December 2021, accumulated impairment losses for these locomotives amount to CZK 1,609 million (31 December 2020: CZK 522 million).

Another significant impairment loss item is the „Returned ROP grants" title. The accumulated impairment loss for this title is determined at the total value of the returned grants and amounted to CZK 377 million as at 31 December 2021 (31 December 2020: CZK 379 million).

Impairment losses and their reversal is presented in Depreciation and amortisation in the consolidated statement of profit and loss.

16.2. Pledged assets

The Group has loans secured with the assets with the net book value of CZK 3,738 million as at 31 December 2021 and CZK 3,739 million as at 31 December 2020.

17. Investment Property

The value of investments in real estate:

(CZK million)	2021	2020
Balance at the beginning of the year	621	606
Additions from subsequent capitalised expenses	3	5
Depreciation	(20)	(26)
Disposals	(2)	(13)
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	105	70
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	(222)	(25)
Increase/(Decrease) in impairment loss	(10)	4
Balance at the end of the year	**475**	**621**

(CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020	Balance as at 1 Jan 2020
Cost	**1,142**	**1,409**	**1,362**
Accumulated depreciation and impairment	(667)	(788)	(756)
Net book value	**475**	**621**	**606**

The Group includes in the investment property real estate where at least 50 % of its useful area is leased to an external lessee.

The estates are located around the railroads, in train stations and depots of rolling stock. The Group applies market approach to determine the fair value of its land and income approach to determine the fair value of its buildings.

When calculating the fair value of a building, firstly the annual rental income from the building is calculated as a multiple of the size of a property, occupancy as per a particular type of premises and external annual rent as per individual type of premises. Secondly, the fair value of the building is calculated as the annual rental income less the cost incurred on the building during the year and divided by the capitalization rate for the given location (yield). Yield is updated annually based on an expert opinion and is calculated as the sum of net earned revenues (net rent) divided by the sum of achieved market prices of comparable real estate. To determine the fair value of real estates as at 31 December 2021 and 31 December 2020, depending on type of real estate and its location, yield in the range of 6-10 % was used.

In respect of land, the fair value is calculated by multiplying the market price for m^2 for the specific locality and the size of the land. The market price for m^2 is determined each year by the expert based on the latest land price maps.

The estimated Investment property fair value amounted to CZK 6,130 million as at 31 December 2021 (31 December 2020: CZK 4,396 million). Investment property is classified as Level 3 in terms of the method of determining fair value.

Operating lease agreements in which the Group acts as a lessor and which relate to investment property are described in Note 33.

18. Intangible Assets and Goodwill

(CZK million)	Internally generated software	Software licences	Assets under construction	Contractual relations and customer relations	Know - how and trademarks	Total
Cost						
Balance as at 1 Jan 2020	2,737	807	214	189	11	3,958
Additions	170	27	109	-	-	306
Disposals	(8)	-	-	-	-	(8)
Reclassification	143	15	(158)	-	-	-
Balance as at 31 Dec 2020	**3,042**	**849**	**165**	**189**	**11**	**4,256**
Additions	100	3	195	-	-	298
Disposals	(88)	(3)	10	-	-	(81)
Reclassification	117	9	(126)	-	-	-
Reclassification to assets held for sale	(6)	-	-	-	-	(6)
Balance as at 31 Dec 2021	**3,165**	**858**	**244**	**189**	**11**	**4,467**
Accumulated amortisation						
Balance as at 1 Jan 2020	2,054	728	-	78	4	2,864
Amortisation	225	35	-	39	1	300
Disposals	(8)	-	-	-	-	(8)
Balance as at 31 Dec 2020	**2,271**	**763**	**-**	**117**	**5**	**3,156**
Amortisation	228	21	-	39	1	289
Disposals	(80)	(1)	-	-	-	(81)
Reclassification to assets held for sale	(6)	-	-	-	-	(6)
Balance as at 31 Dec 2021	**2,413**	**783**	**-**	**156**	**6**	**3,358**
Net book value						
Balance as at 1 Jan 2020	683	79	214	111	7	1,094
Balance as at 31 Dec 2020	771	86	165	72	6	1,100
Balance as at 31 Dec 2021	752	75	244	33	5	1,109

The amortisation costs were reported in Depreciation and amortisation in the consolidated statement of profit and loss.

Intangible assets of the Parent Company mainly include software called DISOD, PARIS, APS, In-karta, POP, UNIPOK, IS OPT and KASO which is used in business activities.

Intangible assets of ČD Cargo, a.s. include mainly the SAP system and operational business roles under the PROBIS project. Further, software consists of the information system supporting the activities of a freight carrier, SAP software development, Microsoft Enterprise Agreement license, OPT software, software to support the office agenda and other software used in ČD Cargo, a.s. As at 31 December 2021, the intangible assets of ČD Cargo, a.s. include royalties (licenses) with the total net book value of CZK 47 million. 2021 additions to Internally generated software consist mainly of modifications and upgrades of existing systems: Dispatching information system under the Integrated Train project and Altworx software used to monitor and evaluate the use of basic capacities of ČD Cargo, a.s. (operating personnel, traction vehicles and freight wagons).

The value of goodwill:

(CZK million)	Goodwill	Total
Balance as at 1 Jan 2020	141	141
Balance as at 31 Dec 2020	141	141
Balance as at 31 Dec 2021	141	141

Goodwill impairment analysis

The Group recognises goodwill from acquisition of interest in the CHAPS group by the company ČD – Informační Systémy, a.s.

The impairment analysis was performed on the basis of the discounted cash flow method, which determined the value of the assets of CHAPS and its subsidiaries.

The calculation of future expected cash flows is based on estimated revenues and direct and indirect operating expenses for the period of 2022-2026. The projection of expected future cash flows takes into account expected economic development, competition and other market factors, as well as CHAPS strategy.

The discount rate expresses the level of risk in a given sector as assessed by the Group's management. The basis for the discount rate calculation is the WACC value calculated based on the capital asset pricing model („CAPM"). To calculate the recoverable amount, estimated cash flows expressed in nominal values were discounted using a discount rate of 12.64 % (2020: 12.64 %).

The expected growth rate is derived from the expected future development of the market, gross domestic product, wage and interest rate levels and the expected economic growth of the country. A growth rate of 3 % (2020: 2 %) was used to calculate the recoverable amount.

The analysis performed as at 31 December 2021 confirmed that the recoverable amount of CHAPS and its subsidiaries exceeds its carrying value (net assets and goodwill value) by CZK 341 million.

Sensitivity analysis of impairment test

When testing the goodwill value determined by the discounted cash flow method, the sensitivity of the test results to changes in following selected significant parameters used in the model has been performed: expected future cash flows, a discount rate for calculating the present value of future cash flows and a growth rate.

A change in expected future cash flows according to the model by 20 % with other parameters remain unchanged would lead to a change in the recoverable amount by CZK 93 million. A change in the discount rate by 1 % with other parameters remain unchanged would lead to a change in the recoverable amount by CZK 47 million. A change in the growth rate by 1 % with other parameters remain unchanged would lead to a change in the recoverable amount by CZK 35 million.

19. Right-of-use Assets

The Group leases land, administrative premises, railway station buildings, locomotives, wagons, cars and equipment. Lease contracts are usually concluded for a defined period (3 to 15 years). Smaller part of the contracts is concluded for an indefinite period (see Note 4.1.3).

(CZK million)	Land	Premises at railway stations	Administrative buildings	Equipment	Locomotives	Freight wagons	Other vehicles	Total
Cost								
Balance as at 1 Jan 2020	4	324	1,073	610	985	1,795	146	4,937
Additions	-	-	278	126	-	319	866	1,589
Disposals	(3)	(7)	(187)	(131)	-	(781)	(18)	(1,127)
Change in estimates *)	1	37	67	20	32	288	-	445
Reclassification	-	-	(1)	-	(7)	-	-	(8)
Balance as at 31 Dec 2020	**2**	**354**	**1,230**	**625**	**1,010**	**1,621**	**994**	**5,836**
Additions	2	-	68	262	549	483	117	1,481
Disposals	(1)	-	(188)	(7)	-	(210)	(71)	(477)
Change in estimates *)	-	15	51	15	31	148	-	260
Reclassification	-	-	(16)	27	(10)	122	(23)	100
Balance as at 31 Dec 2021	**3**	**369**	**1,145**	**922**	**1,580**	**2,164**	**1,017**	**7,200**
Accumulated depreciationand impairment								
Balance as at 1 Jan 2020	3	130	259	80	190	252	59	973
Depreciation	1	38	150	115	113	355	49	821
Disposals	(3)	-	(121)	(95)	-	(203)	(14)	(436)
Reclassification	-	-	-	-	(2)	-	-	(2)
Balance as at 31 Dec 2020	**1**	**168**	**288**	**100**	**301**	**404**	**94**	**1,356**
Depreciation	-	37	183	136	190	372	69	987
Disposals	-	-	(68)	-	-	(82)	(65)	(215)
Reclassification	-	-	6	6	2	101	-	115
Balance as at 31 Dec 2021	**1**	**205**	**409**	**242**	**493**	**795**	**98**	**2,243**
Net book value								
Balance as at 1 Jan 2020	1	194	814	530	795	1,543	87	3,964
Balance as at 31 Dec 2020	1	186	942	525	709	1,217	900	4,480
Balance as at 31 Dec 2021	2	164	736	680	1,087	1,369	919	4,957

*) Change in estimate is a change in the estimated lease term of the assets.

2021 additions in the Locomotive category consist mainly of 6 newly leased Vectron locomotives.

In 2020, a significant lease agreement was concluded for the lease of freight wagons. Based on the option contained in the contract, they will be purchased upon termination of the lease. The value of the option is reflected in the value of the asset. The total amount of additions from this contract was CZK 833 million in 2020.

The right-of-use assets according to IFRS 16 also include a lease agreement for the lease of storage space in the Lovosice logistics centre. Since this contract generates to ČD Cargo, a.s. a loss of approximately CZK 59 million per year, a provision for onerous contracts has been created for this lease contract in the past. The value of provision has been determined in the amount of estimated net future liability arising from the contract calculated as a difference between discounted expected cash inflows and outflows. As a result of IFRS 16 implementation, the value of the right-of-use asset from this lease has been reduced by the provision for onerous contracts. As at 1 January 2019, the right-of-use asset value was calculated as the amount of CZK 558 million and reduced by the provision of CZK 409 million. As at 1 January 2019, the calculated value of CZK 149 million was reported as Costs in the above table. In 2021, the right-of-use asset value further decreased due to lower profitability of the logistics complex operation. As at 31 December 2021, this right-of-use assets was recognised at a net book value of CZK 13 million (31 December 2020: CZK 53 million).

The amounts recognised in the consolidated statement of profit and loss:

(CZK million)	**2021**	**2020**
Depreciation of right-of-use assets	(987)	(821)
Interest expense on lease liabilities	(124)	(170)
Expense related to short-term leases	(341)	(131)
Expense related to low-value assets leases	(25)	(19)
Expense related to variable lease payments not included in the measurement of the lease obligation	(18)	-

Lease liabilities are disclosed in Note 27.2.

20. Investments in Joint Ventures and Associates

(CZK million)

Entity		Carrying value of investment as at 31 Dec 2021	Ownership percentage as at 31 Dec 2021	Carrying value of investment at 31 Dec 2020	Ownership percentage at 31 Dec 2020
RAILLEX, a.s.	Associate	9	50 %	8	50 %
BOHEMIAKOMBI, spol. s r.o.	Associate	-	30 %	-	30 %
Ostravská dopravní společnost, a.s.	Associate	15	50 %	13	50 %
Ostravská dopravní společnost - Cargo, a.s.	Associate	44	20 %	38	20 %
JLV, a.s.	Associate	138	38.79 %	138	38.79 %
Masaryk Station Development, a.s.	Associate	3	34 %	3	34 %
Total – associates		**209**		**200**	
Smíchov Station Development, a.s.	Joint venture	-	51 %	-	51 %
Žižkov Station Development, a.s.	Joint venture	-	51 %	-	51 %
Total – joint ventures		**-**		**-**	
Total – investments in joint ventures and associates		**209**		**200**	

Summary of financial information on associates:

(CZK million)	31 Dec 2021	31 Dec 2020
Total assets	999	930
Of which: non-current assets	*373*	*366*
current assets	*626*	*564*
Total liabilities	360	325
Of which: non-current liabilities	*72*	*78*
current liabilities	*288*	*247*
Net assets	639	605
Share of the Group in associates’ net assets	**209**	**200**

(CZK million)	2021	2020
Total revenue	1,504	1,352
Profit for the period	57	33
Share of the Group in associates’ profit for the period	**17**	**7**

Summary of financial information on joint venture:

(CZK million)	31 Dec 2021	31 Dec 2020
Total assets	11	9
Of which: non-current assets	9	9
current assets	2	-
Total liabilities	13	11
Of which: non-current liabilities	1	-
current liabilities	12	11
Net liabilities	(2)	(2)
Share of the Group of net liabilities	-	-

In 2021 and 2020, the Group had immaterial share in the profit or loss of the joint ventures.

21. Inventories

(CZK million)	31 Dec 2021	31 Dec 2020
Spare parts for machinery and equipment	211	212
Spare parts for rolling stock and locomotives	1,747	1,618
Fuels, lubricants and other oil products	47	33
Work clothes, work shoes, protective devices	166	258
Other	160	186
Total cost	**2,331**	**2,307**
Impairment of inventories to their net realisable value *)	(100)	(86)
Total net book value	**2,231**	**2,221**

*) Amount of the inventories for which the allowance was accounted for is CZK 210 million as at 31 December 2021 and CZK 189 million as at 31 December 2020.

22. Trade Receivables

(CZK million)	31 Dec 2021	31 Dec 2020
Trade receivables – gross	4,239	3,465
Expected credit loss provision	(235)	(298)
Trade receivables – net	**4,004**	**3,167**

Movements in the expected credit loss provision:

(CZK million)	2021	2020
Provision as at 1 January	298	281
Charge for the year– trade receivables	40	114
Written off during the year – trade receivables	(103)	(97)
Provision as at 31 December	**235**	**298**

The increase in receivables as at 31 December 2021 is attributable to invoices issued for land lease. Further information on receivables is provided in Note 36.8 Credit risk management.

23. Other Financial Assets

(CZK million)	31 Dec 2021	31 Dec 2020
Financial assets in fair value through other comprehensive income	397	421
Finance lease receivables	136	120
Hedging derivatives *)	1,234	397
Restricted cash	528	273
Other	6	-
Total non-current financial assets	**2,301**	**1,211**
Finance lease receivables	18	12
Hedging derivatives *)	270	26
Receivables from damages and losses	61	48
Restricted cash	66	113
Other	24	23
Total current financial assets	**439**	**222**
Total	**2,740**	**1,433**

*) Hedging derivatives and securities in fair value though other comprehensive income are measured at fair value; other financial assets are measured at amortised cost.

As at 31 December 2021 and 31 December 2020, financial assets at fair value through other comprehensive income include the Parent company's ownership interest in the company EUROFIMA with the carrying value of CZK 390 million (as at 31 December 2020: CZK 414 million) which is not publicly traded (Note 35). The Group has designated this investment as financial assets at fair value through other comprehensive income because the investment is expected to be held for strategic purposes rather than for the income from resale, and there are no plans to sell this investment in the short to medium term. The fair value of these investments is described in Note 36.3.

In the financial statements for 2020, the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2020 (31 December 2019: CZK 0 million) was reported in Other financial assets. To improve true and fair presentation the Group reported the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2021 in Other Assets (Note 24). Comparatives as at 31 December 2020 were reclassified for better comparability.

Restricted cash includes cash that the Group is obliged to have deposited in special bank accounts and which can be disposed only once the conditions with which they are connected have been met. These are financial funds that relate mainly to grants from the European Union or the Ministries and that cash can be used only in line with the grant conditions and for acquisition of specific grant-related assets or technical improvement of these assets.

Movements in the expected credit loss provision:

(CZK million)	**2021**	**2020**
Provision as at 1 January	22	24
Creation of provision – other financial assets	41	2
Use of provision – other financial assets	(13)	(4)
Expected credit loss provision as at 31 December	**50**	**22**

Further information on Other financial assets is provided in Note 36.8 Credit risk management.

23.1. Finance lease receivables

The Parent Company leased the station building at the Brno - main railway station in the form of a finance lease.

ČD Cargo, a.s. leased the part of the building in the Lovosice logistics center to Mondi Štětí a.s. in the form of a finance lease.

Maturity analysis of future lease payments:

(CZK million)	31 Dec 2021	31 Dec 2020
1st year	37	30
2nd year	37	30
3rd year	37	30
4th year	26	30
5th year	22	20
Over 5 years	406	383
Undiscounted lease payments	**565**	**523**
Less: unrealised financial income	(411)	(391)
Present value of lease payments	**154**	**132**
Expected credit loss provision	-	-
Net investment in lease	**154**	**132**
In the consolidated statement of financial position as:		
Other current financial assets	*18*	*12*
Other non-current financial assets	*136*	*120*
Total	**154**	**132**

The amounts recognised in the consolidated statement of profit and loss:

(CZK million)	2021	2020
Net income from finance lease investments	20	20

The Group uses a simplified approach in accordance with IFRS 9 to measure expected credit losses, which allows the recognition of a provision for expected losses over the useful life of all finance lease receivables.

None of the finance lease receivable are past due at the end of the reporting peiord, and taking into account past experience and future prospects of the industry in which the lessee operates, the Group's management believes that no finance lease receivables are impaired.

The Group is not exposed to currency risk as a result of lease arrangements as the lease is denominated in CZK.

24. Other Assets

(CZK million)	31 Dec 2021	31 Dec 2020
Prepayments	6	7
Other	22	1
Total non-current	**28**	**8**
Prepayments provided	272	493
Tax receivables - VAT	1,223	734
Tax receivable – other (except for taxes on corporate income)	12	10
Prepaid expenses	198	166
Grants	673	30
Compensation from the insurance company *) (Note 28)	300	300
Other	68	62
Total current	**2,746**	**1,795**
Total	**2,774**	**1,803**

*) To improve true and fair presentation the Group reported the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2021 in Other assets. Comparatives as at 31 December 2020 were reclassified for better comparability. In the financial statements for 2020, the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2020 was reported in Other financial assets (31 December 2019: CZK 0 million).

The increase in VAT receivables in 2021 was mainly due to a significant purchase of rolling stock at the end of 2021.

As at 31 December 2021 the grants mainly represent an investment grant of CZK 398 million from the Ministry of Transport for electrical trains for the connection between the Pilsen and Karlovy Vary regions. There is also an undoubted right to the part of the grant that ČD Cargo, a.s. received within a grant project to equip traction vehicles with on-board parts of the European ETCS signalling system.

25. Cash and Cash Equivalents

Cash and cash equivalents are measured at amortized cost in the balance sheet and reduced by the expected credit loss provision in accordance with IFRS 9. The Group expects immaterial credit losses on these items due to the high credit quality of cash deposits held with reputable financial institutions. institutions with a high investment credit rating.

For the purposes of the consolidated statement of cash flows, cash includes cash on hand and cash in bank accounts. The cash at the end of the accounting period reported in the consolidated statement of cash flows can be reconciled with the relevant items in the consolidated statement of financial position as follows:

(CZK million)	**31 Dec 2021**	**31 Dec 2020**
Cash and cash in transit	40	38
Bank accounts *)	3,394	5,713
	3,434	**5,751**
Funds related to discontinued operations	138	-
Total	**3,572**	**5,751**

*) The Group's partners are reputable banks with high credit rating (investment grade required), with which the Group cooperates on the basis of long-term and stable relationships. Bank rating analysis is provided in Note 36.8.

26. Equity

26.1. Share capital

The Company's share capital is composed of the investment made by the Czech Republic as the sole shareholder, represented by the Ministry of Transport of the Czech Republic. As at 31 December 2021 and as at 31 December 2020 the share capital consists of 20 ordinary registered shares with a nominal value of CZK 1 billion. The shares are placed with the shareholder's representative, the Ministry of Transport, and are transferable only subject to the prior consent of the Government of the Czech Republic. All the shares are fully paid. There were no changes in the share capital during 2021.

Each shareholder is entitled to attend and vote at the General Meeting. He has the right to request and receive an explanation of matters concerning the company or its controlled entities. The voting right is associated with the share and is governed by its nominal value, so that for every CZK 1 billion of the nominal value of the share, there is one vote. If the shareholder is the state, it exercises the rights of the company's shareholder in accordance with the law through the Steering committee.

26.2. Capital contributions

(CZK million)	**31 Dec 2021**	**31 Dec 2020**
Share premium	16,440	16,440
Reserve fund	502	540
Cash flow hedging reserve	2,601	552
Costs of hedging reserve	(159)	(194)
Revaluation of investments to equity instruments at fair value through other comprehensive income	109	108
Actuarial remeasurements of defined benefit obligations	55	6
Foreign currency translation reserve	(59)	(19)
Other	17	21
Total	**19,506**	**17,454**

26.2.1. Share premium

The share premium represents the difference between the nominal value of the shares and the non-monetary contribution at the establishment of the Company, by which the issue price of the shares was paid.

The amount of share premium, which was thus determined during the transition to IFRS accounting is CZK 16,440 million as at 31 December 2021 and 31 December 2020.

26.2.2. Reserve fund

(CZK million)	2021	2020
Balance at the beginning of the year	540	498
Allocation to the reserve fund	28	42
Transfer from the reserve fund	(66)	-
Balance at the year-end	**502**	**540**

Allocations to the reserve fund are made in accordance with the Articles of Association of individual Group companies. The reserve fund may only be used to cover losses.

26.2.3. Cash flow hedge reserve

(CZK million)	2021	2020
Balance at the beginning of the year	552	1,026
Revaluation gain/(loss)	2,022	(568)
Reclassification to profit or loss	69	81
Total change in the cash flow hedging reserve	**2,091**	**(487)**
Income tax	(42)	13
Balance at the year-end	**2,601**	**552**

The cash-flow hedge reserve includes accumulated gains and losses from the effective hedging of cash flows. The accumulated deferred gain or loss from hedging derivatives is reclassified to the profit or loss only when a hedging transaction impacts the profit or loss or is included in the hedged non-financial item as an adjustment to the carrying value in accordance with the relevant accounting policies.

Gains and losses reclassified from equity during the year are presented in Cost of services, raw materials and energy and Finance costs in the consolidated statement of profit and loss.

Reclassifications from cash-flow hedge reserve to profit or loss for each of the risk exposures:

(CZK million)

Cross-currency interest rate swaps – hedging of bond funding in EUR with fix-rate	2021	2020
Balance at the beginning of the year	583	1,002
Change in fair value of hedging derivatives	1,761	(515)
Reclassification to profit or loss	75	96
Balance at the year-end	**2,419**	**583**

(CZK million)

Currency forwards and swaps – hedging of future revenue in foreign currencies	2021	2020
Balance at the beginning of the year	40	13
Change in fair value of hedging derivatives	32	44
Reclassification to profit or loss	(25)	(11)
Related income tax - change	(1)	(6)
Balance at the year-end	**46**	**40**

(CZK million)

Interest rate swaps – hedging of bonds and lease contracts with a variable rate	2021	2020
Balance at the beginning of the year	1	(21)
Change in fair value of hedging derivatives	37	(2)
Reclassification to profit or loss	3	33
Related income tax – change	(1)	(9)
Balance at the year-end	**40**	**1**

(CZK million)

Commodity forwards – securing prices for the purchase of diesel and traction electricity	2021	2020
Balance at the beginning of the year	(12)	32
Change in fair value of hedging derivatives	25	(20)
Reclassification to profit or loss	16	(37)
Related income tax – change	(8)	13
Balance at the year-end	**21**	**(12)**

(CZK million)

Lease - securing foreign currency liabilities from IFRS 16 *)	2021	2020
Balance at the beginning of the year	(60)	-
Change in fair value of lease liability	167	(75)
Related income tax - change	(32)	15
Balance at the year-end	**75**	**(60)**

*) The company ČD Cargo, a.s. has decided to apply hedge accounting to foreign currency lease liabilities in accordance with IFRS 16. This involves hedging currency risk with non-derivative instruments from 1 January 2020. The impact of the revaluation of foreign currency liabilities is newly recognized other comprehensive income. The impact for the accounting period 2020 was CZK 75 million. Instead of in the statement of profit and loss it is classified within the consolidated statement of comprehensive income of the Group.

26.2.4. Costs of hedging reserve

Costs of hedging represent accumulated gains and losses from changes in fair value excluded from hedging instruments related to the currency base margin of cross-currency interest rate swaps.

Changes in fair value of the underlying currency range of a financial instrument in respect of a hedged transaction-related item accumulated in the costs of hedging are reclassified to profit or loss only when a hedged transaction affects profit or loss or are included in a non-financial hedged item as an adjustment of the accounting basis.

(CZK million)	2021	2020
Balance at the beginning of the year	(194)	(215)
Reclassification to profit or loss	18	16
Change of fair value in costs of hedging	17	5
Balance at the year-end	**(159)**	**(194)**

Additional information regarding derivatives and hedging accounting is provided in Note 36.

26.2.5. Foreign currency translation reserve

(CZK million)	2021	2020
Balance at the beginning of the year	(19)	(2)
Foreign exchange rate gains or losses arising from translation of foreign operations	(40)	(17)
Balance at the year-end	**(59)**	**(19)**

Foreign exchange rate gains or losses related to translation of the results and net assets of foreign operations of the Group from their functional currencies to the presentation currency of the Group (i.e. CZK) are reported directly in other comprehensive income and are accumulated in the foreign currency translation reserve.

26.2.6. Revaluation of investments to equity instruments at fair value through other comprehensive income

Revaluation of investments to equity instruments at fair value through other comprehensive income includes the accumulated net change in fair value of equity instruments revalued through other comprehensive income, after deducting accumulated gains/losses transferred to retained earnings on derecognition.

(CZK million)	2021	2020
Balance at the beginning of the year	108	122
Revaluation	1	(14)
Balance at the year-end	**109**	**108**

27. Loans, Borrowings and Lease Liabilities

(CZK million)	31 Dec 2021	31 Dec 2020
Bank loans	763	291
Lease liabilities	1,086	952
Secured loans	431	480
Overdraft accounts	80	110
Issued bonds	1,262	835
Other received short-term loans and borrowings	42	30
Total short-term	**3,664**	**2,698**
Bank loans	5,850	2,434
Lease liabilities	4,060	3,965
Secured loans	1,821	1,020
Bonds issued	32,837	35,385
Other received long-term loans and borrowings	67	46
Total long-term	**44,635**	**42,850**
Total	**48,299**	**45,548**

Secured loans include loans that have been secured with the assets for which the loans were provided.

Portions of long-term loans and borrowings that are repayable in a period shorter than one year from the date of the financial statements are presented as short-term loans and borrowings.

The detail of individual credit lines is described in Note 36.9.2.

The Group did not breach any terms of the loan agreements in 2021 and 2020.

27.1. Bonds issued

Issue date	Nominal value	Due date	Publicly traded	Coupon	Carrying value as at 31 Dec 2021 in CZK million	Carrying value as at 31 Dec 2020 in CZK million
5 November 2014	EUR 30 million	5 November 2024	No	2.875 %	746	787
5 November 2014	EUR 150 million	5 November 2029	No	3.50 %	3,726	3,934
3 June 2015	EUR 37.7 million	3 June 2022	No	1.89 %	948	1,000
3 June 2015	EUR 77.5 million	3 June 2035	No	3.00%	1,954	2,063
25 May 2016	EUR 400 million	25 May 2023	Yes	1.875 %	10,026	10,567
23 May 2019	EUR 500 million	23 May 2026	Yes	1.50%	12,416	13,086
17 June 2016	CZK 500 million	17 June 2021	No	1.28 %	-	503
29 December 2016	CZK 500 million	29 December 2023	Yes	1.26 %	499	499
20 July 2018	CZK 1,000 million	20 July 2025	Yes	2.55 %	1,010	1,009
17 July 2019	CZK 1,000 million	17 July 2026	No	2.17 %	1,008	1,008
18 November 2019	CZK 770 million	18 November 2026	No	2.09 %	771	771
31 July 2020	CZK 1,000 million	31 July 2027	No	1.65%	995	993
Total					**34,099**	**36,220**
- of which short-term					*1,262*	*835*
- of which long-term					*32,837*	*35,385*

The Group did not breach any terms or conditions valid for the issued bonds in 2021 or 2020.

27.2. Lease liabilities

The Group recognized a lease liabilities as follows:

(CZK million)	As at 31 Dec 2021	As at 31 Dec 2020
Short-term lease liabilities	1,086	952
Long-term lease liabilities	4,060	3,965
Total lease liabilities	**5,146**	**4,917**

Expenses relating to short-term leases and low-value assets leases, that are not included in the above short-term lease liabilities, are included in the consolidated statement of profit and loss in Cost of services, raw materials and energy (see Note 8).

Total cash outflows related to leases amounted to CZK 2,068 million in 2021 and CZK 1,981 million in 2020.

The Group is not exposed to significant liquidity risk with respect to lease liabilities. Lease liabilities are monitored by the Treasury department. The analysis of the maturity of lease liabilities is disclosed in Note 36.9.1.

27.3. Bank loans

Bank	Nominal value	Due date	Interest rates	Carrying value as at 31 Dec 2021 (CZK million)	Carrying value as at 31 Dec 2020 (CZK million)
UniCredit Bank	1,000	29 March 2029	variable	1,004	-
Raiffeisenbank	500	31 December 2028	variable	504	-
Všeobecná úverová banka	500	31 December 2028	variable	500	-
UniCredit Bank	1,000	29 Mach 2030	fixed	825	925
UniCredit Bank	1,000	31 December 2027	fixed	857	800
ING Bank	1,000	31 August 2027	fixed	923	1,000
ING bank	500	30 June 2028	fixed	500	-
Raiffeisenbank	1,000	30 June 2031	fixed	1,000	-
Credit EIB - 1. tranche	500	2 July 2031	fixed	500	-
Total	**7,000**			**6,613**	**2,725**
- of which short-term				*763*	*291*
- of which long-term				*5,850*	*2,434*

Bank loans are not secured.

28. Provisions

(CZK million)	Balance as at 1 Jan 2020	Creation	Use	Release of unused part	Balance at 31 Dec 2020	Creation	Use	Release of unused part	Balance at 31 Dec 2021
Provision for legal disputes	48	746	9	20	765	1,001	30	28	1,708
of which: long-term part	-				4				4
Provision for post-employment benefits	106	11	16	-	101	13	16	-	98
of which: long-term part	*85*				*84*				*74*
Provision for other long-term employees' benefits	318	138	119	1	336	102	156	8	274
of which: long-term part	*189*				*167*				*133*
Provisions for business risks	20	7	-	8	19	17	-	2	34
of which: long-term part	-				-				-
Provision for restructuring	-	84	12	-	72	-	53	19	-
of which: long-term part	-				-				-
Provision for onerous contracts	19	291	17	-	293	150	291	-	152
of which: long-term part	-				-				-
Provision for penalties	-	227	-	-	227	-	4	155	68
of which: long-term part	-				-				-
Provision for damage	100	400	-	-	500	-	-	-	500
of which: long-term part	-				-				-
Other provisions	35	78	26	11	76	95	56	22	93
of which: long-term part	-				-				-
Total provisions	**646**	**1,982**	**199**	**40**	**2,389**	**1,378**	**606**	**234**	**2,927**
Long-term	*274*				*255*				*211*
Short-term	*372*				*2,134*				*2,716*

28.1. Provisions for legal disputes
The Group recognises a provision for legal disputes according to the anticipated results of all ongoing legal disputes and the relating probable cash outflows from the Group.

28.1.1. Proceedings in the matter of alleged abuse of a dominant position on the Prague – Ostrava route
In January 2012 the Office for the Protection of Competition (the "OPC") initiated proceedings against ČD regarding the alleged abuse of ČD's dominant position on the Prague – Ostrava route in the form of inadequately low (predatory) prices in response to the entry of a new competitive railway carrier. In November 2016, proceedings were initiated by the European Commission (the "EC") concerning a possible infringement of Article 102 of the Treaty on the Functioning of the European Union (the "TFEU").

In 2020, the EC issued a statement of objections significantly to disadvantage of ČD, with a further possible impact on the resolution of disputes with RegioJet and Leo Express concerning damages in connection with the operation of the Prague - Ostrava route (see Note 35.1). The statement of objections is a procedural step in ongoing proceedings, which does not prejudge the final conclusions and the EC's decision in the case. ČD sent a robust reply to the European Commission on this statement of objections. An oral hearing before the Hearing Officer took place at the turn of June and July 2021.

The management of the ČD has assessed the provision for legal disputes, including the assessment of the probable outcome, which is based on a number of estimates and assumptions as at the date of preparation of the financial statements and is therefore subject to substantial uncertainty. As at 31 December 2020 the provision of CZK 700 million was recognized based on the amount of the revenues to which the potential infringement relates, the estimated duration of the potential infringement and the opinion of external advisors on the estimated percentage applied to the relevant revenues in the range of 5 - 10 %. The provision amount represents the estimated costs to settle the fine for the alleged infringement and related expenses and constitutes the ČD's management best estimate of the liability as at 31 December 2021 and 31 December 2020. ČD does not expect any compensation from third parties in connection with these proceedings.

In the opinion of ČD's management, it has not yet been proven that ČD has breached Article 102 TFEU. ČD's intention is to vigorously defend itself in this matter, including all available appeal routes, if necessary. As at 31 December 2021 and through the date of these financial statements, no final decision has been received from the EC on this matter.

Information on other litigations is provided in Note 35.1.

Sensitivity analysis

The actual costs to settle the potential fine may differ from the estimates and underlying assumptions of ČD's management. In accordance with EU legislation, when determining the amount of a fine for an infringement of the competition rules, the basic amount of the fine is derived from the amount of revenues up to 30 %, depending on the degree of gravity of the infringement. However, the amount of the fine shall not in any event exceed 10 % of ČD's total turnover for the accounting period preceding the EC's final decision. Should the percentage applied by ČD to the relevant revenues be lower (higher) by 1 %, the provision for legal disputes would decrease (increase) by CZK 95 million. Should the duration of a potential infringement be shorter (longer) by one year, the provision for legal disputes would decrease (increase) by CZK 86 million. It is impracticable to determine uncertainties regarding the timing of any possible future outflows. Based on the available information, there is a relatively high probability that the results in the next accounting period will be different from the assumptions used by ČD's management and the provision for legal disputes will require a significant adjustment.

28.1.2. Alleged cartel agreement between ČD, ZSSK and ÖBB for the sale of the disposed rolling stock

In June 2016, the European commission (the "EC") performed a local investigation in the headquarter of ČD based on suspicion of the cartel agreement made for the mutual sale of rolling stock. The EC investigates if ČD, ÖBB and possibly also ZSSK have concluded a prohibited agreement to limit sale of the disposed rolling stock to restrict an entrance of new carriers to the market (contrary to Article 101 of the Treaty on the Functioning of the European Union (the "TFEU"). ČD denies that it entered into a cartel agreement.

Currently, the case is in the stage of a formally initiated administrative proceeding, where the next step of the EC is awaited and the further procedure of ČD will follow accordingly. The EC has not yet issued a so-called statement of objections, i.e. specification of the EC's opinion on the matter presumed by the relevant rules. In particular based on the nature of information and documents requested by the EC from ČD during 2021, ČD, however, decided that a statement of objections could be issued as early as 2022 (despite the ČD's view that no cartel agreement had been concluded on their end). Therefore, ČD further analysed up-to-date communication with the EC, particularly documents and information requested by the Commission, as well as the relevant general rules, and attempted to evaluate the potential liability to the extent possible (which is still very limited) and to assess the provision for legal disputes, including assessment of probable outcome which was based on a number of estimates and assumptions at the date of the financial statements and was therefore subject to significant uncertainty.

Based on the amount of revenues to which the potential infringement relates, the estimated duration of the potential infringement and the opinion of external advisors on the estimated percentage applied to the relevant revenues, the provision of CZK 1,000 million was recorded as at 31 December 2021, which corresponds to the estimated costs to settle the fine for the alleged infringement and related expenses. The provision recognized in this way represents the ČD's management best estimate of the liability as at 31 December 2021, which, despite substantial related uncertainties, is the best possible at the moment. ČD does not expect compensation from third parties in connection with these proceedings.

In the opinion of ČD's management, it has not yet been proven that ČD has breached Article 101 TFEU. ČD's intention is to vigorously defend itself in this matter, including all available appeal routes, if necessary. As at 31 December 2021 and through the date of these financial statements, no final decision has been received from the EC on this matter.

The actual costs to settle the potential fine may differ from the estimates and underlying assumptions of ČD's management. In accordance with EU legislation, when determining the amount of a fine for an infringement of the competition rules, the basic amount of the fine is derived from the amount of revenues, up to 30 %, depending on the degree of gravity of the infringement. However, the amount of the fine shall not, in any event, exceed 10 % of the ČD's total turnover for the accounting period preceding the EC's final decision. It is impracticable to determine uncertainties regarding the timing of any possible future outflows. Based on the available information, there is a relatively high probability that the results in the next accounting period will be different from the assumptions used by ČD's management and the provision for legal disputes will require a significant adjustment.

28.2. Provisions for employee benefits
The provision for post-employment benefits represents an employee's entitlement to a financial contribution upon retirement. The provision for other long-term employee benefits represents the employees' entitlement to a financial contribution upon reaching the jubilee and to the payment of medical expenses, including compensation of wages during curative and rehabilitation stays. In calculating these provisions, the Group used an actuarial model based on current employee data (number of employees, date of old-age pension, average salary, amount of financial contribution) and expected parameters determined with the Group's qualified estimate (expected fluctuation, salary increase) and publicly available statistical data (expected inflation rate of 2 %, probability of death and disability according to data from the Czech Statistical Office). The change in the provision related to retirement benefits caused by the change in these parameters is reported as actuarial gains (losses) in the statement of other comprehensive income. The change in the provision for other benefits is recognized in the statement of profit and loss. Cash flows are discounted to present value using a discount rate derived from the rate of return on 10-year government bonds.

28.3. Provison for onerous contracts
As at 31 December 2021, the Group created a provision for onerous contracts in the amount of CZK 150 million (31 December 2020: CZK 291 million). The provision was recognized for contracts concluded with the regions where the unavoidable costs of fulfilling the obligation stipulated in the contract exceed the economic benefits that are expected to be accepted on the basis of these contracts. As the assets used to perform these contracts are not exclusively attributable to the contracts, no impairment is recognized for these assets in accordance with IAS 36.

28.4. Provision for penalties
Since the beginning of 2014, the Audit body of the Ministry of Finance has carried out a scheduled audit of ČD and, as a result, issued payment orders against which ČD appealed to the Ministry of Finance. At the end of 2020 and in the first half of 2021, the Ministry of Finance ruled against ČD in several cases. In all these cases, ČD made a payment and filed administrative claim. At the end of 2021, the total amount of final and non-final orders was CZK 379 million (2020: CZK 379 million). In 2021, grants in the amount of CZK 268 million (2020: CZK 43 million) were returned on the basis of payment orders. The last payment order in the amount of CZK 68 million has not been finalised as at 31 December 2021 and ČD became obliged to settle the payment order only as a result of the Supreme Administrative Court judgment in January 2022. As at 31 December 2021, ČD records liability of CZK 68 million for partial return of the grant in Other liabilities and contractual liabilities, the liability was paid in February 2022.

At the same time, for the selected projects 100 % penalty has been applied. As at 31 December 2020, the Group created a provision for possible penalties related to breaches of budgetary discipline in the amount of CZK 227 million. During 2021, part of the provision in the amount of CZK 155 million was released following the decision of the relevant administrative authorities and the provision in the amount of CZK 4 million was used to pay a penalty. As at 31 December 2021 the provision for possible penalties in the last region is CZK 68 million and a decision is pending. Based on the available information, it is impossible to determine the uncertainties regarding the timing of any possible future outflows. ČD's management does not expect compensation from third parties in connection with this proceeding.

28.5. Provision for damage
The provision for compensation of damage caused by a fire in Bohumín was created in the amount of the estimated damage. In connection with this provision, the Group recognised the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2021 and 31 December 2020. Expected compensation is presented in Other assets (see Note 24).

29. Other Financial Liabilities

(CZK million)	31 Dec 2021	31 Dec 2020
Financial derivatives *)	52	64
Other	161	128
Total long-term	**213**	**192**
Financial derivatives *)	510	221
Liability from ceased lease agreements	121	121
Other	44	68
Total short-term	**675**	**410**
Total	**888**	**602**

*) Financial derivatives are stated at fair value, other financial liabilities are stated at amortised cost.

Three agreements on sale and subsequent lease back of 1,141 vehicles were concluded between ČD Cargo, a.s. and Financial Found, a.s. ČD Cargo has withdrawn from these agreements in line with its terms and, at the same time, paid remaining lease payments of CZK 146 million. Since Financial Found, a.s. has not agreed with the withdrawal, the payments were returned to a bank account. In order not to perform meaningless money transfers back and forth, ČD Cargo, a.s. informed Financial Found, a.s. that these funds are available and called to accept the funds. As at now, Financial Found, a.s. has not responded to the call. Simultaneously, Financial Found, a.s. filed a lawsuit with the District Court for Prague 7 to determine ownership of above mentioned 1,141 vehicles, which has not yet been decided. As at 31 December 2021 the carrying value of these vehicles was CZK 641 million, as at 31 December 2020 the carrying value was CZK 671 million. Financial Found, a.s. also unsuccessfully tried to change the ownership title of vehicles at the Railway Office to itself. It means that ČD Cargo, a.s is currently registered as the owner and holder of these vehicles. Due to this, the management of ČD Cargo, a.s. decided to recognise the vehicles as assets and to account for all related accounting operations (allocation of components, accounting for depreciation etc.).

30. Other Liabilities and Contract Liabilities

(CZK million)	31 Dec 2021	31 Dec 2020
Grants received	110	77
Other	7	154
Total long-term	**117**	**231**
Advances received	3	4
Payables to employees	1,607	1,399
Liabilities for social security and health insurance	484	466
Tax liabilities - tax withheld from employees	101	159
Tax liabilities - VAT	65	37
Repayment of the grants under ROP projects (see Note 16.1)	68	336
Contract liabilities	348	437
Refund liabilities	235	62
Grants received	52	180
Other	70	46
Total short-term	**3,033**	**3,126**
Total	**3,150**	**3,357**

In 2016, ČD Cargo, a.s. received the grant in the amount of CZK 292 million under the grant project for the equipment of the traction vehicles with the on-board part of ETCS European safety system. In 2018, ČD Cargo, a.s. received another part of the grant in the amount of CZK 68 million, and simultaneously during 2018 – 2020 spent the grant partially for the acquisition of the first prototypes of traction vehicles. The remaining funds of CZK 174 million were used for the supply of prototypes for selected locomotive series in 2021.

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

31. Changes in Liabilities from Financing Activities

Changes in liabilities from financing activities including changes arising from cash flows and non-cash changes are disclosed in the following table:

(CZK million)	Short-term bank loans	Long-term bank loans	Lease liabilities – short-term	Lease liabilities - long-term	Secured loans - short-term	Secured loans - long-term	Issued bonds – short-term	Issued bonds – long-term	Overdraft accounts	Other	Total
Note	27	27	27	27	27	27	27	27	27	27	27
Liabilities from financing as at 1 Jan 2020	**-**	**-**	**838**	**3,521**	**599**	**1,489**	**1,327**	**33,840**	**61**	**162**	**41,837**
Cash flows from financing	**279**	**2,446**	**(1,006)**	**-**	**(654)**	**49**	**(1,000)**	**987**	**49**	**(87)**	**1,063**
Drawing of loans and borrowings	*354*	*2,446*	-	-	-	49	-	987	49	*14*	*3,899*
Payment of loans and borrowings	*(75)*	-	-	-	*(654)*	-	*(1,000)*	-	-	*(101)*	*(1,830)*
Repayments of the principal of lease liabilities	-	-	*(1,006)*	-	-	-	-	-	-	-	*(1,006)*
Effect of exchange rate changes	-	-	69	22	17	-	-	1,024	-	-	1,132
Reclassification *)	12	(12)	981	(981)	518	(518)	500	(500)	-	-	-
New lease additions	-	-	70	1,403	-	-	-	-	-	-	1,473
Accrued interest	3	23	17	86	19	47	335	411	-	-	942
Interest paid (cash flows from operating activities **)	(3)	(23)	(17)	(86)	(19)	(47)	(327)	(365)	-	-	(887)
Capitalized interest paid (cash flows from investment activities)	-	-	-	-	-	-	-	(23)	-	-	(23)
Other non-cash movements	-	-	-	-	-	-	-	11	-	-	11
Liabilities from financing as at 31 Dec 2020	**291**	**2,434**	**952**	**3,965**	**480**	**1,020**	**835**	**35,385**	**110**	**76**	**45,548**
Cash flows from financing	**(139)**	**4,019**	**(1,129)**	**-**	**(503)**	**1,278**	**(500)**	**-**	**(30)**	**37**	**3,033**
Drawing of loans and borrowings	*181*	*4,019*	-	-	-	*1,278*	-	-	-	*40*	*5,518*
Payment of loans and borrowings	*(320)*	-	-	-	*(503)*	-	*(500)*	-	*(30)*	*(3)*	*(1,356)*
Repayments of the principal of lease liabilities	-	-	*(1,129)*	-	-	-	-	-	-	-	*(1,129)*
Effect of exchange rate changes	-	-	(139)	(57)	(2)	(21)	(10)	(1,659)	-	-	(1,888)
Reclassification *)	603	(603)	1,293	(1,293)	456	(456)	948	(948)	-	-	-
New lease additions	-	-	109	1,445	-	-	-	-	-	-	1,554
Accrued interest	11	88	15	64	15	30	324	419	-	1	967
Interest paid (cash flows from operating activities **)	(3)	(88)	(15)	(64)	(15)	(30)	(335)	(333)	-	(1)	(884)
Capitalized interest paid (cash flows from investment activities)	-	-	-	-	-	-	-	(33)	-	-	(33)
Other non-cash movements	-	-	-	-	-	-	-	6	-	(4)	2
Liabilities from financing as at 31 Dec 2021	**763**	**5,850**	**1,086**	**4,060**	**431**	**1,821**	**1,262**	**32,837**	**80**	**109**	**48,299**

*) Loans and borrowings classified in the previous period as long-term, which became short-term in the period under review.
**) The line Interest paid in the consolidated statement of cash flows for the year 2021 also shows cash flows from securing interest payments in the amount of CZK 206 million (2020: CZK 178 million).

32. Related Party Transactions

Relations between the Group and entities stated in Notes 32.1. – 32.4. are described in Note 1.3.

32.1. Income from related parties

(CZK million)

2021	Sale of services	Total
JLV, a.s.	2	2
RAILLEX, a.s.	15	15
BOHEMIAKOMBI, spol. s r.o.	10	10
Ostravská dopravní společnost, a.s.	63	63
Ostravská dopravní společnost - Cargo, a.s.	22	22
Total	**112**	**112**

(CZK million)

2020	Sale of services	Total
JLV, a.s.	3	3
RAILLEX, a.s.	17	17
BOHEMIAKOMBI, spol. s r.o.	9	9
Ostravská dopravní společnost, a.s.	56	56
Ostravská dopravní společnost - Cargo, a.s.	23	23
Total	**108**	**108**

32.2. Purchases from related parties

(CZK million)

2021	Services	Total
JLV, a.s.	145	145
RAILLEX, a.s.	3	3
Ostravská dopravní společnost - Cargo, a.s.	72	72
Total	**220**	**220**

(CZK million)

2020	Services	Total
JLV, a.s.	127	127
RAILLEX, a.s.	5	5
Ostravská dopravní společnost - Cargo, a.s.	67	67
Total	**199**	**199**

32.3. Outstanding balances with related parties at the end of the accounting period

(CZK million)

31 Dec 2021	Receivables	Payables
JLV, a.s.	-	38
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	15	-
Ostravská dopravní společnost - Cargo, a.s.	3	11
Total	**22**	**49**

(CZK million)

31 Dec 2020	Receivables	Payables
JLV, a.s.	-	20
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	22	-
Ostravská dopravní společnost - Cargo, a.s.	2	16
Total	**28**	**36**

Outstanding balances are not secured and will be settled by bank transfer or by offset. No warranties have been granted or accepted. Receivables are usually due within 30 days, liabilities within 45 days. In terms of IFRS 9, impairment losses on related party receivables were assessed as immaterial.

32.4. Key management members compensation

Key management of the Group includes management of the Parent Company and subsidiaries.

The following employee benefits were paid to key management members:

(CZK million)

2021	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	62	14	-
Other short-term employee benefits	14	9	-
Post - employment benefits	-	-	-
Total	**76**	**23**	**-**
Number of key management members	**19**	**35**	**6**

(CZK million)

2020	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	45	14	-
Other short-term employee benefits	22	9	-
Post - employment benefits	2	-	-
Total	**69**	**23**	**-**
Number of key management members	**19**	**37**	**5*)**

*) There were 7 members during 2020; as at 31 December 2020 only 5 members (2 vacancies).

32.5. Relationships with companies controlled by the state

České dráhy Group is wholly owned and controlled by the state of the Czech Republic. In accordance with the exception in IAS 24 Related Party Disclosures, the Group does not disclose quantitative information about individually immaterial transactions with the government and companies controlled or jointly controlled by the government or in which the government has significant influence. Individually material transactions with related parties that the Group has managed to identify are payments of public service obligations (the regions and the Ministry of Transport) and transactions with the state organization SŽ and the ČEZ Group.

The cost risk is associated with the costs that the carrier must incur in order to ensure the operation of public transport requested by the orderer. The cost risk is primarily about a risk of operating costs, which from the carrier's point of view could be understood as a risk that the costs calculated by the carrier in the offer of public transport submitted to the orderer would differ from the costs actually incurred by the carrier during contract performance. Operating cost risks can be both external, which the carrier is unable to influence (such as rising fuel prices, changes in spare parts prices, additional costs due to traffic closures and emergencies, changes in legislation and tax regulations, etc.) and internal, which the carrier could influence (e.g. proper maintenance of a fleet, effective setting of internal processes, wage levels, etc.).

The revenue risk corresponds to a risk of sales to passengers and can be understood as a risk that sales expected before entering a contract would differ from sales actually achieved by the carrier for the duration of a contract. A key component of the revenue risk is the risk of passenger demand for transport services provided by the carrier.

With regard to the risk allocation method, the Group enters into contracts with the orderers of public transport in the so-called "gross" and "net" regimes. Gross regime contracts have cost risks and opportunities shared between the carrier and the orderer, revenue risks and opportunities remain solely on the orderer's side. Net regime contracts have cost and revenue risks and opportunities shared between the carrier and the orderer. The orderer bears the risks and opportunities for the amount of IDS sales, which the carrier cannot influence, and the carrier bears the risks and opportunities for other sales. Unless a contract refers to the application of the IDS tariff, all risks and sales opportunities are borne by the carrier. All contracts with the Ministry of Transport are in the net regime.

(CZK million)

Revenue and compensation	**Counterparty**	**2021**	**2020**
Income from rental property	SŽ	21	21
Payment for substitute bus service	SŽ	479	418
Payments from public service clients– state budget	state – MT	4,362	4,272
Compensation of 75% discount fares	state – MT	1,464	1,046
Payments from public service clients from the regional budget - "gross" contracts	regions	4,437	3,931
Payments from public service clients from the regional budget - "net" contracts	regions	7,730	7,246
Revenues – telecommunication services	SŽ	635	669
Revenues from freight transportation	ČEZ	89	107
Operation and maintenance of SW	SŽ	24	70
Revenues from the sale of employee holidays	SŽ	-	26
Other income	SŽ	124	114

(CZK million)

Expenses	**Counterparty**	**2021**	**2020**
Use of railroads and allocated railway capacity – passenger transport	SŽ	1,839	1,659
Use of railroads and allocated railway capacity – freight transport	SŽ	800	796
Consumption of electric traction energy - passenger transport	SŽ	1,523	1,495
Consumption of electric traction energy - freight transport	SŽ	626	687
Telecommunication services	SŽ	62	44
Other costs	SŽ	253	137

(CZK million)

Receivables	Counterparty	31 Dec 2021	31 Dec 2020
Public service obligation	state – MT	-	15
Compensation of 75% discount fares	state – MT	116	70
Public service obligation	regions	85	221
Telecommunications services	SŽ	90	92
Advances provided	SŽ	5	46
Revenues from freight transport	ČEZ	22	19
Revenues from freight transport	SŽ	26	15

(CZK million)

Liabilities	Counterparty	31 Dec 2021	31 Dec 2020
Use of railroads and allocated railway capacity – passenger transport	SŽ	184	361
Use of railroads and allocated capacity of the railway – freight transport	SŽ	175	163
Telecommunication services	SŽ	1	10
Consumption of electric traction energy – passenger transport	SŽ	-	34
Lease liabilities	SŽ	189	210
Public service obligation	state – MT	50	-
Consumption of electric traction energy – freight transport	SŽ	71	96

State institutions, enterprises and other parties controlled by the government use the services provided by the Group under the same conditions applicable to other customers. On the expense side, the Group purchases some services and other supplies (water, energy, etc.) from companies controlled by the government under the conditions applicable to other customers.

In 2021 in connection with the covid-19 pandemic, the Group received the grant from the Ministry of Finance in the amount of CZK 599 million (2020: CZK 7 million). This grant was recognized in Other operating income (Note 7). The Group also received the government grant under the Antivirus program in the amount of CZK 79 million (2020: CZK 173 million), which was reported as an decrease of Personnel Costs (Note 9).

In 2021, the Group reported the grant from the MT in the amount of CZK 510 million (2020: CZK 350 million) in the consolidated statement of financial position as a decrease in the acquisition value of fixed assets. Receivables and payables from investment grants are reported in Other assets (Note 24) and Other liabilities and contractual liabilities (Note 30).

33. Operating Lease

Operating lease contracts in which the Group acts as a lessor relate to investment property and movable assets held by the Group with various lease terms.

Maturity analysis of undiscounted payments from non-cancellable operating lease contracts:

(CZK million)	31 Dec 2021	31 Dec 2020
1st year	48	46
2nd year	49	47
3rd year	50	48
4th year	51	49
5th year	52	50
Over 5 years	54	102
Total	**304**	**342**

In 2021, income from operating leases recognised in profit or loss amounted to CZK 727 million (in 2020: CZK 762 million), out of which the income from investments property was at CZK 275 million in 2021 (in 2020: CZK 269 million).

Direct operating expenses related to investment properties were CZK 128 million in 2021 (in 2020: CZK 109 million).

34. Capital Commitments

As at the date of consolidated financial statements, the Group concluded contracts for the purchase of land, buildings and equipment in the amount of CZK 35,831 million (2020: CZK 24,392 million), of which CZK 8,268 million had already been paid as at 31 December 2021 (as at 31 December 2020: CZK 5,494 million).

(CZK million)	31 Dec 2021	31 Dec 2020
Unpaid supplies agreed for the next year	5,100	10,093
Unpaid supplies agreed for the subsequent years	22,463	8,805
Total	**27,563**	**18,898**

Investments in rolling stock of CZK 26,904 million for 31 December 2021 (2020: CZK 19,008 million) represent a substantial part of the capital commitments.

35. Contingent Liabilities and Contingent Assets

The Parent Company holds a 1 % equity investment in EUROFIMA. The shareholders of the entity are European national railway carriers and the purpose of this entity is to acquire funds for rolling stock purchases. According to Article 5 of the Articles of Association, only 20 % of the equity investment value has been paid and the remaining 80 % can be requested by EUROFIMA from its shareholders on ad-hoc basis pursuant to the resolution of the Administration Board. The nominal value of unpaid shares as at 31 December 2021 and 31 December 2020 was CHF 20.8 million (CZK 501 million as at 31 December 2021, CZK 505 million as at 31 December 2020). The management of ČD considers the probability that the Parent Company will be called upon to pay the nominal value of the unpaid share as low as at 31 December 2021.

The aggregate clean-up costs were CZK 23 million in 2021 (2020: CZK 23 million). The Group is not aware of any environmental burdens that would exceed legislative limits and represent harm to human health or property of third parties.

35.1. Legal disputes

35.1.1. Legal action by LEO Express for the compensation of damage

In July 2014, LEO Express filed a legal charge of damage compensation amounting to approximately CZK 419 million which was allegedly caused to LEO Express by ČD, a.s. and its pricing policy. The first-instance court rejected LEO Express's charge. At the end of December 2016, Leo Express filed a new legal charge against ČD for a similar reason for the approximate amount of CZK 434 million including ancillary . In March 2018, the High Court in Prague cancelled the judgment dismissing the first LEO Express's charge of damages and returned the case to the Municipal Court in Prague for further proceedings. With its first and second charges, LEO Express seeks, a payment of approximately CZK 34 million, after partial withdrawal, and a payment of approximately CZK 434 million, respectively. The proceedings were suspended pending a decision of the European Commission ("EC") concerning the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 28.1. In January 2022, the plaintiff's motion was admitted to replace the current plaintiff LEO Express Global a.s. with LEO Mobility s.r.o. ČD filed an appeal against this decision. With letters dated 12 July 2021, Leo Express Global a.s. and Leo Express s.r.o. further requested ČD to compensate them another allegedly incurred damage in addition to the above claims: for the period (i) from 1 June 2014 to 31 December 2017 in the claimed amount of CZK 1,202 million (Leo Express Global) and (ii) from 1 January 2018 to 31 December 2019 in the claimed amount of CZK 491 million (Leo Express). This damage should also allegedly relate to ČD's claimed anti-competitive conduct, whereas the call for compensation does not further specify claims nor the way of alleged amount of damage calculation. In response to these letters, ČD rejected any violation of the law, and thus the alleged obligation to compensate damage. ČD has no information that the Leo Express group would pursue these alleged claims in court. Based on the available information, it is impossible to determine the uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. As it is extremely complex to determine the amount of the incurred damage, it is not possible to reliably assess any liability and therefore no provision has been created.

35.1.2. RegioJet's call for the payment of compensation for detriment

RegioJet sent a pre-trial notice to ČD for the payment of the compensation of detriment dated 10 April 2015 in which it seeks payment of about CZK 717 million. The alleged detriment was caused by ČD's claimed illegal activities in operating the Prague – Ostrava route, involving the application of dumping prices. ČD refused to pay for detriment. RegioJet filed a legal charge seeking a payment of compensation of approximately CZK 717 million including ancillary. During the course of a judicial proceeding in the first instance, the trial was suspended until the EC decision on the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 28.1. Based on the available information, it is impracticable to determine uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since it is impossible to reliably measure a possible liability, a provision has not been recognized.

35.1.3. RegioJet's action for the repayment of alleged unlawful state aid (defendant ČD, a.s., SŽ, s.o., ČR represented by the Ministry of Transport of the Czech Republic)

In April 2015 RegioJet filed a charge for the repayment of approximately CZK 7 billion plus late payment interest for alleged unlawful state aid. By this amount the „dead railroad" assets that ČD transferred to SŽ for CZK 12 billion in 2008 were allegedly overestimated. Both the court of the first and the second instance ruled in favour of ČD, the judgment entered into force on 30 November 2020. RegioJet appealed to the Supreme Court within the time limit for submitting an extraordinary appeal, the proceedings are in progress.

35.1.4. Legal action by CB Station Development, a.s. and EZ Holding against ČD

This is a real estate project, within of which three legal charges were filed against ČD by CB Station Development and EZ holding. The charges were aimed to determine ČD's obligation to conclude a sales contract with the claimants based on previous agreement on a future contract. The claim for contractual penalty in the amount of CZK 100 million and other damage (other claims, pre-contractual liability) cannot be excluded. First instance court proceeding is in progress. Due to the fact that, according to the Group's management, it is not probable that an outflow of funds will be necessary to settle the liability, no provision has been created.

36. Financial Instruments

36.1. Capital risk management

The Group's main objective in managing its capital structure is to maintain a long-term sustainable debt ratio and investment grade rating. Based its methodology, the credit rating agency assesses the debt ratio using the debt/EBITDA indicator and indicates its level required for the given investment grade. The current target value of the indicator determined using the consolidated data is at the level of 6.0. The Group mainly uses bond issues as a source of long-term financing.

The capital structure of the Group consists of net debt (borrowings less cash and cash equivalents) and Group's equity (includes share capital, reserves and other funds, retained earnings/accumulated losses).

(CZK million)

Net debt		31 Dec 2021	31 Dec 2020
Loans, borrowings and lease liabilities	27	48,299	45,548
Cash and cash equivalents	25	(3,434)	(5,751)
Total net debt		**44,865**	**39,797**
Equity			
Share capital	26	20,000	20,000
Capital contributions	26	19,506	17,454
Accumulated loss	26	(2,687)	(757)
Total equity		**36,819**	**36,697**
Total managed capital		**81,684**	**76,494**

The Group manages its capital to ensure that it will be able to continue to operate as a going concern while optimizing the ratio between equity and liabilities. According to banking requirements, the target maximum ratio of the Group's liabilities to equity is 75:25.

The Group is not a subject of any externally imposed capital requirements.

The Board of Directors and the Supervisory Board of the Company are regularly informed about the development of debt. Any additional debt is a subject to their approval.

36.2. Classes of financial instruments

(CZK million)

Classification of financial assets	Category of financial assets		31 Dec 2021	31 Dec 2020 *)
Financial assets measured at amortised cost	Trade receivables	22	4,004	3,167
	Cash and cash equivalents	25	3,434	5,751
	Finance lease receivables	23	154	132
	Other	23	685	457
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting	23	1,504	423
Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through other comprehensive income	23	397	421
	Total		**10,178**	**10,351**

(CZK million)

Classification of financial liabilities	Category of financial liabilities		31 Dec 2021	31 Dec 2020
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting	29	509	285
	Other financial derivatives	29	53	-
Financial liabilities measured at amortised cost	Loans, borrowings and lease liabilities	27	48,299	45,548
	Trade payables		9,498	4,761
	Other	29	326	317
	Total		**58,685**	**50,911**

*) To improve true and fair presentation the Group presented the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2021 in Other Assets. In the financial statements as at 31 December 2020, this compensation was presented in Other financial assets (Note 23).

Income from individual categories of financial assets is as follows:

(CZK million)

Categories of financial assets	2021	2020	Reported in the statement of profit and loss line
Interest on cash and cash equivalents	11	55	Finance income
Interest on finance lease receivables	19	19	Finance income
Dividends from capital investments	2	3	Other operating income
Total	**32**	**77**	

Expected credit losses on financial assets are disclosed in Note 22 Trade receivables and Note 36.8 Credit risk management.

36.3. Fair value of financial instruments

(CZK million)

Financial assets	Level	Fair value as at 31 Dec 2021	Carrying value as at 31 Dec 2021	Fair value as at 31 Dec 2020	Carrying value as at 31 Dec 2020
Measured at fair value		**1,901**	**1,901**	**844**	**844**
Derivative instruments used in hedge accounting	Level 2	1,504	1,504	423	423
Financial assets at fair value through other comprehensive income	Level 3	397	397	421	421
Measured at amortised cost		**657**	**693**	**393**	**405**
Finance lease receivables	Level 2	154	154	132	132
Other financial assets – long term	Level 2	503	539	261	273
Total		**2,558**	**2,594**	**1,237**	**1,249**

(CZK million)

Financial liabilities	Level	Fair value as at 31 Dec 2021	Carrying value as at 31 Dec 2021	Fair value as at 31 Dec 2020	Carrying value as at 31 Dec 2020
Measured at fair value	**Level 2**	**562**	**562**	**285**	**285**
Derivative instruments used in hedge accounting	Level 2	509	509	285	285
Other financial derivatives	Level 2	53	53	-	-
Measured at amortised cost	**Level 2**	**40,752**	**40,872**	**40,378**	**39,119**
Issued bonds	Level 2	11,914	11,656	13,578	12,566
Issued bonds (publicly traded)	Level 1	22,388	22,443	23,916	23,654
Loans	Level 2	6,321	6,613	2,725	2,725
Other financial liabilities	Level 2	129	160	159	174
Total		**41,314**	**41,434**	**40,663**	**39,404**

Cash and cash equivalents, trade receivables and trade payables, other current financial assets and other current financial liabilities are not shown in the table because their fair value is approximately equal to the carrying value due to their short-term maturity.

In 2020 and 2021, there were no transfers of financial instruments between levels.

The fair value of financial derivatives is classified as Level 2 in the fair value hierarchy.

36.3.1. Valuation procedures used to determine fair value

Fair values of financial assets and financial liabilities are determined as follows:

– the fair value of interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows,
– the fair value of cross-currency interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows in respective currencies,
– the fair value of currency swaps is calculated using a valuation model based on discounted yield curves and swap points for the relevant currencies,
– the fair value of commodity swaps is calculated using a valuation model based on discounted future cash flows based on expected commodity prices.

The fair values of financial assets and financial liabilities that are not measured at fair value but are required to be disclosed are determined as follows:

– the fair value of the bonds is determined on the basis of quoted market prices, if exist. If quoted market prices do not exist, the fair value is determined using valuation model on the basis of quoted market prices of comparable bonds,
– the fair value of other long-term financial assets and liabilities is calculated using the discounted cash flow method.

Future cash flows are discounted with a discount rate derived from the incremental borrowing rate.

36.3.2. Fair value measurement recognised in the statement of financial position

Financial instruments measured at fair value are allocated to Levels 1 to 3 according to the extent to which the fair value can be ascertained or verified:

– fair value measurement at Level 1 are valuations, which are determined based on unadjusted quoted prices of the same assets or liabilities in active markets,
– the fair value measurement at Level 2 are valuations, which are determined based on inputs other than quoted prices used at Level 1; this information can be obtained from the asset or liability directly (i.e. prices) or indirectly (i.e. data derived from prices),
– fair value measurement at Level 3 are valuations based on valuation techniques that use asset or liability information that is not derived from observable market data (unverifiable inputs).

All financial instruments measured at fair value as at 31 December 2021 and 31 December 2020 are included in Level 2.

36.4. Financial risk management objectives

The Group manages financial risks through internal risk reports which include risk analysis based on their significance. Financial risks include market risk (currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

36.5. Currency risk management

The Group undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. These transactions predominantly include inflows from international transport, issued bonds and purchases of rolling stock in foreign currency. In line with the approved Risk Management Strategy, the Group hedges anticipated payments in a foreign currency such that the size of the open risk position does not exceed the limit defined for the period by the Risk Management Committee and approved by the Company's Board of Directors.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities, net of the impact of currency hedging, at the end of the reporting period are as follows:

(CZK million)

31 December 2021	EUR	USD	Other	Total
Financial assets	3,792	7	2	3,801
Financial liabilities	(32,673)	(20)	(4)	(32,697)
Total	**(28,881)**	**(13)**	**(2)**	**(28,896)**

(CZK million)

31 December 2020	EUR	USD	Other	Total
Financial assets	2,073	6	2	2,081
Financial liabilities	(32,752)	(14)	(2)	(32,768)
Total	**(30,679)**	**(8)**	**-**	**(30,687)**

36.5.1. Sensitivity to exchange rate changes

The exposure to currency risks is measured by a sensitivity analysis. The Group is exposed to the currency risk due to:

– changes in the carrying value of monetary items denominated in foreign currencies; and
– changes in the fair value of concluded financial derivatives.

The following table shows the impact that the strengthening and weakening of the Czech currency by CZK 1 against EUR would have on the profit (loss) and other comprehensive income. A positive number indicates an increase in profit (decrease in loss) and other comprehensive income, a negative number indicates the decrease in profit (increase in loss) and other comprehensive income:

(CZK million)	Strengthening Czech currency by CZK 1 against EUR		Weakening Czech currency by CZK 1 against EUR	
	2021	**2020**	**2021**	**2020**
Translation of items denominated in foreign currencies at the end of the period	1,162	1,169	(1,162)	(1,169)
Change in the fair value of derivatives at the end of the period	(904)	(806)	904	806
Total impact on the profit/ loss before tax	**258**	**361**	**(258)**	**(361)**
Change in tax effect recognized in profit or loss	(49)	(69)	49	69
Total impact on the profit/ loss after tax	**209**	**292**	**(209)**	**(292)**
Change in the fair value of derivatives at the end of the period *)	1	(37)	(1)	37
Total impact on other comprehensive income before tax	**1**	**(37)**	**(1)**	**37**
Change in tax effect recognized in other comprehensive income	-	7	-	(7)
Total impact on other comprehensive income after tax	**1**	**(30)**	**(1)**	**30**

*) Financial derivatives used in hedge accounting.

36.5.2. Currency forwards

Within the Group, ČD Cargo, a.s. enters into currency derivatives of this type due to the nature of its open currency position. In accordance with the management risk strategy, it enters into currency forwards to cover future incoming payments denominated in foreign currencies with the predetermined hedge ratio of 1:1. The hedge ratio is determined by comparing the amount of the hedged item and the used hedging instrument. The calculation is based on a currency parforward contract that reduces the currency risk resulting from the exchange rate fluctuation of the national currencies and from the planned positive balance in EUR, which the company generates. The hedging ratio is regularly monitored in the context of risk management objectives.

As the key characteristics of the hedging instrument fully correspond to the characteristics of the hedged item, the management of ČD Cargo, a.s. expects a high level of effectiveness in the hedging.

The nominal value of currency forwards is lower than the future expected cash flows in EUR which means that there never hedges more than 25 % of the expected cash inflows in EUR. A CZK/EUR exchange rate is hedged and then converts foreign currency earnings (EUR) into the functional currency (CZK). The maximum hedging volumes are set in the Financial Risk Management Strategy of ČD Cargo, a.s. as follows:

– for 2022, a maximum of 25 % of inflows in EUR,
– for 2023, a maximum of 20 % of inflows in EUR,
– for 2024, a maximum of 15 % of inflows in EUR.

The currency forwards are negotiated under market conditions (without premium payments), the fair value of derivatives on the day of the deal is nil. Based on the above-mentioned facts, ČD Cargo, a.s. assumes that the hedging relation will be effective over its lifetime. The result of a transaction is a predictable (fixed) CZK/EUR exchange rate obtained from a sale of EUR inflows of ČD Cargo, a.s.

The effectiveness of hedging will be measured by comparing critical parameters. As credit risk is not part of the hedged risk, credit risk only affects changes in the value of the hedging instrument. Credit risk arises from the credit rating of ČD Cargo, a.s., and a bank as a counterparty to the currency parforward. Credit risks associated with both a bank and the company are considered minimal and will be reassessed in cases where there is a significant change in circumstances for one of the parties.

Potential root causes of possible ineffectiveness may relate to a basis spread. Another factor may be a time mismatch. ČD Cargo, a.s. does not hedge specific transactions, but only the volume of the planned inflows. The Group considers the above-mentioned factors to be immaterial or highly improbable and therefore deems the currency hedging to be effective.

The table presents open foreign currency forwards on foreign currency sales at:

Sales	Average exchange rate	Foreign currency	Nominal value in CZK mill	Fair value in CZK mill
31 December 2021	27.118	EUR	2,278	61
31 December 2020	27.048	EUR	2,272	54

The Group did not enter into foreign currency forwards or options on foreign currency purchase in 2021 and 2020.

Expected realisation of hedged items by currency forwards

The following table presents expected hedged future cash flows from future sales in EUR (in nominal value):

(CZK million)

31 December 2021	Up to 1 month	1 - 3 months	3 months up to 1 year	1 - 5 years	Over 5 years	Total
Hedged future sales in EUR	75	149	671	1,193	-	2,088

(CZK million)

31 December 2020	Up to 1 month	1 - 3 months	3 months up to 1 year	1 - 5 years	Over 5 years	Total
Hedged future sales in EUR	105	210	945	945	-	2,205

36.5.3. Foreign exchange swaps

In line with the requirements of currency risk management, the Group has entered into long-term currency swaps that mitigate the risk of financing bonds in EUR with a hedge ratio of 1: 1

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

– the nominal values of the swaps are the same as the face values of the relevant bond volume,
– both transactions are reconciled in the same currencies,
– swaps have been agreed at market value (without premium), the fair value of derivatives at settlement is nil,
– the Group assumes no early bond repayment.

Sources of hedging relationship ineffectiveness are identified as follows:

– in the event of a significant reduction in own or counterparty's creditworthiness.

The Group has classified these swaps as fair value hedges. The Group has also entered into short-term foreign exchange swaps which are accounted for as other financial derivative instruments.

The table presents the terms of currency swap agreements that were open at the end of the reporting period:

31 December 2021	Average agreed exchange rate (CZK/EUR)	Principal amount	Fair value in CZK millions
Up to 1 year	25.72	EUR 70 million	(54)
From 1 up 5 years	26.41	EUR 30 million	6
Total			**(48)**

In 2020, the Group did not enter into any currency swaps.

All hedging relationships were 100% effective at the end of the year.

Expected realization of hedged items by hedging currency swaps
Expected hedged cash flows from foreign currency bonds are disclosed in Note 36.9.1. in the tables with the residual contractual maturity of financial liabilities in the line Fixed rate instruments.

36.5.4. Cross-currency interest rate swaps

Within the Group, the Parent Company enters into currency derivatives of this type due to the nature of its open currency position. In accordance with the currency risk management requirements, the Group has entered into a cross-currency interest rate swap which reduces the risk of the bond funding in EUR using a hedge ratio of 1:1.

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

– the nominal values of the swaps are the same as the face values of the relevant bond volume,
– both transactions are in the same currency,
– maturity of interest rate swaps payment and interest bond payment are equal,
– swaps are agreed at market value (without premium), the fair value of derivatives at trade date is nil,
– swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options),
– the Group assumes no early bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

– significant decrease in the Group's or the counterparty's creditworthiness.

The table shows the terms of contracts for cross-currency interest rate swaps that were opened at the end of the reporting period.

31 December 2021	Nominal value (EUR million)	Average collected interest rate (annual)	Nominal value (CZK million)	Average paid interest rate (annual)	Fair value of assets (liabilities) CZK million
Up to 1 year	792	2.00 %	(20,963)	2.92 %	(285)
1 to 5 years	755	2.02 %	(19,927)	3.05 %	685
Over 5 years	166	3.45 %	(4,597)	3.63 %	470
Total					**870**

31 December 2020	Nominal value (EUR million)	Average collected interest rate (annual)	Nominal value (CZK million)	Average paid interest rate (annual)	Fair value of assets (liabilities) CZK million
Up to 1 year	792	2.00 %	(20,963)	2.92 %	(202)
1 to 5 years	792	2.01 %	(20,963)	2.97 %	104
Over 5 years	666	1.98 %	(17,498)	3.09 %	203
Total					**105**

The exchanges of payments under the cross-currency interest rate swaps and coupon payments from issued bonds occur simultaneously and the amount accumulated in equity is reclassified to finance costs in the period in which the coupon payments on the issued bonds affect profit or loss.

All hedging relationships were 100% effective at the end of the year.

The expected realisation of hedged items by cross-currency interest rate swaps
Expected cash flows of hedged foreign currency bonds are listed in Note 36.9.1. in tables with remaining contractual maturities of financial liabilities in the line Fixed interest rate instruments.

36.6. Interest rate risk management
The Group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financing, and, for this purpose, the Group concludes contracts for interest rate swaps so that the amount of the open risk position does not exceed the limit set for the period by the Risk Management Committee and approved by the Board of Directors of the Company.

36.6.1. Sensitivity to interest rate changes
The exposure to changes in interest rates is measured by the sensitivity analysis. The Group is exposed to the interest rate risk due to:

– changes in interest expenses from loans and lease with a variable rate,
– change in the fair value of concluded financial derivatives.

The following table shows the impact that an increase/decrease in interest rates of 100 basis points would have on the profit (loss) and other comprehensive income. A positive value indicates the increase in profit (decrease in loss) and other comprehensive income, a negative value indicates the decrease in profit (increase in loss) and other comprehensive income:

(CZK million)	Increase in interest rates of 100 basis points		Decrease in interest rates of 100 basis points	
	2021	**2020**	**2021**	**2020**
Interest from loans and leases with variable rate for the period	(20)	(5)	20	5
Total impact on the profit / loss before tax	**(20)**	**(5)**	**20**	**5**
Change in tax effect recognized in profit/ loss	4	1	(4)	(1)
Total impact on the profit / loss after tax	**(16)**	**(4)**	**16**	**4**
Change in the fair value of derivatives at the end of the period *)	(46)	(42)	50	46
Total impact on other comprehensive income before taxes	**(46)**	**(42)**	**50**	**46**
Change in tax effect recognized in other comprehensive income	9	8	(10)	(9)
Total impact on other comprehensive income after tax	**(37)**	**(34)**	**40**	**37**

*) Financial derivatives used in hedge accounting.

36.6.2. Interest rate swap contracts
In accordance with currency risk management requirements, the Group has entered into interest rate swap contracts which reduces the risk of secured loans and bonds with variable interest rates.

The hedge ratio is determined at 1:1.

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

– nominal values of the swaps are equal to the nominal value of the relevant secured loans or variable-interest rate bonds,
– both transactions are contracted in the same currencies,
– maturity of interest rate swaps payments and interest securedloan and bond payments are equal
– swaps were contracted at market prices (without bonuses), the fair value of derivatives is nil as at the contract date,
– swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options),
– the Group assumes no early secured liabilities or bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

– early repayment of the residual value of secured loanor bonds
– termination of the interest rate swap by the counterparty,
– significant decrease in the company itself or the counterparty's creditworthiness.

The following table details the terms of interest rate swap contracts outstanding at the end of the reporting period:

31 December 2021	Hedging of interest rate from	Average contracted fixed interest rate	Principal amount	Fair value in CZK million
Up to 1 year	loan	2.66 %	CZK 1,000 million	9
1 to 5 years	loan	2.66 %	CZK 857 million	30
more than 5 years	loan	2.66 %	CZK 286 million	(2)
Total				**37**

31 December 2020	Hedging of interest rate from	Average contracted fixed interest rate	Principal amount	Fair value in CZK million
Up to 1 year	leases	1.23 %	CZK 109 million	-
Total				**-**

The Group settles the difference between fixed and floating interest rates on a net basis. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating interest rates on debt affect the profit or loss. Gains and losses reclassified during the year from the equity are included in Other interest expense which is part of Finance costs in the consolidated statement of profit and loss.

36.6.3. Expected realisations of hedged item interest rate swaps and interest rate options

The expected hedged cash flows from interest on variable-rate debt are listed in Note 36.9.1 in tables with remaining contractual maturities of financial liabilities in the Finance lease liabilities and Float interest rate instruments.

36.7. Commodity risk management

The Group is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically diesel and electricity, are significant cost items of the Group. The Group manages this risk using the following instruments:

– negotiating a fixed price of electricity always for the following calendar year,
– conclusion of contracts with public transport orderers so that possible price increase of the above-mentioned commodities is reflected in the amount of received payments,
– conclusion of medium-term derivatives for the purchase of diesel.

36.7.1. Sensitivity to changes in commodity prices

The exposure to changes in the price of commodities is measured by sensitivity analysis. The Group is exposed to the risk of changes in commodity prices due to changes in the fair value of concluded financial derivatives.

The following table shows the impact that a 10 % increase/decrease in the price of diesel would have on profit (loss) and other comprehensive income. A positive value indicates the increase in profit (decrease in loss) and other comprehensive income, a negative value indicates a decrease in profit (increase in loss) and other comprehensive income:

(CZK million)	10 % increase in diesel price		10 % decrease in diesel price	
	2021	**2020**	**2021**	**2020**
Change in fair value of derivatives at the end of the period	-	-	-	-
Total impact on the profit/ loss before tax	**-**	**-**	**-**	**-**
Change in tax effect recognized in profit/loss	-	-	-	-
Total impact on profit/ loss after tax	**-**	**-**	**-**	**-**
Change in the fair value of derivatives at the end of the period *)	7	11	(7)	(11)
Total impact on other comprehensive income before taxes	**7**	**11**	**(7)**	**(11)**
Change in tax effect recognized in other comprehensive income	(1)	(2)	1	2
Total impact on other comprehensive income after tax	**6**	**9**	**(6)**	**(9)**

*) Financial derivatives used in hedge accounting.

36.7.2. Commodity derivatives

In accordance with the commodity risk management requirements, the subsidiary ČD Cargo, a.s. has entered into the contracts hedging traction diesel prices. The hedging was carried out by the commodity swap which relies on hedging a fixed price of traction diesel.

The hedging ratio of the hedging relationship is the same as the ratio of the amount of the hedged item and the used hedging instrument, i.e. in this case the ratio is 1:1. The hedging ratio is determined as a comparison of the amount of the hedged item and the used hedging instrument. Its calculation is based on a commodity swap agreement, which offsets the purchase of the secured volume of planned consumption according to the approved Financial Risk Management Strategy. ČD Cargo, a.s. is aware that risk components such as excise duty, trader margins, etc. are included in the calculation of the hedging ratio, however, their effect on the ratio is immaterial. The hedging ratio is regularly monitored in line with risk management objectives.

The economic relationship between the hedging instrument and the hedged item is described according to the parameters listed below.

The effectiveness of hedging will be measured by comparing changes in the intrinsic value of the hedging instrument and changes in the fair value of the hedged cash flows. Given that the key characteristics of the hedging instrument fully correspond to the characteristics of the hedged item, ČD Cargo, a.s. expects high hedging effectiveness. At the same time, a correlation test is performed, where the actual purchase prices of diesel per litre and the price of the hedging instrument are compared retrospectively.

The nominal value of the collateral is lower than the future expected volumes of purchased diesel which means it never hedges more than 80 % of the estimated volume of purchased diesel. Commodity Platts ULSD 10ppm FOB Barge Rotterdam is secured. The hedging is executed in CZK, which eliminates the risk arising from fluctuations in the CZK / USD exchange rate. The maximum volumes for hedging are set by the Financial Risk Management Strategy at ČD Cargo, a.s. as follows:

- for the year 2022, a maximum of 80 % of the underlying asset (estimated volume of purchased diesel),
- for the year 2023, a maximum of 65 % of the underlying asset (estimated volume of purchased diesel),
- for the year 2024, a maximum of 50 % of the underlying asset (estimated volume of purchased diesel).

Commodity hedging is negotiated under market conditions (without the payment of a premium), the fair value of derivatives on the date of agreement is nil. Based on the above facts, the Group assumes that the hedging relationship will be effective over its lifetime. The result of the transaction is a predictable price of the purchased diesel volume.

As credit risk is not part of the hedged risk, credit risk only affects changes in the value of the hedging instrument. Credit risk arises from the credit rating of the Group and a bank as the counterparty to a commodity swap. Credit risks associated with both a bank and the Group are considered minimal and will be reassessed in cases where there is a significant change in circumstances for one of the parties.

Potential root causes of ineffectiveness may relate to unsecured components of the total price of diesel (i.e. various surcharges, impact of the price of biodiesel, excise tax, etc.) and a significant decline in creditworthiness of a counterparty. In such cases, the Group also performs a correlation test for the price of diesel. The Group hedges the Platts ULSD 10ppm FOB Barge Rotterdam for the total purchase price of diesel, and since the hedging is performed in CZK, the currency risk arising from the USD / CZK currency pair is also eliminated. Other items that make up the price of diesel are fixed or have very low volatility. The Group considers the above items, such as mark-ups, the effect of biodiesel price, excise tax, decrease in creditworthiness of a counterparty, etc., to be immaterial or highly unlikely, and therefore considers commodity hedging to be effective.

The table below presents outstanding commodity contracts for the diesel purchases as at:

Purchase of diesel	Hedged value	Volume of contracts (MT)	Fair value (CZK million)
31 December 2021	10,214 CZK/MT	4,800	21
31 December 2020	10,964 CZK/MT	12,000	(20)

Expected realization of hedged items of commodity derivatives

The following table shows the expected cash flows of the hedged purchases of diesel:

(CZK million)

31 December 2021	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Hedged future purchases of diesel	6	12	53	-	-	71

(CZK million)

31 December 2020	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Hedged future purchases of diesel	5	11	48	43	-	107

36.8. Credit risk management

The Group is exposed to credit risk, which is that one party of the financial instrument will cause financial losses to the other party by failing to meet its obligations. Credit risk arises as a result of the Group's business operations and financial market activities. The Group's credit risk quantification is based on a number of primary criteria, where the threat of counterparty default during a transaction is the main determinant due to possible negative impact on the Group's economic results and cash flow. The Group analyses the counterparties using both internal departments support and external information services. Any counterparty insolvency may result in imminent losses with an adverse impact on the Group's business.

Sources of credit risks related to threat of a counterparty default in a transaction were identified by the Group as follows:

- financial institutions,
- employees or tenants – individuals from whom the receivable arises,
- corporate customers,
- the state and regions as public service payers.

Hence, business operations with new counterparties are a subject to standardized approval procedures by designated departments. The credit risk management includes active receivables management, when standard financial instruments, such as prepayments and bank guarantees are used in order to reduce the risk.

Financial assets that expose the Group to potential credit risk include cash and cash equivalents, trade receivables and financial derivative contracts. The Group's cash is deposited in prestigious domestic financial institutions.

The Group is mainly exposed to the following credit risk categories due to its business activities:

- direct credit risk,
- credit equivalent risk.

Most frequently, the direct credit risk arises from receivables from ongoing trading relationships, particularly from supplier loans granted. Credit quality of the customers is assessed individually, based on their financial position, previous experiences and other factors. The Group assesses its financial assets at each balance sheet date to determine whether there is any objective evidence that they might be impaired. Financial assets are considered impaired if objective evidence indicates that one or more events have adversely affected the estimated future cash flows from those assets. Material financial assets are tested for impairment individually. The remaining financial assets are assessed on a portfolio basis in the groups that have similar credit risk characteristics. All impairment losses are recognized in profit or loss.

36.8.1. Trade receivables and finance lease receivables

For the purposes of determining expected credit losses using the simplified approach, current receivables and finance lease receivables are classified according to common credit risk characteristics and appropriate maturities. The Group based on this evaluates the expected credit loss rates determined for trade receivables.

The expected credit loss rates are determined according to the payment profile and sales for the period of 7 years preceding 31 December 2021 or 31 December 2020 based on credit losses recognised in the past. The Group analysed a number of macroeconomic variables (GDP, industrial indices, etc.) and their possible correlation to customer solvency. However, as no correlation has been identified, the Group considers an individual assessment of customer creditworthiness. The Group also creates specific allowances for receivables.

The table below presents an overview of the impairment losses on current trade and finance lease receivables. The carrying value of receivables as at 31 December 2021 and 31 December 2020 below represent the Group's maximum exposure to credit risk on these assets:

(CZK million)

				Past due date (days)			
As at 31 December 2021	**Before due date**	**1 - 30**	**31 - 90**	**91–180**	**181-365**	**Over 365**	**Total**
Expected credit loss rate	1%	1%	3%	6%	67%	100%	
Finance lease receivables	154	-	-	-	-	-	154
Current trade receivables – gross	3,827	162	38	16	6	190	4,239
Expected credit loss	**38**	**1**	**1**	**1**	**4**	**190**	**235**

(CZK million)

				Past due date (days)			
As at 31 December 2020	**Before due date**	**1 - 30**	**31 - 90**	**91–180**	**181-365**	**Over 365**	**Total**
Expected credit loss rate	3%	3%	5%	73%	50%	100%	
Finance lease receivables	132	-	-	-	-	-	132
Current trade receivables – gross	3,091	89	63	11	14	197	3,465
Expected credit loss	**80**	**3**	**3**	**8**	**7**	**197**	**298**

To additionally secure potentially risky receivables at ČD Cargo, a.s standard instruments (advances, payment terms, customer monitoring, internal tools, etc.) are used in various combinations. ČD Cargo, a.s. applies continuous monitoring of receivables as per individual companies and ageing, with special regard to receivables over 15 days past due. Development of overdue receivables is continuously dealt with by individual responsible employees and, at the top, by the Receivables Commission.

The credit risk associated with fare revenue has low concentration as a significant proportion of fare sales is collected in cash. Credit risk related to payments from the state budget and the regional budget is low due to the high credit quality of the counterparties. The credit risk associated with financial operations is low because the Group spreads the risk over a larger number of financial institutions and only deals with financial institutions that have a credit rating in the investment range. In other activities, the Group tries to trade only with trusted contractors who are verified individually on an ongoing basis using publicly available data. There is no significant concentration of credit risk in freight transport from the perspective of customers, industries or regions. The Group's exposure and the payment discipline of its contractors are monitored on an ongoing basis.

36.8.2. Cash and other financial assets

The credit risk of liquid financial assets and financial derivatives is limited, as the contractual partners are banks with an investment grade credit rating. For this reason, the impact of impairment of cash and cash equivalents is immaterial.

(CZK million)

Bank	Rating (Moody´s)	Bank balance as at 31 Dec 2021	Restricted cash as at 31 Dec 2021	Bank balance as at 31 Dec 2020	Restricted cash as at 31 Dec 2020
Komerční banka	Aa3	464	594	1,670	386
ČSOB	Aa3	880	-	896	-
Citibank	Aa3	250	-	2,035	-
ING bank	Aa3	162	-	473	-
Česká spořitelna	Aa3	26	-	8	-
UniCredit Bank	A3	630	-	6	-
Raiffeisenbank	A2	183	-	104	-
Sberbank CZ		282	-	261	-
J&T Banka		157	-	59	-
Všeobecná úverová banka	A2	300	-	32	-
Allior	BB	1	-	-	-
Millenium bank	Baa1	3	-	4	-
Deutsche Bank	A2	15	-	8	-
Frankfurter Sparkasse	F1+	1	-	5	-
Bank Austria	A2	2	-	6	-
Slovenská sporiteľňa	A2	7	-	29	-
Tatra banka	A3	31	-	14	-
Fio banka		-	-	1	-
PPF banka		-	-	102	-
Total		**3,394**	**594**	**5,713**	**386**

The application of the expected credit loss model has an immaterial impact on all Other financial assets.

The following table provides an analysis of the credit risk of Other financial assets at amortized cost. The carrying values of assets as at 31 December 2021 and 31 December 2020 represent the Group's maximum exposure to credit risk from these assets:

(CZK million)

As at 31 December 2021	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Hedging derivatives	1,504	-	-	-	1,504
Restricted cash	594	-	-	-	594
Receivables from damages and losses	69	8	-	(16)	61
Other	30	6	-	(6)	30
Total	**2,197**	**14**	**-**	**(22)**	**2,189**

(CZK million)

As at 31 December 2020	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Hedging derivatives	423	-	-	-	423
Restricted cash	386	-	-	-	386
Receivables from damages and losses	48	5	-	(5)	48
Other	23	17	-	(17)	23
Total	**880**	**22**	**-**	**(22)**	**880**

The Group has assessed the credit risk for individual items of Other financial assets. Counterparties have low risk and no material overdue receivables are recorded. Credit rate risk has not increased significantly since initial recognition.

As at 31 December 2021 and 31 December 2020, the Group does not record any financial assets pledged as collateral.

36.9. Liquidity risk management

The Group manages its liquidity risk through planning future cash flows and securing binding limits of short-term financing with reputable financial institutions (promissory notes programme and agreed overdraft and revolving loans), with the minimum period of 12 months. In order to secure sufficient short-term liquidity, the Group has contracted these binding credit facilities so that its available funds exceed its expected short-term outflows. The liquidity is monitored by the Moody´s rating agency on an ongoing basis.

36.9.1. Liquidity risk tables

The following tables demonstrate the Group's remaining contractual maturity of financial liabilities. The tables have been drawn up based on the undiscounted cash flows from financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that instruments carry the floating interest, the undiscounted amount is derived from interest rate curves at the end of the reporting period and may change, if interest rates differ from the determined estimates.

(CZK million)

31 December 2021	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	5,117	4,324	748	55	152	10,396
Liabilities from unpaid share capital (Note 35)	501	-	-	-	-	501
Derivatives	27	27	102	237	-	393
Incoming cash flows	-	-	*1,004*	*2,982*	-	*3,986*
Outgoing cash flows	*27*	*27*	*1,106*	*3,219*	-	*4,379*
Lease liabilities	39	257	870	3,268	1,021	5,455
Secured loans	11	115	356	1,118	853	2,453
Float interest rate instruments	1	(1)	239	1,372	689	2,300
Fixed interest rate instruments	6	170	2,161	31,086	9,365	42,788
Total	**5,702**	**4,892**	**4,476**	**37,136**	**12,080**	**64,286**

(CZK million)

31 December 2020	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	3,129	1,531	306	123	48	5,137
Liabilities from unpaid share capital (Note 35)	505	-	-	-	-	505
Derivatives	2	3	14	145	-	164
Incoming cash flows	-	-	*70*	*3,469*	-	*3,539*
Outgoing cash flows	*2*	*3*	*84*	*3,614*	-	*3,703*
Lease liabilities	33	266	774	3,006	1,307	5,386
Secured loans	24	122	333	732	275	1,486
Float interest rate instruments	-	62	387	1,613	991	3,053
Fixed interest rate instruments	-	-	1,250	16,159	23,277	40,686
Total	**3,693**	**1,984**	**3,064**	**21,778**	**25,898**	**56,417**

*) In the financial statements as at 31 December 2020, this liability was reported in Note 35 Contingent liabilities.

The following tables demonstrate the Group's expected contractual maturity of financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets reflecting the anticipated maturity. The table includes cash flows from the interest and principal.

(CZK million)

31 December 2021	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	5,950	1,514	644	(3)	398	8,503
Derivatives	7	17	(140)	(1,278)	(576)	(1,970)
Incoming cash flows	*7*	*17*	*401*	*13,787*	*4,616*	*18,828*
Outgoing cash flows	-	-	*541*	*15,065*	*5,192*	*20,798*
Finance lease receivables	6	3	27	122	407	565
Total	**5,963**	**1,534**	**531**	**(1,159)**	**229**	**7,098**

(CZK million)

31 December 2020	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	5,490	1,436	40	5	421	7,392
Derivatives	2	5	(176)	(750)	(289)	(1,208)
Incoming cash flows	*2*	*5*	*365*	*1,415*	*18,344*	*20,131*
Outgoing cash flows	-	-	*541*	*2,165*	*18,633*	*21,339*
Finance lease receivables	5	2	22	110	383	522
Fixed interest rate instruments	2,400	-	-	-	-	2,400
Total	**7,897**	**1,443**	**(114)**	**(635)**	**515**	**9,106**

36.9.2. Financing facilities

The Group has access to the following credit facilities:

(CZK million)

Bank overdraft	ČSOB	Citibank	ING	VUB	KB	Raiffeisen-bank	Millenium Bank	Tatrabanka	SLPL	Total
Loan facility as at 1 January 2020	**1,110**	**200**	**200**	**700**	**1,600**	**-**	**96**	**-**	**13**	**3,919**
Unused amount as at 1 January 2020	**1,110**	**200**	**200**	**700**	**1,600**	**-**	**35**	**-**	**13**	**3,858**
Change of loan facility in 2020	-	-	-	-	-	300	53	13	-	366
Loan facility as at 31 December 2020	**1,110**	**200**	**200**	**700**	**1,600**	**300**	**149**	**13**	**13**	**4,285**
Unused amount as at 31 December 2020	**1,110**	**200**	**200**	**700**	**1,600**	**300**	**149**	**13**	**13**	**4,285**
Change of loan facility 2021	-	-	-	-	-	6	37	-	-	43
Loan facility as at 31 December 2021	**1,110**	**200**	**200**	**700**	**1,600**	**306**	**186**	**13**	**13**	**4,328**
Unused amount as at 31 December 2021	**1,110**	**200**	**200**	**700**	**1,600**	**306**	**106**	**13**	**13**	**4,248**

(CZK million)

Promissory notes programme	ČSOB	ING	KB	Česká spořitelna	Total
Loan facility as at 1 January 2020	**2,500**	**1,500**	**2,000**	**2,250**	**8,250**
Unused amount as at 1 January 2020	**2,500**	**1,500**	**2,000**	**2,250**	**8,250**
Change of loan facility in 2020	-	-	-	(250)	(250)
Loan facility as at 31 December 2020	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Unused amount as at 31 December 2020	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Change of loan facility in 2021	-	-	-	-	-
Loan facility as at 31 December 2021	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Unused amount as at 31 December 2021	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**

(CZK million)

Revolving loan	Citibank	Total
Loan facility as at 1 January 2020	**1,500**	**1,500**
Unused amount as at 1 January 2020	**1,500**	**1,500**
Change of loan facility in 2020	-	-
Loan facility as at 31 December 2020	**1,500**	**1,500**
Unused amount as at 31 December 2020	**1,500**	**1,500**
Change of loan facility in 2021	-	-
Loan facility as at 31 December 2021	**1,500**	**1,500**
Unused amount as at 31 December 2021	**1,500**	**1,500**

The Group contracted long-term bank credit lines as part of securing resources for the planned investments.

(CZK million)

Long-term bank credit lines	Raiffeisenbank	UniCredit Bank	VUB	ING Bank	EIB	Total
Loan facility as at 1 January 2020	**-**	**-**	**-**	**-**	**-**	**-**
Unused amount as at 1 January 2020	**-**	**-**	**-**	**-**	**-**	**-**
Change of loan facility in 2021	-	2,000	-	1,000	3,412	6,412
Loan facility as at 31 December 2020	**-**	**2,000**	**-**	**1,000**	**3,412**	**6,412**
Unused amount as at 31 December 2020	**-**	**200**	**-**	**-**	**3,412**	**3,612**
Change of loan facility in 2021	3,600	4,000	1,900	500	-	10,000
The effect of currency translation	-	-	-	-	(180)	(180)
Loan facility as at 31 December 2021	**3,600**	**6,000**	**1,900**	**1,500**	**3,232**	**16,232**
Unused amount as at 31 December 2021	**2,100**	**3,000**	**1,400**	**-**	**2,732**	**9,232**

37. Post Balance Sheet Events

In January – March 2022 the Group drew the long-term loans of CZK 4.5 billion (drawn on the long-term bank credit lines listed in note 36.9.2).

At the end of February 2022, continuing political tensions between Russia and Ukraine escalated into a conflict with Russia's military invasion of Ukraine. A worldwide response to Russia's violations of international law and aggression against Ukraine was the imposition of extensive sanctions and restrictions on business activities. We consider these facts to be non-adjusting subsequent events. The overall impact of recent developments has been reflected in increased volatility in financial and commodity markets and other implications for the economy. Business risks, including the adverse effects of economic sanctions on Russia, business disruptions (including supply chains), more frequent cyber-attacks, the risk of breaches of legal and regulatory rules, and many others, are difficult to assess and their overall impact and potential effects are currently unknown.

In 2022, there were changes in the composition of the Supervisory Board. On 10 February 2022 two members of the Supervisory Board, Jan Vrátník and Vojtěch Kocourek were dismissed and new members of the Supervisory Board Miroslav Zámečník, Petr Šlegr and Jiří Minka were appointed.

On 15 February 2022 there were also changes in the Board of Directors. At an extraordinary meeting of the Supervisory Board the resignation of Václav Nebeský, the Vice-Chairman of the Board of Directors, was accepted. Effective from 16 February 2022, Michal Kraus was appointment as Vice-Chairman of the Board of Directors of the Company. The resignation of Petr Pavelec, a member of the Board of Directors and the resignation of Ivan Bednárik, the Chairman of the Board of Directors were also accepted. Effective from 16 February 2022, Blanka Havelková was appointed as a member of the Company's Board of Directors. On 24 March 2022, Michal Krapinec was elected as Chairman of the Board of Directors and Chief Executive Officer of the Company, effective from 4 April 2022. At its meeting on 7 April 2022, the Supervisory Board appointed Lukáš Svoboda as a member of the Board of Directors of the Company, effecting from 8 April 2022.

On 28 February 2022, the Czech National Bank took steps to revoke the license of Sberbank CZ, a.s. As at that date, the companies in the Group had deposits with this bank in the amount of CZK 261 million. Companies are negotiating intensively about access to deposited funds.

On April 20, 2022, the subsidiary ČD Cargo, a.s. issued bonds with a total nominal value of EUR 40 million (CZK 975 million), with maturity at 31 December 2028, and with a fixed interest income of 1.92 % p.a.

There were no other significant events between the balance sheet date and the time of preparation of the financial statements.

38. Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2022.

Separate Financial Statements
for the Year 2021 Prepared in Accordance with IFRS as Adopted by the EU

Name of the company: České dráhy, a.s.
Registered office: Nábřeží L. Svobody 1222, 110 15 Prague 1
Legal form: Joint-Stock Company
Corporate ID: 70994226

Components of the Separate Financial Statements for the year 2021 prepared in accordance with IFRS as adopted by the EU:

Separate Statement of Profit and Loss

Separate Statement of Comprehensive Income

Separate Statement of Financial Position

Separate Statement of Changes in Equity

Separate Cash Flow Statement

Notes to the Separate Financial Statements

Separate Financial Statements were authorised for issue 27 April 2022
Statutory Body of the Reporting Entity

Michal Krapinec
Chairman of the Board of Directors
České dráhy, a.s.

Lukáš Svoboda
Member of the Board of Directors
České dráhy, a.s.

Separate Statement of Profit and Loss for the Year Ended 31 December 2021

		Year ended 31 Dec 2021 CZK million	Year ended 31 Dec 2020 CZK million
Revenues	5	23,927	22,161
Other operating income	6	1,795	827
Cost of services, raw materials and energy	7	(9,848)	(9,633)
Employee benefit costs	8	(9,407)	(9,524)
Depreciation and amortisation	9	(6,500)	(5,351)
Other operating costs	10	(1,484)	(1,288)
Profit/ (Loss) from operating activities		**(1,517)**	**(2,808)**
Finance costs	11	(1,050)	(1,794)
Finance income	12	698	589
Profit/ (Loss) before tax		**(1,869)**	**(4,013)**
Profit/ (Loss) for the period		**(1,869)**	**(4,013)**

Separate Statement of Comprehensive Income for the Year Ended 31 December 2021

		Year ended 31 Dec 2021 CZK million	Year ended 31 Dec 2020 CZK million
Profit/(Loss) for the year		**(1,869)**	**(4,013)**
Actuarial remeasurements of employee defined benefit obligations		34	7
Revaluation of investments in equity instruments at fair value through other comprehensive income		1	(13)
Other comprehensive income/(loss) for the period (items that are not subsequently reclassified to profit or loss)		**35**	**(6)**
Change in cash flow hedge reserve	24.2.3	1,873	(424)
Costs of hedging	24.2.4	35	21
Other comprehensive income/(loss) for the period (items that may be reclassified to profit or loss in subsequent periods)		**1,908**	**(403)**
Other comprehensive income/(loss) for the period after tax		**1,943**	**(409)**
Total comprehensive income/(loss) for the period		**74**	**(4,422)**

Separate Statement of Financial Position as at 31 December 2021

		31 Dec 2021 CZK million	31 Dec 2020 CZK million
Property, plant and equipment	14	56,903	52,720
Investment property	15	475	621
Intangible assets	16	356	358
Right-of-use assets	17	1,152	902
Investments in subsidiaries, associates and joint ventures	18	11,760	10,913
Other financial assets	21	2,461	1,583
Other assets	22	23	3
Total non-current assets		**73,130**	**67,100**
Inventories	19	1,641	1,642
Trade receivables	20	1,660	1,063
Other financial assets	21	513	270
Other assets	22	2,123	1,223
Cash and cash equivalents	23	1,666	4,123
Total current assets		**7,603**	**8,321**
TOTAL ASSETS		**80,733**	**75,421**
Share capital	24	20,000	20,000
Capital contributions	24	19,004	17,061
Retained earnings		(3,667)	(1,798)
Total equity		**35,337**	**35,263**
Loans, borrowings and lease liabilities	25	31,323	31,914
Provisions	26	112	137
Other financial liabilities	27	197	188
Other liabilities	28	110	77
Total non-current liabilities		**31,742**	**32,316**
Trade payables	14	6,647	2,661
Loans, borrowings and lease liabilities	25	2,014	1,141
Provisions	26	2,528	1,838
Other financial liabilities	27	538	235
Other liabilities and contract liabilities	28	1,927	1,967
Total current liabilities		**13,654**	**7,842**
Total liabilities		**45,396**	**40,158**
TOTAL LIABILITIES AND EQUITY		**80,733**	**75,421**

Separate Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital CZK million	Share premium CZK million	Cash flow hedging reserve CZK million	Reserve and other funds *) CZK million	Retained earnings / (Accumulated losses) CZK million	Total equity CZK million
Balance as at 1 January 2020	**20,000**	**16,440**	**1,007**	**21**	**2,217**	**39,685**
Loss for the period	-	-	-	-	(4,013)	(4,013)
Other comprehensive income/(loss) for the period	-	-	(424)	15	-	(409)
Total comprehensive income/(loss) for the period	**-**	**-**	**(424)**	**15**	**(4,013)**	**(4,422)**
Allocation to reserve fund	-	-	-	2	(2)	-
Total transactions with owners for the period	**-**	**-**	**-**	**2**	**(2)**	**-**
Balance as at 31 December 2020	**20,000**	**16,440**	**583**	**38**	**(1,798)**	**35,263**
Loss for the period	-	-	-	-	(1,869)	(1,869)
Other comprehensive income/(loss) for period	-	-	1,873	70	-	1,943
Total comprehensive income/(loss) for the period	**-**	**-**	**1,873**	**70**	**(1,869)**	**74**
Balance as at 31 December 2021	**20,000**	**16,440**	**2,456**	**108**	**(3,667)**	**35,337**

*) Reserve and other funds are described in Note 24.2.

Separate Cash Flow Statement for the Year Ended 31 December 2021

		Year ended 31 Dec 2021 CZK million	Year ended 31 Dec 2020 CZK million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year		**(1,869)**	**(4,013)**
Dividend income	6	(378)	(143)
Finance costs – interest expense	11	847	874
Gain on the sale and disposal of non-current assets	6	(246)	(109)
Depreciation and amortisation of non-current assets	9	5,304	5,351
Impairment losses/ (Reversal of impairment)	6, 10	1,215	(168)
Change in provisions	26	665	1,636
Foreign exchange losses/(gains)		(567)	362
Other		80	32
Cash flows from operating activities before changes in working capital		**5,051**	**3,822**
Decrease/(increase) in trade receivables	20	(642)	164
Decrease/(increase) in inventories	19	(47)	(268)
Decrease/(increase) in other assets	21,22	(617)	(651)
Increase/(decrease) in trade payables		706	(998)
Increase/(decrease) in other payables and contract liabilities	27,28	(26)	(159)
Total changes in working capital		**(626)**	**(1,912)**
Cash flows from operating activities		**4,425**	**1,910**
Interests paid	11	(829)	(856)
Dividends received	6	438	83
Net cash flows from operating activities		**4,034**	**1,137**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment	14	(7,289)	(4,129)
Proceeds from disposal of property, plant and equipment	6	250	161
Payments for investment property	15	(3)	(5)
Payments for intangible assets	16	(167)	(117)
Payments for the acquisition of subsidiaries	18	(847)	-
Interest received	12	44	88
Loans and borrowings provided to related parties	29.6	(20)	-
Repayments of loans and borrowings from related parties	29.6	143	473
Net cash flows from investment activities		**(7,889)**	**(3,529)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawing of loans and borrowings	25	2,000	342
Repayments of loans and borrowings	25	(317)	(277)
Repayment of principal of lease liabilities	25	(235)	(165)
Net cash flows from financing activities		**1,448**	**(100)**
Net decrease in cash and cash equivalents		**(2,407)**	**(2,492)**
Cash and cash equivalents at the beginning of the period		4,123	6,602
Effects of changes in foreign exchange rates		(50)	13
Cash and cash equivalents at the end of the period	**23**	**1,666**	**4,123**

Notes to the Separate Financial Statements for the Year Ended 31 December 2021

1. General Information

České dráhy, a. s. (hereinafter the "Company" or "ČD") was established on 31 March 2002 under Act No. 77/2002 Coll. on the joint-stock company České dráhy (Czech Railways), the state organisation Správa železniční dopravní cesty (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. On 1 January 2003, the state organisation České dráhy discontinued its activities and operations and the ČD and the state organisation Správa železniční dopravní cesty were formed as its legal successors. As at that date, the Company was recorded in the Commercial Register. Subsequently, on 1 January 2020, the amendment to the Railways Act changed the name of Správa železniční dopravní cesty ("SŽDC") to Správa železnic, státní organizace (Railway Administration, the state organization, hereinafter "SŽ").

The sole shareholder of the Company is the Czech Republic. The Company's share capital is CZK 20,000 million. The Company's registered office is located at Nábř. L. Svobody 1222, Prague 1.

The Company is principally engaged in operating railway passenger transport. In addition, the Company is engaged in other activities relating to its principal business activities.

The separate financial statements have been prepared as at and for the year ended 31 December 2021 ("financial statements"). The reporting period is the calendar year from 1 January 2021 to 31 December 2021. The Company additionally prepares the consolidated financial statements in accordance with IFRS that will be approved as at the same date as the separate financial statements.

Impact of Covid-19 to the financial statements for the year ended 31 December 2021

In 2021, passenger transport was negatively affected by the ongoing Covid-19 pandemic (the drop in sales against the plan by 15% in domestic transport and by 14% in international transport). The consequences of the pandemic affected the transport market throughout the year, due to restrictive measures taken in order to mitigate the health impacts (especially in the first half of the year), which disrupted business and economic activities and thus significantly reduced the mobility and numbers of passenger in both domestic and international transport.

In 2021, in connection with the Covid-19 pandemic, the Company received a grant of CZK 558 million from the Ministry of Transport (hereinafter "MT") as compensation for losses incurred by the Company between March and June 2020, while operating regular passenger rail transport beyond the public service obligations and operating public passenger transport services by transregional and long-distance rail transport. Furthermore, in 2021 the Company received a grant from MT within the Covid – Uncovered Costs program in the amount of CZK 40 million.

In addition, the Company continued to implement cost-saving measures to mitigate the effects of the crisis caused by the Covid-19 disease. In connection with the cutting personnel costs, the Company in the first half of the year continued with the partial unemployment scheme for selected employees, according to the Section 209 of the Labour Code for the necessary period and concluded an agreement with the state to receive a contribution to cover part of personnel costs paid by the Company under the partial unemployment scheme (Antivirus program) in the amount of CZK 71 million (Note 29.8).

Impairment test is usually performed on annual basis. As at 31 December 2021, the Company reviewed whether there were any new impairment indicators present due to the uncertainty caused by Covid-19. No further significant adjustment to the Company's accounting estimates has been deemed necessary. Possible future impacts on the valuation of individual assets and liabilities are monitored and analysed on an ongoing basis.

2. Significant Accounting Policies

2.1. Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2.2. Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies used in the preparation of these financial statements are set out below. The accounting policies used in reporting period are consistent with the accounting policies used in previous periods, if not stated otherwise.

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying accounting policies. Areas with a high degree of judgment or complexity, or areas with assumptions or estimates significant for these financial statements, are described in the Note 4.

These separate financial statements are related to the consolidated financial statements of České dráhy. a.s. and its subsidiaries (hereinafter the "Group") for the year ended 31 December 2021. The separate financial statements should be read in conjunction with the consolidated financial statements in order to fully understand the Group's results and financial position.

The going concern basis of the entity

At the time of approval of the financial statements, the Company's management has a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. Therefore, these financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classifications of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

2.3. Revenue recognition

2.3.1. Revenue from contracts with customers

In the first phase, all contracts with customers are analysed in order to identify obligations towards the customer. Subsequently, the transaction price is determined and, in case of several identified performance obligations, is allocated according to their relative standalone selling prices. Consequently, revenue is recognised at the appropriate amount for each performance obligation at a certain point in time or over time of the contract term (it may be recognised over several reporting periods). Revenues are reported net of value added tax and are further reduced by expected returns from customers, rebates and other similar discounts.

The Company recognizes revenue when the performance obligation is satisfied by transferring a promised service or good (assets) to a customer, which means that once a customer obtains control of that asset. Revenue is recognised in the amount of the transaction price allocated to the performance obligation. The received payment is initially recognised as a contract liability that is subsequently released to revenue as the performance obligation is satisfied.

Revenue from transport is recognised in the period in which transport services are provided taking into account a stage of completion of the service contract (e.g. validity period of long-term travel documents).

In contrast to domestic one, international transport also includes the settlement process of proceeds and revenues from foreign carriers and sellers of international tickets. In some cases, such settlements may be delayed by a few months. For this reason, revenue as at the date service is provided is estimated based on the information available to the Company.

In addition to selling tickets and similar documents, a significant part of revenue from transport includes revenue from the usage of passenger cars in the RIC mode („Regolamento Internazionale delle Carrozze"), based on the Convention for the Reciprocal Use of Wagons in International Traffic with the settlement on a quarterly basis. Therefore, in this case revenue is also estimated.

The transaction price has fixed and variable considerations. The fixed part represents the transaction price without consideration of fees and penalties. The variable consideration exists in the form of fees and penalties associated with the failure by the Company to fulfil the contractual obligation in relation to customers i.e. breach of timetable, damages to the transported goods, etc. In case of variable consideration, revenue is recognised to the extent to which it is highly probable that revenue will not be reversed in future.

Revenues from orderers such as the Ministry of Transport and regions are key revenues and are included in the Passenger transport segment.

For passenger transport revenues, the Company applies practical expedient in accordance with IFRS 15.B16 and recognizes revenues in the amount it has a right to invoice.

2.3.2. Other income

Dividend income is recognized when there is a right to receive payment and the receipt of such payment is probable.

Interest income is recognised when it is probable that the economic benefits will flow into the Company and the amount of income could be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount. If a financial asset is considered credit-impaired, interest income is calculated based on the asset's amortised cost (i.e. the gross carrying amount less the loss allowance).

2.4. Lease

2.4.1. The Company as a lessee

At the inception date of a contract, the Company assesses whether it is a lease contract or contains an embedded lease. The Company recognises the right-of-use asset and the corresponding lease liability in respect of all lease contracts in which the Company is a lessee, except of short-term leases (with a lease term of 12 months or less and containing no purchase options) and low-value asset lease (such as laptops and personal computers, small items of office furniture and phones). For these leases, the Company recognizes lease payments as operating expenses on a straight-line basis over the term of a lease.

At the commencement date, the lease liability is initially measured at the present value of lease payments to be made over the lease term that are not yet paid at that date. The lease payments are discounted using the interest rate implicit in a lease or, if this rate is not available, incremental borrowing rate should be used.

Lease payments included in the measurement of a lease liability include the following:

– fixed lease payments less any receivables from lease incentives;
– variable lease payment that are based on an index or a rate, initially measured using an index or rate as at the commencement date;
– amounts expected to be payable by the Company as guaranteed residual value;
– exercise price of a purchase option if the lessee is reasonably certain that the option will be exercised; and
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising this option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured (and the related right-of-use asset must be adjusted accordingly), if:

– there is a change in a lease term or if there is a material event or change in circumstances that led to a change in the assessment of an option to purchase the underlying asset. In such a case, the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.
– there is a change in lease payments resulting from a change in an index or a rate or change in the amounts expected to be payable under guaranteed residual value. In this case, the lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate.
– a lease contract is modified, and the modification is not considered to be a separate lease. In this case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using the revised discount rate as at the effective date of the modification.

Lease liabilities are presented in the statement of financial position in line Loans, borrowings and lease liabilities.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date after deduction of any lease incentives received and includes initial direct costs. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

The right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease, or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation begins at the commencement of the lease (at the date the asset is available for use by the Company).

The right-of-use assets are presented as a separate line in the statement of financial position.

At the end of each reporting period, the Company assesses whether there is any indication that right-of-use assets are impaired and recognises any identified impairment losses in accordance with the rules described in Note 2.10 Property, plant and equipment.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use assets. Related payments are recognized as expenses in the period in which the event or condition that gives rise to those payments occurs and are presented in Other operating expenses in the separate statement of profit and loss.

As a practical expedient, IFRS 16 allows a lessee not to separate non-lease components from lease components and instead to account for each leasing component and any associated non-lease components as a single arrangement. The Company did not use this practical expedient. For the contract that contains a lease component and one or more other lease or non-lease components, the Company allocates the contract consideration to each lease and non-lease component based on the relative stand-alone price of a given component.

2.4.2. The Company as a lessor

Leases in which the Company is a lessor are classified as finance or operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset to lessees are classified as finance leases. All other leases are classified as operating leases.

If the Company is the intermediate lessor, it accounts for the main lease and the sublease as two separate contracts. Subleases are classified as finance leases or operating leases by reference to the right-of-use asset arising from the principal lease.

In an operating lease, income is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and concluding an operating lease are included in the carrying amount of the leased asset and are expensed on a straight-line basis over the term of the lease.

Amounts due from lessees under finance leases are recognised as receivables in the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Company's net investment.

After initial measurement, the Company regularly assesses the estimated unguaranteed residual value and recognizes an allowance for expected credit losses from lease receivables, in accordance with the accounting policies for financial assets carried at amortized cost.

Income from finance lease is calculated based on the gross carrying value of lease receivables, except for credit-impaired financial assets, for which interest income is calculated on the basis of their net carryig value, i.e. after deducting the allowance for expected credit losses.

2.5. Foreign currencies

Given the economic substance of transactions and the environment in which the Company operates, the functional and presentation currency is the Czech crown (CZK).

Transactions denominated in foreign currencies are translated and recorded at the fixed exchange rate announced by the Czech National Bank on the date of the transaction. If the current exchange rate does not change significantly over time, the Company uses average exchange rate of this period for a longer period of time - usually one month. At the date of the separate financial statements, monetary items denominated in foreign currencies are translated to Czech crowns at the Czech National Bank exchange rate as at that date. Non-monetary items that are measured at historical cost in a foreign currency are not remeasured for changes in foreign exchange rates after initial recognition.

Exchange differences are recognised in profit or loss, except for exchange differences on transactions entered in order to hedge certain foreign currency risks. Such foreign exchange rate differences are recognised directly in other comprehensive income and reclassified to profit or loss when the hedged underlying items affect profit or loss.

2.6. Borrowing costs

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets, (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they incurred.

2.7. Grants

Government grants and grants from the European Union are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets, are recognised as a reduction of the cost of those non-current assets in the separate statement of financial position.

Other government grants are recognised in profit or loss as Other operating income over the periods necessary to match them with the costs which they are intended to compensate, on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company without future related costs are recognised in profit or loss in the period in which they become receivable.

2.8. Employee benefit costs
Employee benefit costs predominantly include payroll costs, payments to the statutory health insurance, social security and pension insurance schemes and other employee benefits costs resulting from the collective agreement.

Employee benefit liabilities and provisions reported in the separate statement of financial position represent their present value and are calculated using the incremental method. Additions to these liabilities and provisions are expensed in the reporting period in which services, that entitle the employees to such benefits, have been rendered.

The provision for long-term employee benefits is determined using the Projected Unit Credit Method, with an actuarial valuation at the end of each reporting period. Gains or losses arising from adjustments and changes in actuarial assumptions for post-employment defined benefit obligations are included in other comprehensive income, changes in the provision for other long-term benefits are recognised in profit or loss.

2.9. Taxation
The income tax includes current tax and deferred tax.

2.9.1. Current tax
Current tax calculation is based on taxable profit for the year. The taxable profit differs from the profit recorded in the separate statement of profit and loss as it does not include items of income or expense that are taxable or deductible in other years, and items that are not taxable or deductible. The Company's current tax is calculated using tax rates in accordance with the legislation that has been adopted or factually adopted by the end of the reporting period.

2.9.2. Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used to calculate taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. In accordance with the initial recognition exemption, deferred tax asset or deferred tax liability are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.9.3. Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognised outside profit or loss.

2.10. Property, plant and equipment
Property, plant and equipment are carried at cost less accumulated impairment losses and, in case of buildings and equipment, by accumulated depreciation. Freehold land is not depreciated.

Assets under construction are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs. Depreciation of these assets, on the same basis as depreciation of other assets, commences when the assets are ready for their intended use.

Depreciation is recognized to write off the cost of assets (other than freehold land and assets under construction) less their residual values over their useful lives, applying the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

The following useful lives were used in the depreciation calculation:

	Number of years
Constructions	20–50
Vehicles	
Locomotives	*20–35*
Passenger cars	*20–30*
Freight wagons	*25–33*
Components	2–15
Equipment	8–20

Property, plant and equipment items are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of these assets. Gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The Company capitalises major (periodical) repairs of rolling stock. The costs of repairs are recorded as a separate asset (component) and are depreciated over the useful life of repairs. The depreciation period of the components is determined for the series of rolling stock and component types.

Estimated useful life:

	Number of years
First substantial repair of units	4
First substantial repair of vehicle	6
Major repair of vehicle	11

Strategic spare parts (exchangeable units) are reported within Vehicles. Other spare parts that meet the conditions for classification in accordance with IAS 16 are reported within Assets under construction.

2.11. Investment property

Investment property, namely property held to earn rental income and/or for capital appreciation (including property under construction for future use as investment property), is initially measured at cost, including transaction costs. After initial recognition, the Company measures its investment property using the cost model; the carrying amounts are decreased by accumulated depreciation and impairment.

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its sale. Gains and losses on derecognition of the property (determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss in the period in which the property is derecognised.

The depreciation method and useful life are determined by the Company for investment property in accordance with the property included in the Construction group (see Note 2.10).

2.12. Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives of assets. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

The following useful lives were used in the amortisation calculation:

	Number of years
Software	3-4
Software licenses	6

An intangible asset is derecognised upon disposal, or when no future economic benefits are expected from its use or sale. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in profit or loss in the period when the asset is derecognised.

2.13. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated in order to determine the amount of possible impairment. When it is impossible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are also allocated to individual cash-generating units, if reasonable and consistent basis of allocation can be determined. Otherwise, corporate assets are allocated to the smallest group of cash-generating units for which it is possible to determine a reasonable and consistent basis for allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least once per year or whenever there is an indication that the asset might be potentially impaired.

The recoverable amount is the higher of fair value less cost to sell and value in use. When assessing value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which have not been adjusted with estimates of future cash flows.

If the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

If the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated of its recoverable amount while ensuring that the increased carrying amount does not exceed the carrying amount that would have been determined in previous years if no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

2.14. Investments in subsidiaries, associates and joint ventures

A subsidiary is an entity which is controlled by the Company. The Company has power over the investee, if it is exposed to variable returns from its involvement with the investee or has the ability to use its power to affect its returns, while it has power over the investee (i.e. holds existing rights based on which it is able govern the activities that significantly impact the revenues of this entity).

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in decisions about the relevant activities of the investee but is not control or joint control over those activities. In such case, the Company usually controls 20-50% of the voting rights.

The joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement that exists when decisions about the relevant activities require unanimous consent of the parties sharing control.

In the separate financial statements, investments in subsidiaries and associates and joint ventures, which are not classified as held for sale are reported at cost or, after adjustment for impairment of investments.

Investments in subsidiaries are tested for impairment at least on an annual basis by comparing the fair value and the carrying amount of the equity investment.

2.15. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. The net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Spare parts that meet the conditions of classification in accordance with IAS 16 are recorded as Property, plant and equipment (Note 2.10).

2.16. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

In cases when some or all of the expenditure required to settle a provision are expected to be reimbursed by another party, an asset is recognized when it is certain that the reimbursement will be received by the Company and the amount of the receivable can be measured reliably.

A provision can be used only for expenditures for which the provision was originally recognised. A change in a provision is recognized in profit or loss for a specific expense category; the unused portion of the provision is recognized in Other operating income.

Current liabilities arising from onerous contracts are recognized and measured as provisions. Onerous contract is understood as a company's contract under which the unavoidable costs of meeting obligations under the contract exceed the envisaged economic benefits expected to be received under such a contract. The costs of fulfilling the contract include both the incremental costs of fulfilling the contract and the allocation of other costs that are directly related to fulfilling a contract.

2.17. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities other than those measured at fair value through profit or loss are initially recognized in or deducted from the fair value of the financial assets. The exceptions are transaction costs that are directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss which are recognised immediately in profit or loss.

Financial assets are classified into the following three categories: financial assets at amortised cost, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. The classification depends on the Company's business model and the nature of the contractual cash flows of the particular financial asset.

Financial liabilities are classified as either financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortised cost.

2.17.1. Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts expected future cash inflow/outflow (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) with the exception for expected credit losses through the expected life of the debt instrument, to their gross amortised cost at initial recognition.

Income and expenses are recognised on an effective interest rate basis for debt instruments other than financial assets and liabilities classified as at fair value through profit or loss.

2.17.2. Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include equity investments not held for trading. The Company includes among these assets equity investments that are not traded on an active market.

Investments in equity instruments measured at fair value through other comprehensive income are initially measured at fair value increased by transaction costs. They are subsequently measured at fair value, whereas gains and losses from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve.

Dividend income from equity investments is recognised in profit or loss when the Company has a right to receive dividends.

2.17.3. Financial assets at amortised cost

Loans and receivables (including bank balances) are financial assets held within the business model which objective is to collect contractual cash flows that are solely payments of the principal and interest on the principal outstanding. Hence, the Company measures these assets at amortised cost applying the effective interest method less any allowance for expected credit losses. These assets are recognised when cash, goods or services are provided directly to a debtor by the Company with no intention of trading the receivable.

Interest income is recognised by applying the effective interest rate, except for short-term receivables for which the recognition of interest would be immaterial.

2.17.4. Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for measurement at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

In this category, the Company reports financial derivatives presented under Other financial assets.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, and all gains and losses of fair value are recognized in profit or loss to the extent that they are not part of the hedging relationship (see hedge accounting policies). The method of determining fair value is described in Note 33.4.

2.17.5. Expected credit losses on financial asses

Financial assets, other than those at fair value through profit or loss, are reduced by an allowance for expected credit losses as at the asset recognition and at subsequent measurement.

Full model (3-stage impairment model): the financial asset is initially categorised within Stage 1, where credit loss allowance is recognised at an amount equal to 12-month expected credit losses. During the useful life of an asset, the Company considers if there is significant increase in credit risk. If the significant increase in credit risk is identified, the financial asset is reclassified to Stage 2, where the credit loss allowance is recognised at a lifetime expected credit loss. In the case of a counterparty default, such asset is reclassified to Stage 3, where interest income on financial assets is recognised by applying the initial effective interest rate to the amortised cost net of allowances for expected credit losses.

For the purpose of determining expected credit losses, the Company applies the simplified approach in accordance with IFRS 9, which allows the assessment of the lifetime expected loss for all short-term trade receivables, contractual assets and receivables from financial leases.

The simplified model is applied for current trade receivables that do not contain a significant financing component and finance lease receivables. The Company recognises the allowances for receivables assessed on a portfolio basis based on the impairment matrix including historical inputs and reflecting future expectations.

For receivables assessed on an individual basis, the Company considers the following factors that affect the debtor's ability to meet his obligations:

– 30 days or more past due,
– forward looking information,
– knowledge of a customer,
– payment morale.

Based on historic experience, the Company uses the following criteria for default determination:

– If information gathered from external sources indicates that a debtor will not be able to pay its creditors in full (bankruptcy or insolvency proceedings).
– If the financial asset is more than 90 days past due and the Company has no evidence that the delay in payments is not sufficient criterion for default determination.

2.17.6. Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Upon derecognition of an asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. Upon derecognition of an investment in an equity instrument, that the Company recognizes at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

2.17.7. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as financial liabilities measured at fair value through profit or loss when they are either held for trading or are designated as measured at fair value through profit or loss.

This category includes financial derivative instruments recognised under other financial liabilities.

Financial liabilities at fair value through profit or loss are measured at fair value and any resulting gain or loss from changes in fair value is recognised in profit or loss (unless they are part of a designated hedging relationship-see hedge accounting policies). The fair value shall be determined in accordance with the method set out in Note 33.4.

2.17.8. Financial liabilities measured at amortised cost

Financial liabilities that are not held for trading or designated as financial liabilities at fair value through profit or loss are subsequently measured as amortised cost applying the effective interest method.

Loans are initially recognized at fair value less transaction costs. In subsequent periods, loans are carried at amortized cost using the effective interest rate method.

2.17.9. Derecognition of financial liabilities

The Company derecognises financial liabilities only when the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.17.10. Derivative financial instruments

The Company enters a variety of derivative financial instrument to manage its exposure to interest rate and currency risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives that do not meet the criteria for hedging derivatives are recorded by the Company at fair value through profit or loss.

A derivative with a positive fair value is recorded as a financial asset, while a derivative with a negative fair value is recorded as a financial liability. Derivatives are not offset in the separate financial statements unless the Company has an enforceable right to set-off and intends to exercise it.

2.17.11. Hedge accounting

The Company designates certain hedging instruments as cash flow hedges or as fair value hedges.

At the inception of the hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Since the inception, the Company documents and monitors on an on-going basis, whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. The Company monitors the hedge ratio, sources of ineffectiveness and credit risk impact. Hedge accounting corresponds to the Company's risk management strategy. Under IFRS 9, the Company recognises the basis spreads separately from cross-currency interest rate swaps as cost of hedging.

If a hedging relationship ceases to meet the hedge effectiveness requirement associated with the hedging ratio, but the risk management objectives for that hedging relationship remain the same, the Company adjusts the hedging ratio for that hedging relationship (i.e. rebalances the hedging) to meet the required criteria.

2.17.12. Cash flow hedges

The effective part of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedging reserve. The Company recognises cost of hedging separately if the criteria of cost recognition through other comprehensive income have been met. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued only when the hedging relationship no longer qualifies for hedge accounting (fully or partially), after considering any rebalancing of the hedging relationship or when the hedging instrument expires or is sold, terminated, or exercised. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedging reserve at that time remains in equity and is remeasured through profit or loss when the forecast transaction is recognised. When a forecasted transaction is no longer expected to occur, gain or loss accumulated in the cash flow hedging reserve is reclassified immediately to profit or loss.

2.17.13. Fair value hedge

Changes in the fair value of financial derivatives that are designated and qualify as fair value hedges are recognized immediately in profit or loss, together with any changes in the fair value of the hedged asset or liability that relate to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item related to the hedged risk are recognized in the line of the separate statement of profit and loss relating to the hedged item.

The Company terminates hedge accounting only when the hedging relationship (or part of it) ceases to meet the qualification criteria (after rebalancing, if relevant), i.e. upon expiration of the hedging instrument or upon its sale, termination or implementation of the contract in question. The termination of hedge accounting is accounted for prospectively. The adjustment to the carrying amount of the hedged item that reflects fair value and arises from the hedged risk is amortized to profit or loss from the date of the adjustment.

2.17.14. Financial derivatives held for trading

All derivative transactions that the Company concludes are acquired on economic terms for hedging purposes, but some of them are not classified as hedging instruments for formal reasons. Derivatives that do not meet the conditions for hedging derivatives are recorded as derivatives held for trading. The change in fair value of derivatives held for trading is recognised as an expense or income from derivative transactions.

3. Adoption of New and Revised International Financial Reporting Standards

3.1. Standards and interpretations effective for the annual period ended 31 December 2021

During the year ended 31 December 2021, the following standards, amendments and interpretations, (relevant to the Company's activities) became effective:

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	1 January 2021
IFRS 16 - Amendments IFRS 16 – Covid-19-Related Rent Concessions	1 June 2020

The adoption of the abovementioned amendments during the period did not have a significant impact on the disclosures or amounts presented in these financial statements. The Company analysed the possible impact of the interest rate benchmark reform and concluded that the reform was not yet relevant to the Company.

3.2. Standards and interpretations used prior to the effective date

The Company has applied the Amendment to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract before its effective date (effective for annual periods beginning on or after 1 January 2022) for the provision for onerous contracts. The Amendment to IAS 37 specifies that the 'costs of fulfilling' a contract comprises the costs that relate directly to the contract. When creating a provision for onerous contracts, among these costs the Company includes incremental costs of fulfilling a contract (e.g. direct labour costs, material consumption) as well as the allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of depreciation charge for items used in fulfilling the contract). The amendment to IAS 37 was initially applied in the separate financial statements for the year 2020.

3.3. Standards and interpretations issued but not yet used

As at the date of the financial statements, the following standards and interpretations were published (that were relevant to the Company's activities), but were not yet effective or applied by the Company before its effective date.

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 - Reference to the Conceptual Framework	1 January 2022
IFRS 10, IAS 28 - Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date will be determined *)
IAS 1 - Amendments to IAS1 - Classification of Liabilities as Current or Non-current	1 January 2023 *)
IAS 1 - Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
IAS 8 - Amendments to IAS 8 - Definition of Accounting Estimates	1 January 2023
IAS 12 - Amendment to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023 *)
IAS 16 - Amendments to IAS 16 - Proceeds before Intended Use	1 January 2022
Various standards - Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022

*) Standards, amendments and interpretations that has not yet been approved for the use in the EU.

The management of the Company expects that the adoption of these standards, amendments and interpretations will not have a significant impact on the Company in the following periods.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not clearly evident from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below.

4.1. Key sources of estimation uncertainty

4.1.1. Impairment of assets

The Company assesses the recoverable amount of all assets when there are indicators of their impairment (with the exception of intangible assets with indefinite useful lives or intangible assets under construction, which recoverable amount is assessed annually). This assessment is based on expected assumptions and may change in the future depending on the development of the current situation and the availability of information. Impairment of property, plant and equipment is disclosed in Note 14.1.

4.1.2. Provisions for legal disputes

The Company is involved in a number of regulatory, court and out-of-court commercial disputes. Where the criteria for the recognition of provisions have been met, the Company creates provisions for these disputes on the basis of the best available information and estimates. However, the actual outcome of the disputes may differ from these estimates. The information on legal disputes is disclosed in Notes 26 a 32.1.

4.1.3. Leasing – rental period

The Company uses an estimate to determine the lease term of contracts concluded for indefinite period. This estimate was made with respect of the period and termination conditions of individual contracts. For the contracts with indefinite duration and assessed on the basis of a portfolio approach, the Company has determined the estimated lease term as a period of 5 years, as considering past experience, it is reasonably certain that these leases will not be terminated by the Company during this estimated lease term.

In addition, each significant contract is also assessed separately based on individual contract provisions, economic situation on the market of a given asset, as well as the past experience with the lessor, and thus the lease terms is adjusted accordingly.

Contracts with SŽ for the lease of premises at railway stations are concluded for individual areas (7 large framework contracts). When measuring individual leased premises under the same contract, the Company used aggregation into portfolios under the framework contracts because of the insignificance of these individual rental premises. Due to the fact that these contracts were concluded with SŽ for 50 years, they are evaluated in the same way as contracts with indefinite duration and the estimated lease term is therefore set at 5 years for the purposes of lease term determination. Lease contracts contains an early termination clause, however, the Company uses it primarily in the event of termination of transport at a given location.

4.2. Judgements used in the application of accounting policies

4.2.1. Payments from the public service orderers

The Company receives payments from regional budgets and the Ministry of Transport's budget for railway transport as the provision of public services. also receives payments from the budget of Ministry of Transport for the provision of transport services at discounted prices for selected population groups (students, pensioners). The Company recognises these payments as revenue from contracts with customers.

In case of payments from the orderers, the essence of the contractual relation with the regions or the Ministry of Transport is the order of transport service availability in a given location or on a specified line. This service is provided by the Company regardless a number of passengers using a transport service. This is not a subsidy since the contract for the transport service availability has been competed among a number of parties interested in providing that service and the subject of the service is not transport of specific individuals, but public transport availability. Payment for the provision of the service is received by the company which wins a tender and ensures the service by its own means, in compliance with the competed conditions.

The preferential prices for different categories of customers (students, pensioners, individuals with reduced mobility) are measures where a customer uses the service (passenger transport) and pays only part of its price and the remaining part is paid by a third party (in this case the state). It is not a subsidy to the carrier since in fact it is a direct subsidy of a market price to the population groups and not an economic incentive to influence behaviour of a carrier in a particular way.

5. Revenue

5.1. Breakdown of revenue

(CZK million)	2021	2020
Revenue from contracts with customers		
Revenue from passenger transport - fare	6,598	5,906
Domestic passenger transport	*4,821*	*4,514*
International passenger transport	*1,777*	*1,392*
Revenue from passenger transport - payments from public service orderers	16,529	15,449
Payment from the state budget	*4,362*	*4,272*
Payment from the regional budgets	*12,167*	*11,177*
Sale of other services	386	427
Sale of other services recognized over time	*386*	*427*
Commission for mediation of purchases of diesel and spare parts	42	37
Commission from ticket sales and other transactions at cash desks	4	2
Total revenue from contacts with customers	**23,559**	**21,821**
Rental income		
Rental income	368	340
Total revenue	**23,927**	**22,161**

Payments from public service orderers relate to regional and long-distance domestic passenger transport.

The Company provides transport services in public railway transport for a stated (rectified) price and assures transport services in the specified categories of passenger trains on the railway network of the Czech Republic. The scope of these services and the compensation (revenue of the Company), with the exception of trains operated at commercial risk, are specified in contracts with the state and regional authorities. The payment from the ordering party - the state is limited by the volume of financial resources that were determined by the state budget to cover the provable losses in railway passenger transport.

In 2021, the Company operated long-distance transport under public service contracts concluded with the Ministry of Transport of the Czech Republic. The decisive volume of services was provided under a newly concluded contract valid from 15 December 2019 for a period of 10 years.

Since the 2020/21 timetable, the Company has operated a total of 21 long-distance transport lines on the basis of 7 public service contracts, which represents 82.1% of the services ordered as a public service by the Ministry of Transport of the Czech Republic

In regional transport, most contracts have been concluded and valid since 2020, in which it was therefore necessary to focus great attention on their proper performance. So far, 38 new contracts have been concluded with the regions. The vast majority of newly concluded contracts were implemented in the regime of so-called market consultation and subsequent direct assignment. An exception is the contract with the South Moravian Region, which was concluded within the standard tender procedure, and the contract with the Pilsen Region for the P2 operating set, which is effective from December 2021.

Most of the year 2021 was associated with the Covid-19 pandemic and subsequent crisis measures. In the area of regional transport, steps and measures were taken promptly, which partially helped reducing economic losses caused mainly by the decline in passenger numbers. Due to the fact that contracts with 6 regions (Olomouc, South Moravian, Ústí nad Labem, Zlín, Liberec and Pilsen Regions) are concluded in the so-called gross regime, where the risk of sales is borne by a region, the economic effects of a drop in revenues from passengers on ČD were eliminated in these regions. In addition, a new agreement with the Hradec Králové Region has been in force since 12 December 2021, where the so-called system of shared sales risk is set up, where the region shares the risk and opportunities of sales in half, which will further reduce sales risk in 2022 for ČD.

However, it must be noted that regional transport is significantly less dependent on revenues from passengers than long-distance transport, and conversely – is significantly more dependent on payments from orderers, so compared to its magnitude, the impact of the decline in passenger revenues on this passenger transport segment was not so critical, as in case with long-distance transport.

Significant transactions with the main customers with state participation are presented in Note 29.8.

5.2. Contract liabilities and refund liabilities

The Company recognises following contract liabilities and refund liabilities (see also Note 28) related to revenue from contracts with customers:

(CZK million)	31 Dec 2021	31 Dec 2020
Contract liabilities related to revenue from contracts with customers		
Prepaid products – such as kilometric bank, annual ticket	139	141
Prepayments received	60	64
Other contractual liabilities	3	3
Total contractual liabilities	**202**	**208**

(CZK million)	31 Dec 2021	31 Dec 2020
Refund liabilities		
Other refund liabilities	203	33
Total refund liabilities	**203**	**33**

5.2.1. Revenues from contract liabilities

(CZK million)	2021	2020
Revenues included in the opening balance of contract liabilities		
Revenue from passenger transport - fare	130	188
Sale of other services	55	56
Total	**185**	**244**

5.2.2. Remaining contract liabilities

Passenger transport services are usually performed within a few hours and paid just before the service is provided. In case of prepaid tickets, a contract liability is recognized. As at 31 December 2021, the Company has concluded more than 40 contracts with public service orderers (Ministry of Transport and the regions). Validity of these contracts varies individually from 1 to 15 years. According to these contracts, the Company is obliged to provide transport services to the specified extent. Income is recognized in the amount that the Company has a right to invoice. The orderers usually pay fixed amounts based on the payment schedule. If services provided by the Company exceed a payment, a receivable is recognized due to the fact that a right to payment is unconditional, and only the passage of time is required before the payment is due. Receivables are usually due within 15-30 days. If payments exceed services provided, a liability is recognized. The Company does not disclose the allocated transaction price under the practical expedient from IFRS 15.121. Transport revenue is disclosed in Note 5.1.

6. Other Operating Income

(CZK million)	**2021**	**2020**
Gain from sale of property, plant and equipment and investment property	246	109
Gain on disposal of redundant assets	46	33
Compensations for shortage and damage	52	43
Contractual penalties	110	46
Dividends received	378	143
Foreign exchange gains – operating	43	73
Release of provisions (Note 26)	163	-
Release of credit loss allowance on trade receivables	-	24
Reversal of impairment of property, plant and equipment	-	142
Reversal of write-off of inventory to net realisable value	10	2
Revenue from grants	609	27
Revenue from litigations	1	53
Other	137	132
Total other operating income	**1,795**	**827**

Revenue from grants mainly represent grants from MT (the Ministry of Transport) in the amount of CZK 558 million as compensation of losses incurred in the first wave of the Covid-19 pandemic affecting railway operations in 2020 and also a grant of CZK 40 million from the Covid – Uncovered Costs program.

The category Other includes primarily sales for special trains.

7. Cost of Services, Raw Materials and Energy

(CZK million)	**2021**	**2020**
Traction costs	(2,578)	(2,472)
Traction fuel (diesel)	*(1,055)*	*(977)*
Traction electricity	*(1,523)*	*(1,495)*
Payment for the use of railway route	(1,787)	(1,612)
Other services, raw materials and energy	(5,483)	(5,549)
Consumed material	*(1,333)*	*(1,343)*
Consumed other energy	*(279)*	*(278)*
Consumed fuel	*(50)*	*(45)*
Repairs and maintenance	*(685)*	*(989)*
Travel costs	*(126)*	*(124)*
Telecommunication, data and postal services	*(147)*	*(134)*
Low value rent or short-term rent	*(90)*	*(73)*
*RIC vehicle charges *)*	*(304)*	*(230)*
Transport charges	*(11)*	*(12)*
Substitute bus service	*(180)*	*(135)*
Services of dining and sleeping carriages	*(132)*	*(113)*
Services associated with the use of buildings	*(237)*	*(245)*
Operational cleaning of rolling stock	*(503)*	*(451)*
Border area services	*(411)*	*(336)*
Advertising and promotion costs	*(77)*	*(114)*
Commission from ticket sales to other carriers and vendors	*(57)*	*(50)*
Infrastructure capacity allocation	*(59)*	*(53)*
Services related to IT	*(312)*	*(333)*
Fire brigade services	*(1)*	*(1)*
Services in the field of ecology	*(33)*	*(36)*
Expert opinions	*(76)*	*(76)*
Employee training	*(67)*	*(61)*
Consulting and auditing services	*(43)*	*(52)*
Information media and other IDS services	*(25)*	*(17)*
Material records and distribution	*(19)*	*(19)*
Catering	*(28)*	*(31)*
Comprehensive healing stays of employees	*(23)*	*(15)*
Preventive care costs	*(15)*	*(20)*
Printing and graphic services	*(12)*	*(14)*
Other services	*(148)*	*(149)*
Total cost of services, raw materials and energy	**(9,848)**	**(9,633)**

*) RIC vehicle charges are fees for the inclusion of foreign cars in the Company's trains in the Czech Republic, which are billed in the RIC (Regolamento Internazionale delle Carrozze) regime in accordance with the Conventions on the Mutual Use of Passenger Cars in the international transport.

Other services include mainly training costs, preventive health care, consulting, expert opinions and other services.

Other services also include audit and non-audit services provided by the PwC network companies. The total remuneration for these services:

(CZK million)	2021	2020
Audit services	(2)	(2)
Non-audit services	(2)	(2)
Total	**(4)**	**(4)**

8. Employee Benefit Costs

(CZK million)	2021	2020
Payroll costs	(6,757)	(6,821)
Severance pays	(105)	(90)
Statutory social security and health insurance	(816)	(833)
Payments to supplementary pension insurance	(1,582)	(1,624)
Payments to capital life insurance	(38)	(43)
Other social costs	(60)	(61)
Other staff cost	(49)	(52)
Total staff cost	**(9,407)**	**(9,524)**

Other social costs include mainly meal allowances. Other staff costs include mainly allowances for health recovery stays or remuneration to the members of the statutory bodies.

In 2021, Payroll costs were reduced by the state grant within the Antivirus program in the amount of CZK 71 million (2020: CZK 96 million).

9. Depreciation and Amortisation

(CZK million)	2021	2020
Depreciation of property, plant and equipment	(4,887)	(5,004)
Depreciation of investment property	(20)	(26)
Depreciation of right-of-use assets	(248)	(176)
Amortisation of intangible assets	(149)	(145)
Impairment losses on property, plant and equipment and investment (Note 14.1)	(1,196)	-
Total depreciation and amortisation	**(6,500)**	**(5,351)**

In 2021, Depreciation of property plant and equipment, was reduced by CZK 21 million (2020: increased by CZK 43 million), which relates to the allocation of costs of creation and use of the provision for onerous contracts.

10. Other Operating Expenses

(CZK million)	2021	2020
Expected credit losses on receivables (Note 33.10)	(29)	-
Costs of contractual fines and default interest	(4)	-
Taxes and fees	(9)	(12)
Insurance	(94)	(95)
Foreign exchange losses - operational	(36)	(66)
Shortages and damages	(56)	(40)
Expenses for uniforms and personal protective equipment	(47)	(39)
Provision for legal disputes relating to other operating expenses (Note 26.1)	(1,000)	(697)
Lump sum payments to employees	(16)	(16)
Damages compensation	(71)	(5)
Fines and penalties	(33)	(234)
Costs of written-off and assigned receivables	(20)	(16)
Other expenses	(69)	(68)
Total other operating expenses	**(1,484)**	**(1,288)**

11. Finance Costs

(CZK million)	**2021**	**2020**
Interest on issued bonds	(661)	(683)
Interest on bank loans	(15)	-
Interest on lease liabilities	(25)	(28)
Interest on secured loans	(3)	(17)
Other interest expense	(222)	(178)
Less: amounts included in the cost of qualifying assets	79	32
Foreign exchange losses on loans, borrowings and lease liabilities	(86)	(859)
Expenses from derivative operations	(53)	-
Bank charges	(7)	(6)
Commissions related to bank loans	(49)	(23)
Other finance costs	(8)	(32)
Total finance costs	**(1,050)**	**(1,794)**

The capitalisation rate in the year 2021 was 2.02 % p. a. (2020: 2.02 % p. a.).

12. Finance Income

(CZK million)	**2021**	**2020**
Foreign exchange gains on loans, borrowings and lease liabilities	653	499
Received interest	44	89
Other finance income	1	1
Total finance income	**698**	**589**

13. Income Tax

13.1. Income tax recognised in profit or loss

Reconciliation of the total tax expense for the year with the accounting profit/loss multiplied by the applicable tax rate:

(CZK million)	**2021**	**2020**
Profit (Loss) for the period before tax	**(1,869)**	**(4,013)**
Statutory tax rate on corporate income in the Czech Republic	19%	19%
Expected income tax (charge)/income	**355**	**762**
Adjustments:		
Effect of the unrecognised deferred tax asset	(159)	(501)
Non-taxable income - fines	30	-
Other non-taxable income	72	27
Tax non-deductible expenses - shortages and damages	(11)	(8)
Tax non-deductible payroll expenses	(25)	(25)
Tax non-deductible expenses - fines	(190)	(176)
Other tax non-deductible expenses	(72)	(79)
Income tax recognised in profit or loss	**-**	**-**

13.2. Deferred tax

The net deferred tax asset is calculated as follows:

(CZK million)	**31 Dec 2021**	**31 Dec 2020**
Non-current assets	6,590	4,700
Provisions	258	505
Receivables	268	74
Borrowing costs	-	884
Derivatives	(2,297)	(388)
Other	192	341
Basis for calculation of deferred tax	**5,011**	**6,116**
Corporate income tax rate	19%	19%
Net deferred tax asset	**952**	**1,162**

The tax effect of temporary difference movements is calculated as follows:

(CZK million)	1 Jan 2021	Deferred tax recognised in profit or loss	Deferred tax recognised in other comprehensive income	31 Dec 2021
Non-current assets	893	359	-	1,252
Provisions	96	(41)	(6)	49
Receivables	14	37	-	51
Borrowing costs	168	(168)	-	-
Derivatives	(74)	-	(363)	(437)
Other	65	(28)	-	37
Net deferred tax asset - calculated	**1,162**	**159**	**(369)**	**952**
Net deferred tax asset - recognised	**-**	**-**	**-**	**-**

(CZK million)	1 Jan 2020	Deferred tax recognised in profit or loss	Deferred tax recognised in other comprehensive income	31 Dec 2020
Non-current assets	640	251	2	893
Provisions	13	84	(1)	96
Receivables	19	(5)	-	14
Borrowing costs	-	168	-	168
Derivatives	(151)	-	77	(74)
Other	62	3	-	65
Net deferred tax asset - calculated	**583**	**501**	**78**	**1,162**
Net deferred tax asset - recognised	**-**	**-**	**-**	**-**

With regards to the low expected future taxable profit, realisation of deferred tax assets is uncertain. Therefore, when the calculated net position of the deferred tax as at balance sheet date results in a deferred tax asset, the Company does not recognise this asset.

14. Property, Plant and Equipment

(CZK million)	Land	Constructions	Equipment	Vehicles *)	Components	Assets under construction	Prepayments	Total
Cost								
Balance as at 1 Jan 2020	5,516	9,642	2,326	71,861	12,398	1,745	1,292	104,780
Additions	3	83	38	1,163	2,354	1,187	457	5,285
Disposals	(42)	(64)	(39)	(240)	(1,932)	(11)	(17)	(2,345)
Reclassification **)	2	23	41	73	-	(234)	-	(95)
Balance at 31 Dec 2020	**5,479**	**9,684**	**2,366**	**72,857**	**12,820**	**2,687**	**1,732**	**107,625**
Additions	9	82	45	4,357	2,740	665	2,339	10,237
Disposals	(27)	(68)	(47)	(338)	(4,242)	(39)	-	(4,761)
Reclassification **)	(25)	796	123	567	-	(1,199)	-	262
Balance at 31 Dec 2021	**5,436**	**10,494**	**2,487**	**77,443**	**11,318**	**2,114**	**4,071**	**113,363**
Accumulated depreciation and impairment								
Balance as at 1 Jan 2020	93	5,380	1,781	37,669	7,010	447	-	52,380
Depreciation	-	192	100	2,758	1,911	-	-	4,961
Impairment loss	6	-	-	40	-	3	-	49
Reversal of impairment	(28)	(2)	-	(161)	-	-	-	(191)
Disposals	-	(49)	(37)	(235)	(1,950)	-	-	(2,271)
Reclassification **)	-	(23)	-	-	-	-	-	(23)
Balance as at 31 Dec 2020	**71**	**5,498**	**1,844**	**40,071**	**6,971**	**450**	**-**	**54,905**
Depreciation	-	211	89	2,722	1,886	-	-	4,908
Impairment loss	8	4	-	1,254	-	4	-	1,270
Reversal of impairment	-	-	-	(84)	-	-	-	(84)
Disposals	-	(53)	(47)	(349)	(4,234)	-	-	(4,683)
Reclassification **)	-	144	-	43	-	(43)	-	144
Balance as at 31 Dec 2021	**79**	**5,804**	**1,886**	**43,657**	**4,623**	**411**	**-**	**56,460**
Net book value								
Balance as at 1 Jan 2020	5,423	4,262	545	34,192	5,388	1,298	1,292	52,400
Balance as at 31 Dec 2020	5,408	4,186	522	32,786	5,849	2,237	1,732	52,720
Balance as at 31 Dec 2021	5,357	4,690	601	33,786	6,695	1,703	4,071	56,903

*) Vehicles purchased under secured loans are disclosed within Vehicles. Their net book value is CZK 143 million as at 31 December 2021 and CZK 1,205 million as at 31 December 2020. Their annual depreciation amounted to CZK 114 million as at 31 December 2021 and CZK 121 million as at 31 December 2020.
**) Reclassifications include particularly transfers of assets between individual groups (IAS 16, IAS 40) and transfer (activation) of assets from Assets under construction to individual categories of Property, plant and equipment (Land, Constructions, Equipment, Vehicles).

Strategic spare parts (exchangeable units) with an acquisition cost of CZK 155 million and net book value of CZK 59 million as at 31 December 2021 are recognised in Vehicles (31 December 2020: at an acquisition cost of CZK 119 million and a net book value of CZK 61 million). Other spare parts with a net book value of CZK 783 million as at 31 December 2021 are recognised in Assets under construction (31 December 2020: CZK 820 million).

The most significant additions from 1 January 2020 to 31 December 2021 include acquisition and modernization of rolling stock as part of the renewal of the Company's fleet. Due to the long-term nature of acquisition of this type of assets, significant balances are recognised in the Assets under construction.

Trade payables include payables from the acquisition of fixed assets in the amount of CZK 3,921 million as at 31 December 2021 (31 December 2020: CZK 231 million). Significant year-on-year increase in these liabilities connected to significant purchases of rolling stock at the end of 2021 and invoices not due until 2022.

In 2021, the Company provided advances of CZK 1,045 million for the supply of EMU240 electric trains for regional transport, CZK 1,505 million for the supply of 230 km/h passenger cars, CZK 590 million for the supply of ten DMU120 diesel trains for regional transport and CZK 181 million for the equipment of electric locomotives by mobile part of ETCS. In 2020, the Company provided an advance of CZK 538 million for the supply of nineteen EMU160 electric units.

The Company records grant promises in the amount of CZK 398 million for electric trains for the Pilsen and Karlovy Vary regions and in the amount of CZK 120 million for series 440 electric trains "transition to II. voltage system", which are recognised in Other assets (Note 22).

In the area of acquisition and modernization of railway rolling stock, since 2010 ČD has implemented a total of 19 grant project plans in the amount more than CZK 7.6 billion within the Regional Operational Programs (hereinafter referred to as the "ROP") in the individual regions. As a result of the returned grants according to the findings of the audit body of the Ministry of Finance and its up to date quantified correction, the Company records an increase in the acquisition price of the Assets under construction in the amount of CZK 68 million as at 31 December 2021 (31 December 2020: CZK 336 million) and an increase in the acquisition price of Vehicles in the amount of CZK 311 million as at 31 December 2021 (31 December 2020: CZK 43 million) (Note 14.1.2).

Operating lease agreements in which the Company acts as a lessor and which relate to movable property are described in Note 30.

14.1. Impairment loses recognised in the reporting period

14.1.1. Asset impairment analysis

As at the balance sheet date, the Company's management assessed if there were any indications of impairment of non-financial assets. Due to the negative effects of the Covid-19, the Company's management concluded that impairment indicators exist for the Passenger transport cash-generating unit where the Company's management includes rolling stock (locomotives, passenger cars, other rolling stock including leased and recognised as Right of use assets), other stand-alone movables used to operate passenger rail transport and the allocated part of corporate assets. This group of assets is tested for potential impairment as one cash-generating unit as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of the cash-generating unit was determined as the value in use. Value in use was determined based on the present value of future cash flows per cash-generating unit for the next ten years. The ten-year period reflects the assumptions for short- to medium-term market development and is used by the management as it allows to better reflect the planned investment program than the shorter period. The ČD's management is confident that due to the character of the railway transport it is able to forecast future cash flows over the whole ten-year period with sufficient reliability. Cash flows beyond the ten-year period have been extrapolated using a steady growth rate. This growth rate is in line with the long-term average growth rate for the sector in which the Company operates (passenger transport).

The calculation of future expected cash flows is based on an estimate of revenues, direct and indirect operating expenses and expenditures for replacement of fixed assets for the period of 2022-2031. Revenues from the sale of services are projected on the basis of the expected collection of fares and the contracted payments from public service orderers (the state and the regions), according to the expected return to 'normal' after the period affected by Covid-19 and also according to the expected payments from the state. Operating expenses are estimated based on the current structure of the Company and adjusted for expected development and cost-saving measures in the area of operating and personnel costs. Capital expenditures are based on the historical experience of the Company's management, planned development of passenger transport and commitments arising from contracts with public service orderers. In general, the projections of the above-mentioned components of expected future cash flows take into account the expected economic development, competition and other market factors, regulation, as well as the Company's strategy.

The discount rate reflects of risk specific to the cash-generating unit as assessed by the Company's management. The basis for calculating the discount rate is the weighted average cost of capital (WACC) calculated based on the Capital Asset Pricing Model (CAPM). To calculate the recoverable amount, the cash flows expressed in nominal values were estimated and discounted using a discount rate of 7.25 % (2020: 7 %). Estimated future operating cash flows and estimated capital expenditures for the ten-year period and for the calculation of residual value (perpetuity) were taken from the long-term plans of discounted cash flows of ČD for the period of 2022-2031 with perpetuity outlook that has been approved by the ČD's Board of Directors.

The expected growth rate is derived from the expected future development of the market, gross domestic product, the level of wages and interest rates and the expected economic growth of the country. A growth rate of 3% (2020: 2%) was used to calculate the recoverable amount.

The analysis performed as at 31 December 2021 confirmed that the recoverable amount of the cash-generating unit exceeds its carrying amount by CZK 5,423 million (2020: CZK 11,826 million).

Sensitivity analysis of impairment tests

When testing the recoverable amount of fixed assets of the cash-generating unit, a sensitivity analysis of the test results to changes in selected significant parameters used in the model was performed: the estimated future operating cash flows, the estimated capital expenditures for replacement of fixed assets, the discount rate used for calculating the present value of future cash flows and the growth rate.

	Operating cash flows for perpetuity		Estimated capital expenditures for perpetuity		Discount rate		Growth rate	
Parameter value	CZK 6,000 million		CZK 8,000 million		7.25 %		3 %	
	Increase by 10%	Decrease by 10%	Decrease by 10%	Increase by 10%	Decrease by 50 basis points	Increase by 50 basis points	Increase by 100 basis points	Decrease by 100 basis points
Increase/ (decrease) of recoverable amount	7,380	(7,380)	9,840	(9,840)	13,690	(10,655)	23,584	(14,500)
Impairment Yes/No	No	Yes	No	Yes	No	Yes	No	Yes
Value of impairment	-	(1,956)	-	(4,416)	-	(5,232)	-	(9,076)

The recoverable amount of the cash-generating unit would equal its carrying value, had the key assumptions been/ changed as follows:

	Operating cash flows for perpetuity	Estimated capital expenditures for perpetuity	Discount rate	Growth rate
Parameter value	CZK 6,000 million	CZK 8,000 million	7.25 %	3 %
Parameter value where recoverable amount would equal carrying value	CZK 5,560 million	CZK 8,440 million	7.5 %	2.68 %

14.1.2. Other impairment losses

Furthermore, based on physical observation and internal analyses, the Company's management identified fixed assets for which significant doubt about their future usability exists. Impairment losses were recognized for these items in the amount of the difference between the carrying value and the estimated recoverable amount. The recoverable amount of the series 680 tilting trains (Pendolino) and the series 380 locomotives was estimated as their fair value less cost to sell. Therefore, the recoverable amount of these rolling stock items was determined regardless of the cash-generating unit to which they belong. The fair value of the series 680 trains was determined on the basis of expert opinion. As at 31 December 2021, accumulated impairment losses for these trains amount to CZK 387 million (31 December 2020: CZK 414 million). In April 2022, the ČD's management decided on decommissioning the series 380 locomotives from the fleet after 2025. The fair value of the series 380 locomotives was estimated on the basis of market value of locomotives with comparable usage and technical parameters, taking into account differences in ageing,technical equipment, service availability, maintenance requirements, etc. The estimated fair value in the range of CZK 45-50 million per unit presents the best estimate of the Company's management. In 2021, the impairment loss of CZK 1,110 million was recognised. As at 31 December 2021, accumulated impairment losses for these locomotives amount to CZK 1,609 million (31 December 2020: CZK 522 million).

Another significant impairment loss item is the „Returned ROP grants„ title. The accumulated impairment loss for this title is determined at the total value of the returned grants and amounted to CZK 377 million as at 31 December 2021 (31 December 2020: CZK 379 million).

Impairment losses are presented in Depreciation and amortisation in the separate statement of profit and loss.

14.2. Pledged assets

The Company has loans secured with the assets with the net book value of CZK 143 million as at 31 December 2021 and CZK 1,205 million as at 31 December 2020.

15. Investment Property

(CZK million)	2021	2020
Balance at the beginning of the year	**621**	**606**
Additions from subsequent capitalised expenses	3	5
Depreciation	(20)	(26)
Disposals	(2)	(13)
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	105	70
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	(222)	(25)
Increase/(decrease) in impairment loss	(10)	4
Balance at the end of the year	**475**	**621**

(CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2021	Balance as at 1 Jan 2020
Cost	1,142	1,409	1,362
Accumulated depreciation and impairment	(667)	(788)	(756)
Net book value	**475**	**621**	**606**

The Company includes in the investment property real estate where at least 50 % of its useful area is leased to an external lessee.

The estates are located around the railroads, in railway stations and depots of rolling stock. The Company applies a market approach to determine the fair value of its land and income approach to determine the fair value of its buildings.

When calculating the fair value of a building, firstly the annual rental income from the building is calculated as a multiple of the size of a property, occupancy as per a particular type of premises and external annual rent as per individual type of premises. Secondly, the fair value of the building is calculated as the annual rental income less the cost incurred on the building during the year and divided by the capitalization rate for the given location (yield). Yield is updated annually based on an expert opinion and is calculated as the sum of net earned revenues (net rent) divided by the sum of achieved market prices of comparable real estate. To determine the fair value of real estates as at 31 December 2021 and 31 December 2020, depending on type of real estate and its location, yield in the range of 6-10 % was used.

In respect of land, the fair value is calculated by multiplying the market price for m^2 for the given location and the size of the land. The market price for m^2 is determined each year by an expert based on the latest land price maps.

The estimate of investment property fair value amounted to CZK 6,130 million as at 31 December 2021 (31 December 2020: CZK 4,396 million). Investment property is classified as Level 3 in terms of the method of determining fair value.

Operating lease agreements in which the Company acts as a lessor and which relate to investment property are described in Note 30.

16. Intangible Assets

(CZK million)	Software	Software licences	Assets under construction	Total
Cost				
Balance as at 1 Jan 2020	1,091	674	157	1,922
Additions	42	19	78	139
Reclassification	117	3	(120)	-
Balance as at 31 Dec 2020	**1,250**	**696**	**115**	**2,061**
Additions	20	2	125	147
Disposals	(83)	(3)	-	(86)
Reclassification	93	1	(94)	-
Balance as at 31 Dec 2021	**1,280**	**696**	**146**	**2,122**
Accumulated amortisation				
Balance as at 1 Jan 2020	925	633	-	1,558
Amortisation	116	29	-	145
Balance as at 31 Dec 2020	**1,041**	**662**	**-**	**1,703**
Amortisation	134	15	-	149
Disposals	(83)	(3)	-	(86)
Balance as at 31 Dec 2021	**1,092**	**674**	**-**	**1,766**
Net book value				
Balance as at 1 Jan 2020	166	41	157	364
Balance as at 31 Dec 2020	209	34	115	358
Balance as at 31 Dec 2021	188	22	146	356

The Company has no internally generated software.

The amortisation costs were reported in Depreciation and amortisation line in the separate statement of profit and loss. Intangible assets mainly include software called DISOD, PARIS, APS, In-karta, POP, UNIPOK, IS OPT and KASO which is used in business activities.

Intangible assets are tested for potential impairment as part of the Passenger transport cash-generating unit (Note 14.1.1).

17. Right-of-use Assets

The Company leases land, administrative premises, railway station premises, locomotives, cars and equipment. Lease contracts are usually concluded for a defined period (3 to 10 years). Smaller part of the contracts is concluded for an indefinite period (see Note 4.1.3).

(CZK million)	Land	Premises at railway stations	Administrative buildings	Equipment	Locomotives	Other vehicles	Total
Cost							
Balance as at 1 Jan 2020	4	324	158	4	805	46	1,341
Additions	-	-	101	5	-	-	106
Disposals	(3)	(7)	(84)	-	-	-	(94)
Change in estimates *)	1	36	26	-	-	-	63
Balance as at 31 Dec 2020	**2**	**353**	**201**	**9**	**805**	**46**	**1,416**
Additions	2	-	-	1	422	36	461
Disposals	(1)	-	(12)	(1)	-	(45)	(59)
Change in estimates *)	-	15	34	-	-	-	49
Balance as at 31 Dec 2021	**3**	**368**	**223**	**9**	**1,227**	**37**	**1,867**
Accumulated depreciation and impairment							
Balance as at 1 Jan 2020	3	130	92	2	172	25	424
Depreciation	1	38	44	1	81	11	176
Disposals	(3)	-	(83)	-	-	-	(86)
Balance as at 31 Dec 2020	**1**	**168**	**53**	**3**	**253**	**36**	**514**
Depreciation	-	37	46	1	151	13	248
Disposals	-	-	(1)	-	-	(46)	(47)
Balance as at 31 Dec 2021	**1**	**205**	**98**	**4**	**404**	**3**	**715**
Net book value							
Balance as at 1 Jan 2020	1	194	66	2	633	21	917
Balance as at 31 Dec 2020	1	185	148	6	552	10	902
Balance as at 31 Dec 2021	2	163	125	5	823	34	1,152

*) Change in estimate is a change in the estimated lease term of the assets.

2021 additions in the Locomotive category consist mainly of 6 newly leased Vectron locomotives.

Intangible assets are tested for potential impairment as part of the Passenger transport cash-generating unit (Note 14.1.1).

The amounts recognised in the separate statement of profit and loss:

(CZK million)	2021	2020
Depreciation of right-of-use assets	(248)	(176)
Interest expense on lease liabilities	(28)	(45)
Expense related to short-term leases	(48)	(43)
Expense related to low-value assets leases	(42)	(30)
Proceeds from sublease of right-of-use assets	5	2

Lease liabilities are disclosed in Note 25.2.

18. Investments in Subsidiaries, Associates and Joint Ventures

(CZK million)	31 Dec 2021	31 Dec 2020
Investments in subsidiaries	11,649	10,802
Investments in associates and joint ventures	111	111
Total	**11,760**	**10,913**

18.1. Information on subsidiaries

(CZK million)

Name of the entity	Registered office	Carrying value of investment as at 31 Dec 2021	Carrying value of investment at 31 Dec 2020
Výzkumný Ústav Železniční, a.s.	Prague	383	383
ČD – Telematika a.s.	Prague	1,936	1,089
DPOV, a.s.	Přerov	434	434
ČD Cargo, a.s.	Prague	8,760	8,760
ČD – Informační Systémy, a.s.	Prague	122	122
Dopravní vzdělávací institut, a.s.	Prague	6	6
ČD travel, s.r.o.	Prague	8	8
Total		**11,649**	**10,802**

Name of the entity	Principal activity	Ownership percentage as at 31 Dec 2021	Ownership percentage as at 31 Dec 2020
Výzkumný Ústav Železniční, a.s.	Research and development in the area of rail vehicles	100 %	100 %
ČD – Telematika a. s.	Provision of ITC services	100 %	70.96 %
DPOV, a.s.	Repairs and renovations of rail vehicles	100 %	100 %
ČD Cargo, a.s.	Operations of railway freight transport	100 %	100 %
ČD – Informační Systémy, a.s.	Provision of ITC services	100 %	100 %
Dopravní vzdělávací institut, a.s.	Provision of educational services	100 %	100 %
ČD travel, s.r.o.	Travel agency	51.72 %	51.72 %

On 24 June 2021, the Company purchased a 29.04 % ownership share in ČD - Telematika a.s. for CZK 847 million. Since that date, the Company has become its sole shareholder.

18.2. Information on associates and joint ventures

(CZK million)

Name of the entity	Registered office	Carrying value of investment as at 31 Dec 2021	Carrying value of investment at 31 Dec 2020
JLV, a.s.	Prague	110	110
Masaryk Station Development, a.s.	Prague	-	-
Smíchov Station Development, a.s.	Prague	-	-
Žižkov Station Development, a.s.	Prague	1	1
Total		**111**	**111**

Name of the entity	Principal activity	Ownership percentage as at 31 Dec 2021	Ownership percentage at 31 Dec 2020
JLV, a.s.	Development of the Masaryk train station	38.79 %	38.79 %
Masaryk Station Development, a.s.	Development of the Smíchov train station	34 %	34 %
Smíchov Station Development, a.s. *)	Development of the Žižkov train station	51 %	51 %
Žižkov Station Development, a.s. *)	Rozvoj nádraží Žižkov	51 %	51 %

*) In accordance with the Articles of Association of these entities, it is necessary to have at least 52% of all votes to adopt significant resolutions, and it is therefore a joint venture.

Summary of financial information on associates and joint ventures:

(CZK million)

31 December 2021/Year ended 31 December 2021	Masaryk Station Development, a.s.	JLV, a.s	Joint Ventures	Total
Total assets	27	461	10	498
of which: long-term assets	*24*	*298*	*9*	*331*
short-term assets	*3*	*163*	*1*	*167*
Total liabilities	18	107	13	138
of which: long-term liabilities	*15*	*32*	*1*	*48*
short-term liabilities	*3*	*75*	*12*	*90*
Net assets / liabilities	9	354	(3)	360
The Company's share of net assets / (liabilities)	**3**	**137**	**(2)**	**138**
Total income	1	330	-	331
Profit/Loss for the period	(1)	5	-	4
The Company's share of profit	**-**	**2**	**-**	**2**

(CZK million)

31 December 2020/Year ended 31 December 2020	Masaryk Station Development, a.s.	JLV, a.s	Joint Ventures	Total
Total assets	14	459	9	482
of which: long-term assets	*11*	*308*	*9*	*328*
short-term assets	*3*	*151*	*-*	*154*
Total liabilities	4	104	11	119
of which: long-term liabilities	*-*	*62*	*-*	*62*
short-term liabilities	*4*	*42*	*11*	*57*
Net assets / liabilities	10	355	(2)	363
The Company's share of net assets	**3**	**138**	**-**	**141**
Total income	7	306	-	313
Profit/Loss for the period	2	(12)	-	(10)
The Company's share of profit/(loss)	**1**	**(5)**	**-**	**(4)**

19. Inventories

(CZK million)	31 Dec 2021	31 Dec 2020
Spare parts for machinery and equipment	199	199
Spare parts for rolling stock	1,198	1,114
Fuels, lubricants and other oil products	41	29
Work clothes, work shoes, protective devices	158	239
Other	86	112
Total cost	**1,682**	**1,693**
Impairment of inventories to their net realisable value *)	(41)	(51)
Total net book value	**1,641**	**1,642**

*) Amount of the inventories for which the allowance was accounted for is CZK 129 million as at 31 December 2021 and CZK 145 million as at 31 December 2020.

20. Trade Receivables

(CZK million)	31 Dec 2021	31 Dec 2020
Trade receivables – gross	1,779	1,187
Expected credit loss provision	(119)	(124)
Trade receivables – net	**1,660**	**1,063**

Movements in the expected credit loss provision:

(CZK million)	2021	2020
Provision as at 1 January	124	147
Charge for the year – trade receivables	10	15
Written off during the year – trade receivables	(15)	(38)
Provision as at 31 December	**119**	**124**

The increase in receivables as at 31 December 2021 is attributable to invoices issued for land lease. Further information on receivables is provided in Note 33.10 Credit risk management.

21. Other Financial Assets

(CZK million)	31 Dec 2021	31 Dec 2020
Securities measured at fair value through other comprehensive income *)	390	414
Finance lease receivables	80	80
Hedging derivatives *)	1,226	368
Loans within the Group	238	387
Restricted cash	527	274
Other	-	60
Total non-current financial assets	**2,461**	**1,583**
Hedging derivatives *)	181	1
Group cash pooling	154	135
Receivables from damages and losses	59	46
Loans within the Group	72	75
Restricted cash	35	-
Other	12	13
Total current financial assets	**513**	**270**
Total	**2,974**	**1,853**

*) Hedging derivatives and financial assets in fair value though other comprehensive income are measured at fair value; other financial assets are measured at amortised cost.

As at 31 December 2021 and 31 December 2020, securities at fair value through other comprehensive income include equity securities with the carrying amount of CZK 390 million (as at 31 December 2020: CZK 414 million), which are not publicly traded. The fair value of these investments is described in Note 33.3. The Company has designated this investment as equity securities at fair value through other comprehensive income because the investment is expected to be held for strategic purposes rather than for the income from resale, and no sale of these investments is planned in the short to medium term.

In the financial statements for 2020, the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2020 (31 December 2019: CZK 0 million) was reported in Other financial assets. To improve true and fair presentation the Company reported the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2021 in Other Assets (Note 22). Comparatives as at 31 December 2020 were reclassified for better comparability.

Restricted cash includes cash that the Company is obliged to have deposited in special bank accounts and which can be disposed only once the conditions with which they are connected have been met. These are financial funds related mainly to grants from the European Union or the Ministries, where this cash can be used only in accordance with the grant conditions and for acquisition of specific grant-related asset or technical improvement of these asset.

Movements in the expected credit loss provision:

(CZK million)	2021	2020
Provision as at 1 January	6	7
Creation of provision – other financial assets	36	-
Use of provision – other financial assets	(2)	(1)
Expected credit loss provision as at 31 December	**40**	**6**

Further information on Other financial assets is provided in Note 33.10 Credit risk management.

21.1. Finance lease receivables

The Company leased the station buildings at the Brno - main railway station in the form of a finance lease.

Maturity analysis of future lease payments:

(CZK million)	31.12.2021	31.12.2020
1st year	18	17
2nd year	18	17
3rd year	18	17
4th year	18	17
5th year	18	17
Over 5 years	399	383
Undiscounted leasing payments	**489**	**468**
Less: unrealised financial income	(409)	(388)
Present value of lease payments	**80**	**80**
Expected credit loss provision	-	-
Net investment in lease	**80**	**80**
In the individual statement of financial position as:		
Other current financial assets	-	-
Other non-current financial assets	*80*	*80*
Total	**80**	**80**

Amounts recognised in the individual statement of profit and loss:

(CZK million)	2021	2020
Net income from finance lease	18	18

The Company uses a simplified approach in accordance with IFRS 9 to measure expected credit losses, which allows the recognition of expected loss provision over the useful life of all finance lease receivables.

Further information on finance lease receivables is provided in Note 33.10 Credit risk management.

The Company is not exposed to currency risk as a result of lease arrangements as the lease is denominated in CZK.

22. Other Assets

(CZK million)	31 Dec 2021	31 Dec 2020
Total non-current	**23**	**3**
Prepayments	109	142
Tax receivables – VAT	1,142	643
Tax receivables – other (except for the corporate income tax)	7	7
Prepaid expenses	71	53
Grants	424	30
Compensation from the insurance company *) (see Note 26.4)	300	300
Other	70	48
Total current	**2,123**	**1,223**
Total	**2,146**	**1,226**

*) To improve true and fair presentation the Company reported the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2021 in Other assets. Comparatives as at 31 December 2020 were reclassified for better comparability. In the financial statements for 2020, the expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2020 was reported in Other financial assets (31 December 2019: CZK 0 million).

The increase in VAT receivables in 2021 was mainly due to a significant purchase of rolling stock at the end of 2021.

As at 31 December 2021 the grants mainly represent an investment grant of CZK 398 million from the Ministry of Transport for electrical trains for the connection between the Pilsen and Karlovy Vary regions.

23. Cash and Cash Equivalents

Cash and cash equivalents are measured at amortized cost in the balance sheet and reduced by the expected credit loss provision in accordance with IFRS 9. The Company expects immaterial credit losses on these items due to the high credit quality of cash deposits held with reputable financial institutions with high investment credit rating.

For the purposes of the separate cash flow statement, cash includes cash on hand and cash in bank accounts. The cash at the end of the accounting period reported in the separate statement of cash flows can be reconciled with the relevant items in the separate statement of financial position as follows:

(CZK million)	31 Dec 2021	31 Dec 2020
Cash and cash in transit	33	30
Bank accounts *)	1,633	4,093
Total **)	**1,666**	**4,123**

*) The Company's contractors are reputable banks with a high credit rating (investment grade required), with which the Company cooperates on the basis of long-term and stable relationships. Bank rating analysis is provided in Note 33.10.
**) In terms of IFRS 9, the Company's expected credit losses from cash and cash equivalents were assessed as immaterial.

24. Equity

24.1. Share capital

The Company's share capital is composed of the investment made by the Czech Republic as the sole shareholder, represented by the Ministry of Transport of the Czech Republic. As at 31 December 2021 and 31 December 2020 the share capital consists of 20 ordinary registered shares with a nominal value of CZK 1 billion. The shares are placed with the shareholder's representative, the Ministry of Transport, and are transferable only subject to the prior consent of the Government of the Czech Republic. All the shares are fully paid. There were no changes in the share capital during 2021.

Each shareholder is entitled to attend and vote at the General Meeting. He has the right to request and receive an explanation of matters concerning the company or its controlled entities. The voting right is associated with the share and is governed by its nominal value, so that for every CZK 1 billion of the nominal value of the share, there is one vote. If the shareholder is the state, it exercises the rights of the company's shareholder in accordance with the law through the Steering committee.

24.2. Capital contributions

(CZK million)	31 Dec 2021	31 Dec 2020
Share premium	16,440	16,440
Reserve fund	116	116
Cash flow hedging reserve	2,456	583
Costs of hedging	(159)	(194)
Fund from revaluation of financial assets at fair value through other comprehensive income	110	109
Actuarial remeasurements of defined benefit obligations	41	7
Total	**19,004**	**17,061**

24.2.1. Share premium

The share premium represents the difference between the nominal value of the shares and the non-monetary contribution at the establishment of the Company, by which the issue price of the shares was paid.

The amount of share premium, which was thus determined during the transition to IFRS accounting is CZK 16,440 million as at 31 December 2021 and 31 December 2020.

24.2.2. Reserve fund

(CZK million)	31 Dec 2021	31 Dec 2020
Balance at the beginning of the year	116	114
Allocations to the reserve fund	-	2
Balance at the year-end	**116**	**116**

Allocations to the reserve fund are made in accordance with the Articles of Association. The reserve fund may only be used to cover losses.

24.2.3. Cash flow hedge reserve

(CZK million)	2021	2020
Balance at the beginning of the year	583	1,007
Revaluation gain/(loss)	1,798	(517)
Reclassification to profit or loss	75	93
Total change in the cash flow hedging reserve	**1,873**	**(424)**
Income tax	-	-
Balance at the year-end	**2,456**	**583**

The cash-flow hedge reserve includes accumulated gains and losses from the effective hedging of cash flows. The accumulated deferred gain or loss from hedging derivatives is reclassified to the profit or loss only when the hedging transaction impacts the profit or loss or is included as an adjustment to the carrying amount in the hedged non-financial item in accordance with the relevant accounting policies.

Gains and losses reclassified from equity during the year are presented in Financial expense in the individual statement of profit and loss.

Reclassifications from cash-flow hedge reserve to profit or loss for each of the risk exposures:

(CZK million)

Cross-currency interest rate swaps – hedging of bond funding in EUR with fix-rate	2021	2020
Balance at the beginning of the year	583	1,004
Change in fair value of hedging derivatives	1,761	(516)
Reclassification to profit or loss	75	95
Balance at the year-end	**2,419**	**583**

(CZK million)

Interest rate swaps - securing loans and leasing contracts with a variable rate	2021	2020
Balance at the beginning of the year	-	3
Change in fair value of hedging derivatives	37	(1)
Reclassification to profit or loss	-	(2)
Balance at the year-end	**37**	**-**

24.2.4. Costs of hedging

Costs of hedging represent accumulated gains and losses from changes in fair value excluded from the hedging instruments that relate to the currency base margin of cross-currency interest rate swaps.

Changes in the fair value of the underlying currency range of a financial instrument in respect of a hedged transaction-related item accumulated in the costs of hedging are reclassified to profit or loss only when the hedged transaction affects profit or loss or are included to non-financial hedged item as an adjustment to the accounting basis.

(CZK million)	31 Dec 2021	31 Dec 2020
Balance at the beginning of the year	(194)	(215)
Reclassification to profit or loss	18	16
Change of fair value in costs of hedging	17	5
Balance at the year-end	**(159)**	**(194)**

Additional information regarding derivatives and hedging accounting is provided in Note 33.

24.2.5. Revaluation of investments to equity instruments at fair value through other comprehensive income

Revaluation of investments to equity instruments at fair value through other comprehensive income includes the accumulated net change in fair value of equity instruments revalued through other comprehensive income, net of accumulated gains/losses transferred to retained earnings on derecognition.

(CZK million)	31 Dec 2021	31 Dec 2020
Balance at the beginning of the year	109	122
Revaluation	1	(13)
Balance at the year-end	**110**	**109**

25. Loans, Borrowings and Lease Liabilities

(CZK million)	31 Dec 2021	31 Dec 2020
Bank loans	189	-
Lease liabilities	246	174
Secured loans	8	165
Group cash pooling	339	491
Issued bonds	1,232	311
Total short-term	**2,014**	**1,141**
Bank loans	1,819	-
Lease liabilities	920	779
Secured loans	-	9
Bonds issued	28,584	31,126
Total long-term	**31,323**	**31,914**
Total	**33,337**	**33,055**

Secured loans include loans that have been secured by the assets for which the loans were provided.

Portions of long-term loans and borrowings that are repayable in a period shorter than one year from the date of financial statements are recognised as short-term loans and borrowings.

The company did not breach any terms of the loan agreements in 2021 or 2020.

25.1. Bonds issued

Issue date	Nominal value	Due date	Public traded	Coupon	Carrying value as at 31 Dec 2021 CZK million	Carrying value as at 31 Dec 2020 CZK million
5 Nov 2014	EUR 30 million	5 Nov 2024	No	2.875 %	746	787
5 Nov 2014	EUR 150 million	5 Nov 2029	No	3.50 %	3,726	3,934
3 Jun 2015	EUR 37.7 million	3 Jun 2022	No	1.89 %	948	1,000
3 Jun 2015	EUR 77.5 million	3 Jun 2035	No	3.00 %	1,954	2,063
25 May 2016	EUR 400 million	25 May 2023	Yes	1.875 %	10,026	10,567
23 May 2019	EUR 500 million	23 May 2026	Yes	1.50 %	12,416	13,086
Total					**29,816**	**31,437**
- of which short-term				*1,232*	*311*	*311*
- of which long-term				*28,584*	*31,126*	*31 126*

The company did not breach any terms and conditions relevant to the issued bonds in 2021 or 2020.

25.2. Lease liabilities

The Company recognised the lease liability as follows:

(CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020
Short-term lease liabilities	246	174
Long-term lease liabilities	920	779
Total lease liabilities	**1,166**	**953**

Expenses relating to short-term leases and low-value assets leases, that are not included in the above short-term lease liabilities, are included in the individual statement of profit and loss in Cost of services, raw materials and Energy (see Note 7).

Total cash expenses related to leases amounted to CZK 350 million in 2021 and CZK 267 million in 2020.

The Company is not exposed to any significant liquidity risk with respect to lease liabilities. Lease liabilities are monitored by the Treasury department. The analysis of the maturity of lease liabilities is disclosed in Note 33.11.1.

25.3. Bank loans

Bank	Nominal value	Due date	Interest rates	Carrying value as at 31 Dec 2021 (CZK million)	Carrying value as at 31 Dec 2020 (CZK million)
UniCredit Bank	1,000	29 March 2029	Variable	1,004	-
Raiffeisenbank	500	31 December 2028	Variable	504	-
Všeobecná úverová banka	500	31 December 2028	Variable	500	-
Total	**2,000**			**2,008**	**-**
- of which short-term				*189*	-
- of which long-term				*1,819*	-

Bank loans are not secured.

25.4. Changes in liabilities from financing activities

Changes in liabilities from financing activities including changes arising from cash flows and non-cash changes are disclosed in the following table:

(CZK million)	**Short-term bank loans**	**Long-term bank loans**	**Lease liabilities – short-term**	**Lease liabilities - long-term**	**Secured loans - short-term**	**Secured loans - long-term**	**Group cash pooling**	**Issued bonds – short-term**	**Issued bonds – long-terms**	**Total**
Note	25	25	25	25	25	25	25	25	25	25
Liabilities from financing as at 1 Jan 2020	**-**	**-**	**151**	**791**	**277**	**174**	**149**	**300**	**30,075**	**31,917**
Cash flows from financing activities	**-**	**-**	**(165)**	**-**	**(277)**	**-**	**342**	**-**	**-**	**(100)**
Drawing of loans and borrowings	-	-	-	-	-	-	*342*	-	-	*342*
Payment of loans and borrowings	-	-	-	-	*(277)*	-	-	-	-	*(277)*
Repayments of the principal of lease liabilities	-	-	*(165)*	-	-	-	-	-	-	*(165)*
Effect of exchange rate changes	-	-	-	22	-	-	-	-	1,024	1,046
Reclassification *)	-	-	174	(174)	165	(165)	-	-	-	-
New lease additions	-	-	14	140	-	-	-	-	-	154
Accrued interest	-	-	4	24	11	7	1	311	372	730
Interest paid (cash flows from operating activities **)	-	-	(4)	(24)	(11)	(7)	(1)	(300)	(331)	(678)
Capitalized interest paid (cash flows from investment activities)	-	-	-	-	-	-	-	-	(23)	(23)
Other non-cash movements	-	-	-	-	-	-	-	-	9	9
Liabilities from financing as at 31 Dec 2020	**-**	**-**	**174**	**779**	**165**	**9**	**491**	**311**	**31,126**	**33,055**
Cash flows from financing activities	**181**	**1,819**	**(235)**	**-**	**(165)**	**-**	**(152)**	**-**	**-**	**1,448**
Drawing of loans and borrowings	*181*	*1,819*	-	-	-	-	-	-	-	*2,000*
Payment of loans and borrowings	-	-	-	-	*(165)*	-	*(152)*	-	-	*(317)*
Repayments of the principal of lease liabilities	-	-	*(235)*	-	-	-	-	-	-	*(235)*
Effect of exchange rate changes	-	-	-	(49)	-	-	-	(10)	(1,659)	(1,718)
Reclassification *)	-	-	246	(246)	9	(9)	-	948	(948)	-
New lease additions	-	-	61	436	-	-	-	-	-	497
Accrued interest	8	7	5	20	3	-	1	294	367	705
Interest paid (cash flows from operating activities **)	-	(7)	(5)	(20)	(4)	-	(1)	(311)	(275)	(623)
Capitalized interest paid (cash flows from investment activities)	-	-	-	-	-	-	-	-	(33)	(33)
Other non-cash movements	-	-	-	-	-	-	-	-	6	6
Liabilities from financing as at 31 Dec 2021	**189**	**1,819**	**246**	**920**	**8**	**-**	**339**	**1,232**	**28,584**	**33,337**

*) Loans and borrowings classified in the previous period as long-term, which became short-term in the current period.
**) The line Interest paid in the individual cash flow statement for the year 2021 also includes cash flows from securing interest payments in the amount of CZK 206 million (2020: CZK 178 million).

26. Provisions

(CZK million)	Balance as at 1 Jan 2020	Creation	Use	Release of unused part	Balance as at 31 Dec 2020	Creation	Use	Release of unused part	Balance as at 31 Dec 2021
Provision for legal disputes	5	700	-	3	702	1,000	-	-	1,702
out of which: long-term	-				-				-
Provision for post-employment benefits	67	8	10	-	65	9	9	-	65
of which: long-term part	52				52				45
Provision for other long-term employees' benefits	167	68	57	-	178	62	96	1	143
of which: long-term part	85				85				67
Provision for onerous contracts	-	291	-	-	291	150	291	-	150
out of which: long-term	-				-				-
Provision for penalties	-	227	-	-	227	-	4	155	68
out of which: long-term	-				-				-
Other provisions	100	412	-	-	512	12	5	7	512
out of which: long-term	-				-				-
Total provisions	**339**	**1,706**	**67**	**3**	**1,975**	**1,233**	**405**	**163**	**2,640**
Long-term	*137*				*137*				*112*
Short-term	*202*				*1,838*				*2,528*

26.1. Provision for legal disputes

The Company recognises a provision for legal disputes according to the anticipated results of all ongoing legal disputes and the relating probable cash outflows of the Company.

26.1.1. Proceedings in the matter of alleged abuse of a dominant position on the Prague – Ostrava route

In January 2012 the Office for the Protection of Competition (the "OPC") initiated proceedings against ČD regarding the alleged abuse of ČD's dominant position on the Prague – Ostrava route in the form of inadequately low (predatory) prices in response to the entry of a new competitive railway carrier. In November 2016, proceedings were initiated by the European Commission (the "EC") concerning a possible infringement of Article 102 of the Treaty on the Functioning of the European Union (the "TFEU").

In 2020, the EC issued a statement of objections significantly to disadvantage of ČD, with a further possible impact on the resolution of disputes with RegioJet and Leo Express concerning damages in connection with the operation of the Prague - Ostrava route (see Notes 32.1). The statement of objections is a procedural step in ongoing proceedings, which does not prejudge the final conclusions and the EC's decision in the case. ČD sent a robust reply to the European Commission on this statement of objections. An oral hearing before the Hearing Officer took place at the turn of June and July 2021.

The management of the ČD has assessed the provision for legal disputes, including the assessment of the probable outcome, which is based on a number of estimates and assumptions as at the date of preparation of the financial statements and is therefore subject to substantial uncertainty. As at 31 December 2020 the provision of CZK 700 million was recognized based on the amount of the revenues to which the potential infringement relates, the estimated duration of the potential infringement and the opinion of external advisors on the estimated percentage applied to the relevant revenues in the range of 5 - 10 %. The provision amount represents the estimated costs to settle the fine for the alleged infringement and related expenses and constitutes the ČD's management best estimate of the liability as at 31 December 2021 and 31 December 2020. ČD does not expect any compensation from third parties in connection with these proceedings.

In the opinion of ČD's management, it has not yet been proven that ČD has breached Article 102 TFEU. ČD's intention is to vigorously defend itself in this matter, including all available appeal routes, if necessary. As at 31 December 2021 and through the date of these financial statements, no final decision has been received from the EC on this matter.

Sensitivity analysis
The actual costs to settle the potential fine may differ from the estimates and underlying assumptions of ČD's management. In accordance with EU legislation, when determining the amount of a fine for an infringement of the competition rules, the basic amount of the fine is derived from the amount of revenues up to 30 %, depending on the degree of gravity of the infringement. However, the amount of the fine shall not, in any event, exceed 10 % of ČD's total turnover for the accounting period preceding the EC's final decision. Should the percentage applied by ČD to the relevant revenues be by lower (higher) by 1 %, the provision for legal disputes would decrease (increase) by CZK 95 million. Should the duration of a potential infringement be shorter (longer) by one year, the provision for legal disputes would decrease (increase) by CZK 86 million. It is impracticable to determine uncertainties regarding the timing of any possible future outflows. Based on the available information, there is a relatively high probability that the results in the next accounting period will be different from the assumptions used by ČD's management and the provision for legal disputes will require a significant adjustment.

26.1.2. Alleged cartel agreement between ČD, ZSSK and ÖBB for the sale of the disposed rolling stock
In June 2016, the European commission (the "EC") performed a local investigation in the headquarter of ČD based on suspicion of the cartel agreement made for the mutual sale of rolling stock. The EC investigates if ČD, ÖBB and possibly also ZSSK have concluded a prohibited agreement to limit sale of the disposed rolling stock to restrict an entrance of new carriers to the market (contrary to Article 101 of the Treaty on the Functioning of the European Union (the "TFEU"). ČD denies that it entered into a cartel agreement.

Currently, the case is in the stage of a formally initiated administrative proceeding, where the next step of the EC is awaited and the further procedure of ČD will follow accordingly. The EC has not yet issued a so-called statement of objections, i.e. specification of the EC's opinion on the matter presumed by the relevant rules. In particular based on the nature of information and documents requested by the EC from ČD during 2021, ČD, however, decided that a statement of objections could be issued as early as 2022 (despite the ČD's view that no cartel agreement had been concluded on their end). Therefore, ČD further analysed up-to-date communication with the EC, particularly documents and information requested by the Commission, as well as the relevant general rules, and attempted to evaluate the potential liability to the extent possible (which is still very limited) and to assess the provision for legal disputes, including assessment of probable outcome which was based on a number of estimates and assumptions at the date of the financial statements and was therefore subject to significant uncertainty.

Based on the amount of revenues to which the potential infringement relates, the estimated duration of the potential infringement and the opinion of external advisors on the estimated percentage applied to the relevant revenues, the provision of CZK 1,000 million was recorded as at 31 December 2021, which corresponds to the estimated costs to settle the fine for the alleged infringement and related expenses. The provision recognized in this way represents the ČD's management best estimate of the liability as at 31 December 2021, which, despite substantial related uncertainties, is the best possible at the moment. ČD does not expect compensation from third parties in connection with these proceedings.

In the opinion of ČD's management, it has not yet been proven that ČD has breached Article 101 TFEU. ČD's intention is to vigorously defend itself in this matter, including all available appeal routes, if necessary. As at 31 December 2021 and through the date of these financial statements, no final decision has been received from the EC on this matter.

The actual costs to settle the potential fine may differ from the estimates and underlying assumptions of ČD's management. In accordance with EU legislation, when determining the amount of a fine for an infringement of the competition rules, the basic amount of the fine is derived from the amount of revenues, up to 30%, depending on the degree of gravity of the infringement. However, the amount of the fine shall not, in any event, exceed 10% of the ČD's total turnover for the accounting period preceding the EC's final decision. It is impracticable to determine uncertainties regarding the timing of any possible future outflows. Based on the available information, there is a relatively high probability that the results in the next accounting period will be different from the assumptions used by ČD's management and the provision for legal disputes will require a significant adjustment.

26.2. Provisions for employee benefits
The provision for post-employment benefits represents an employee's entitlement to a financial contribution upon retirement. The provision for other long-term employee benefits represents the employees' entitlement to a financial contribution upon reaching the jubilee and to the payment of medical expenses, including compensation of wages during fitness and healing stays. In calculating these provisions, the Company used an actuarial model based on current employee data (number of employees, date of old-age pension, average salary, amount of financial contribution) and expected parameters determined by the Company's qualified estimate (expected fluctuation, salary increase) and publicly available statistical data (expected inflation rate of 2 %, probability of death

and disability according to data from the Czech Statistical Office). The change in the provision related to retirement benefits caused by the change in these parameters is reported as actuarial gains (losses) in the statement of other comprehensive income. The change in the provision for other benefits is recognized in the income statement. Cash flows are discounted to present value using a discount rate derived from the rate of return on 10-year government bonds.

26.3. Provision for onerous contracts

As at 31 December 2021, the Company created a provision for onerous contracts in the amount of CZK 150 million (31 December 2020: CZK 291 million). The provision was recognized for contracts concluded with the regions where the unavoidable costs of fulfilling the obligation stipulated in the contract exceed the economic benefits that are expected to be accepted on the basis of these contracts. As the assets used to perform these contracts are not exclusively attributable to the contracts, no impairment is recognized for these assets in accordance with IAS 36.

26.4. Provision for penalties

Since the beginning of 2014, the Audit body of the Ministry of Finance has carried out a scheduled audit of ČD and, as a result, issued payment orders against which ČD appealed to the Ministry of Finance. At the end of 2020 and in the first half of 2021, the Ministry of Finance ruled against ČD in several cases. In all these cases, ČD made a payment and filed administrative claim. At the end of 2021, the total amount of final and non-final orders was CZK 379 million (2020: CZK 379 million). In 2021, grants in the amount of CZK 268 million (2020: CZK 43 million) were returned on the basis of payment orders. The last payment order in the amount of CZK 68 million has not been finalised as at 31 December 2021 and ČD became obliged to pay the payment order only as a result of the Supreme Administrative Court judgment from January 2022. As at 31 December 2021, ČD records liability of CZK 68 million for partial return of the grant in Other liabilities and contractual liabilities, the liability was paid in February 2022.

At the same time, in the case of selected projects, a penalty of 100 % has been applied. As at 31 December 2020, the Company created a provision for possible penalties related to a breach of budgetary discipline in the amount of CZK 227 million. During 2021, part of the provision in the amount of CZK 155 million was released following the decision of the relevant administrative authorities and the provision in the amount of CZK 4 million was used to pay a penalty. As at 31 December 2021, the provision for possible penalties in the last region is CZK 68 million and a decision is pending. Based on the available information, it is impossible to determine the uncertainties regarding the timing of any possible future outflows. ČD's management does not expect compensation from third parties in connection with this proceeding.

Information on other litigations is provided in Note 32.1.

26.5. Other provisions

Other provisions consist particularly of a provision for compensation for damage caused by a fire in Bohumín, which was created in the amount of the estimated damage. In connection with this provision, the Company recognised an expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2021 and 31 December 2020. Expected compensation is presented in Other assets (Note 21).

27. Other Financial Liabilities

(CZK million)	31 Dec 2021	31 Dec 2020
Financial derivatives *) (see Note 33.2)	37	60
Other	160	128
Total long-term	**197**	**188**
Financial derivatives *) (see Note 33.2)	511	204
Other	27	31
Total short-term	**538**	**235**
Total	**735**	**423**

*) Financial derivatives are measured at fair value, other financial liabilities are measured at amortized cost.

28. Other Liabilities and Contract Liabilities

(CZK million)	31 Dec 2021	31 Dec 2020
Total long-term	**110**	**77**
Advances received	3	3
Payables to employees	1,007	969
Liabilities for social security and health insurance	277	272
Tax liabilities - tax withheld from employees	59	93
Repayment of part of the grant within ROP project *)	68	336
Contract liabilities	202	208
Refund liabilities	203	33
Other	108	53
Total short-term	**1,927**	**1,967**
Total	**2,037**	**2,044**

*) Detail for subsidy repayment is provided in Note 14.1

Other long-term liabilities as at 31 December 2021 represent investment grants in the total amount of CZK 110 million (in 2020: CZK 77 million), these are grants for equipping prototypes with the ETCS system.

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

29. Related Parties

29.1. Income from subsidiaries and associates

(CZK million)

2021	Commission on inventory sales	Sale of services	Dividends	Other income *)	Total
ČD – Telematika a.s.	-	3	150	19	172
Výzkumný Ústav Železniční, a.s.	-	10	205	-	215
DPOV, a.s.	26	37	-	17	80
ČD Cargo, a.s.	7	171	-	1	179
ČD – Informační Systémy, a.s.	-	17	19	13	49
JLV, a.s.	-	2	-	-	2
Dopravní vzdělávací institut, a.s.	-	7	3	-	10
Total	**33**	**247**	**377**	**50**	**707**

*) including finance income

(CZK million)

2020	Commission on inventory sales	Sale of services	Dividends	Other income *)	Total
ČD – Telematika a.s.	-	2	28	5	35
Výzkumný Ústav Železniční, a.s.	-	5	110	-	115
DPOV, a.s.	21	60	-	31	112
ČD Cargo, a.s.	8	190	-	4	202
ČD – Informační Systémy, a.s.	-	17	-	20	37
JLV, a.s.	-	3	-	-	3
Dopravní vzdělávací institut, a.s.	-	7	3	-	10
Total	**29**	**284**	**141**	**60**	**514**

*) including finance income

29.2. Purchases from subsidiaries and associates

(CZK million)

2021	Purchase of material	Services	Total
ČD – Telematika a.s.	3	60	63
DPOV, a.s.	1	70	71
ČD Cargo, a.s.	1	23	24
ČD – Informační Systémy, a.s.	4	260	264
JLV, a.s.	-	144	144
Dopravní vzdělávací institut, a.s.	-	67	67
ODP-software, spol. s r.o.	-	10	10
ČD relax s.r.o.	-	23	23
CHAPS spol. s r.o.	-	5	5
Total	**9**	**662**	**671**

(CZK million)

2020	Purchase of material	Services	Total
ČD – Telematika a.s.	-	62	62
DPOV, a.s.	1	37	38
ČD Cargo, a.s.	2	26	28
ČD – Informační Systémy, a.s.	2	285	287
JLV, a.s.	-	127	127
Dopravní vzdělávací institut, a.s.	-	61	61
ODP-software, spol. s r.o.	-	9	9
ČD relax s.r.o.	-	15	15
CHAPS spol. s r.o.	-	6	6
Total	**5**	**628**	**633**

Subsidiaries and associates use the services provided by the Company under the conditions applicable to other customers. On the expense side, the Company purchases services and materials from subsidiaries and associates under the same conditions as other customers.

29.3. Purchases and sales of intangible and fixed assets from/to subsidiaries and associates

In 2021 the Company sold fixed assets with a net bookresidual value of CZK 12 million to ČD Cargo a. s. for CZK 37 million. During 2020 no sales of fixed or intangible assets to related parties were made.

(CZK million)

Purchases	Intangible assets 2021	Fixed assets 2021	Intangible assets 2020	Fixed assets 2020
ČD – Telematika a.s.	-	228	-	26
DPOV, a.s.	-	1,721	-	1,821
ODP-software, spol. s r.o.	3	-	3	-
ČD – Informační Systémy, a.s.	124	141	109	6
CHAPS spol. s r.o.	-	-	1	-
Tramex Rail s.r.o	-	3	-	-
Total	**127**	**2,093**	**113**	**1,853**

Purchases of fixed assets from DPOV, a.s. include the purchases of rolling stock components – major periodical repairs.

29.4. Outstanding balances at the end of the reporting period with subsidiaries and associates

(CZK million)

31 Dec 2021	Receivables	Liabilities
ČD – Telematika a.s.	285	20
Výzkumný Ústav Železniční, a.s.	3	-
DPOV, a.s.	25	342
ČD Cargo, a.s.	111	8
JLV, a.s.	-	38
ČD – Informační Systémy, a.s.	5	78
Dopravní vzdělávací institut, a.s.	1	10
ČD travel, s.r.o.	-	1
ODP-software, spol. s r.o.	-	3
CHAPS spol. s r.o.	-	2
ČSAD SVT Praha, s.r.o.	36	-
Total	**466**	**502**

(CZK million)

31 Dec 2020	Receivables	Liabilities
ČD – Telematika a.s.	427	15
Výzkumný Ústav Železniční, a.s.	2	-
DPOV, a.s.	68	298
ČD Cargo, a.s.	90	3
JLV, a.s.	-	20
ČD – Informační Systémy, a.s.	4	119
Dopravní vzdělávací institut, a.s.	1	3
ČD travel, s.r.o.	-	8
ODP-software, spol. s r.o.	-	13
CHAPS spol. s r.o.	-	2
Total	**592**	**481**

Outstanding balances are not secured and will be paid by bank transfer. No guarantees were given or accepted. Receivables are usually due within 30 days, liabilities within 45 days. In terms of IFRS 9, impairment losses on related party receivables were assessed as immaterial.

29.5. Contractual commitments for expenditure

As at the date of preparation of the financial statements, the Company has entered into agreements with related parties for the purchase of land, buildings and equipment:

(CZK million)	31 Dec 2021	31 Dec 2020
ČD – Telematika a.s.	701	725
DPOV, a.s.	570	761
ČD – Informační Systémy, a.s.	145	123
Tramex Rail s.r.o.	13	-
Total	**1,429**	**1,609**

29.6. Loans to related parties

(CZK million)

Counterparty	Amount of loan provided	Date of loan	Maturity	Interest rate	Currying value as at 31 Dec 2021	Currying value as at 31 Dec 2020
ČD Cargo, a.s.	540	17 Oct 2016	Monthly payment till 17 Oct 2023	6M EURIBOR plus margin 1.00 % p.a.	130	212
ČD – Informační Systémy, a.s.	400	27 Sep 2017	27 Sep 2027	3M Pribor + 5.4 % p.a.	180	250
Total					**310**	**462**

29.7. Key management members compensation

The following employee benefits were paid to key management members during the year:

(CZK million)

2021	Board of Directors	Supervisory Board	Steering committee
Remuneration of members of statutory bodies	22	3	-
Other short-term employee benefits	5	5	-
Total	**27**	**8**	**-**
Number of key management members	**5**	**6*)**	**6**

*) During 2021, the number of Supervisory Board members was reduced from 9 to 6.

(CZK million)

2020	Board of Directors	Supervisory Board	Steering committee
Remuneration of members of statutory bodies	22	3	-
Other short-term employee benefits	5	2	-
Total	**27**	**5**	**-**
Number of key management members	**5**	**9**	**5*)**

*) During 2020 there were 7 members; as at 31 December 2020 only 5 members (2 vacancies).

29.8. Relationships with companies controlled by the state

The Company is wholly owned and controlled by the state of the Czech Republic. In accordance with the exception in IAS 24 Related Party Disclosures, the Company does not disclose quantitative information about individually immaterial transactions with the government and companies controlled or jointly controlled by the government or in which the government has significant influence. Individually material transactions with these companies that the Company has managed to identify are payments of public service obligations (the regions and the Ministry of Transport) and transactions with the state organization SŽ.

The cost risk is associated with the costs that the carrier must incur in order to ensure the operation of public transport requested by the orderer. The cost risk is primarily about a risk of operating costs, which from the carrier's point of view could be understood as a risk that the costs calculated by the carrier in the offer of public transport submitted to the orderer would differ from the costs actually incurred by the carrier during contract performance. Operating cost risks can be both external, which the carrier is unable to influence (such as rising fuel prices, changes in spare parts prices, additional costs due to traffic closures and emergencies, changes in legislation and tax regulations, etc.) and internal, which the carrier could influence (e.g. proper maintenance of a fleet, effective setting of internal processes, wage levels, etc.).

The revenue risk corresponds to a risk of sales to passengers and can be understood as a risk that the sales expected before entering a contract would differ from the sales actually achieved by the carrier for the duration of a contract. A key component of the revenue risk is the risk of passenger demand for transport services provided by the carrier.

With regard to the risk allocation method, the Company enters into contracts with the orderers of public transport in the so-called „gross" and „net" regimes. Gross regime contracts have cost risks and opportunities shared between the carrier and the orderer, revenue risks and opportunities remain solely on the orderer's side. Net regime contracts have cost and revenue risks and opportunities shared between the carrier and the orderer. The orderer bears the risks and opportunities for the amount of IDS sales, which the carrier cannot influence, and the carrier bears the risks and opportunities for other sales. Unless a contract refers to the application of the IDS tariff, all risks and sales opportunities are borne by the carrier. All contracts with the Ministry of Transport are in the net regime.

(CZK million)

Revenue and compensation	Counterparty	2021	2020
Income from rental property	SŽ	21	21
Payment for substitute bus service	SŽ	479	418
Other income	SŽ	124	114
Payments from public service clients – state budget	state - Ministry of Transport	4,362	4,272
Compensation of 75% discount fares	state - Ministry of Transport	1,464	1,046
Payments from public service clients from the regional budget - "gross" contracts	regions	4,437	3,931
Payments from public service clients from the regional budget - "net" contracts	regions	7,730	7,246

(CZK million)

Expenses	Counterparty	2021	2020
Use of railway route and allocated capacity of the railway	SŽ	1,839	1,659
Consumption of electric traction energy	SŽ	1,523	1,495
Other costs	SŽ	253	137

(CZK million)

Receivables	Counterparty	31 Dec 2021	31 Dec 2020
Public service obligation	state – Ministry of Transport	-	15
Compensation of 75% discount fares	state – Ministry of Transport	116	70
Public service obligation	regions	85	221

(CZK million)

Liabilities	Counterparty	31 Dec 2021	31 Dec 2020
Use of railway route and allocated capacity of the railway	SŽ	184	361
Consumption of electric traction energy	SŽ	-	34
Public service obligation	state – Ministry of Transport	50	-
Lease liabilities	SŽ	189	210

State institutions, companies and other parties controlled by the government use the services provided by the Company under the same conditions applicable to other customers. On the expense side, the Company purchases some services and other supplies (water, energy, etc.) from companies controlled by the government under the conditions applicable to other customers.

In 2021, in connection with the Covid-19 pandemic, the Company received a grant from the Ministry of Finance in the amount of CZK 598 million (2020: CZK 0 million). This grant was recognized in Other operating income (Note 6). The Company also received a grant from the government under the Antivirus program in the amount of CZK 71 million (2020: CZK 96 million), which was reported as a decrease of Personnel Costs (Note 8).

In 2021, the Company reported a grant from MT in the amount of CZK 398 million (2020: CZK 0 million) in the individual statement of financial position as a decrease in the acquisition value of non-current assets. Receivables and payables from investment grants are reported in Other assets (Note 22) and Other liabilities and contractual liabilities (Note 28).

30. Operating Lease

Operating lease contracts in which the Company acts as a lessor relate to investment property and movable assets held by the Company with various lease terms.

Maturity analysis of undiscounted payments from non-cancellable operating lease contracts:

(CZK million)	31 Dec 2021	31 Dec 2020
1st year	48	46
2nd year	49	47
3rd year	50	48
4th year	51	49
5th year	52	50
Over 5 years	54	102
Total	**304**	**342**

In 2021, income from operating leases recognised in profit or loss amounted to CZK 367 million (in 2020: CZK 340 million), out of which the income from investments property was at CZK 275 million in 2021 (in 2020: CZK 269 million).

Direct operating expenses related to investment properties were CZK 128 million in 2021 (in 2020:CZK 109 million).

31. Capital Commitments

As at the individual financial statements, the Company concluded contracts for the purchase of land, buildings and equipment in the amount of CZK 31,923 million (2020: CZK 20,666 million), of which CZK 7,835 million had already been paid as at 31 December 2021 (as at 31 December 2020: CZK 4,231 million).

(CZK million)	31 Dec 2021	31 Dec 2020
Unpaid supplies agreed for the next year	1,943	7,803
Unpaid supplies agreed for the subsequent years	22,145	8,650
Total	**24,088**	**16,453**

Investments in rolling stock of CZK 23,573 million as at 31 December 2021 (2020: CZK 15,780 million) represent a substantial part of the capital commitments.

32. Contingent Liabilities and Contingent Assets

The Company holds a 1% equity investment in EUROFIMA. The shareholders of the entity are European national railway carriers and the purpose of this entity is to acquire funds for the funding of rolling stock purchases. According to Article 5 of the Articles of Association, only 20% of the equity investment value has been paid and the remaining 80% can be requested by EUROFIMA from its shareholders on ad-hoc basis pursuant to the resolution of the Administration Board. The nominal value of unpaid shares as at 31 December 2021 and 31 December 2020 was CHF 20.8 million (CZK 501 million as at 31 December 2021, CZK 505 million as at 31 December 2020). The management of ČD considers the probability that the Company will be called upon to pay the nominal value of the unpaid share as low as at 31 December 2021.

The aggregate clean-up costs were CZK 23 million in 2021 (2020: CZK 23 million). The Company is not aware of any environmental burdens that would exceed legislative limits and represent harm to human health or property of third parties.

32.1. Legal disputes

32.1.1. Legal action by LEO Express for the compensation of damage

In July 2014, LEO Express filed a legal charge of damage compensation amounting to approximately CZK 419 million which was allegedly caused to LEO Express by ČD, a.s. and its pricing policy. The first-instance court rejected LEO Express's charge. At the end of December 2016, Leo Express filed a new legal charge against ČD for a similar reason for the approximate amount of CZK 434 million including ancillary. In March 2018, the High Court in Prague cancelled the judgment dismissing the first LEO Express's charge of damages and returned the case to the Municipal Court in Prague for further proceedings. With its first and second charges, LEO Express seeks, a payment of approximately CZK 34 million, after partial withdrawal, and a payment of approximately CZK 434 million, respectively. The proceedings were suspended pending a decision of the European Commission ("EC") concerning the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 26.1. In January 2022, the plaintiff's motion was admitted to replace the current plaintiff LEO Express Global a.s. with LEO Mobility s.r.o. ČD filed an appeal against this decision. With letters dated 12 July 2021, Leo Express Global a.s. and Leo Express s.r.o. further requested ČD to compensate them another allegedly incurred damage in addition to the above claims: for the period (i) from 1 June 2014 to 31 December 2017 in the claimed amount of CZK 1,202 million (Leo Express Global) and (ii) from 1 January 2018 to 31 December 2019 in the claimed amount of CZK 491 million (Leo Express). This damage should also allegedly relate to ČD's claimed anti-competitive conduct, whereas the call for compensation does not further specify claims nor the way of alleged amount of damage calculation. In response to these letters, ČD rejected any violation of the law, and thus the alleged obligation to compensate damage. ČD has no information that the Leo Express group would pursue these alleged claims in court. Based on the available information, it is impossible to determine the uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. As it is extremely complex to determine the amount of the incurred damage, it is not possible to reliably assess a liability and therefore no provision has been created.

32.1.2. RegioJet's call for the payment of compensation for detriment

RegioJet sent a pre-trial notice to ČD for the payment of the damage compensation dated 10 April 2015 in which it seeks payment of about CZK 717 million. The alleged damage was caused by ČD's claimed illegal activities in operating the Prague – Ostrava route, involving the application of dumping prices. ČD refused to pay for damage. RegioJet filed a legal charge seeking a payment of compensation of approximately CZK 717 million including ancillary. During the course of judicial proceedings in the first instance, the trial was suspended until the EC decision on the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 26.1 Based on the available information, it is impracticable to determine uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since it is impossible to reliably measure a possible liability, a provision has not been recognized.

32.1.3. RegioJet's action for the repayment of alleged unlawful state aid (defendant ČD, a.s., SŽ, s.o., ČR represented by the Ministry of Transport of the Czech Republic)

In April 2015 RegioJet filed a charge of the repayment of approximately CZK 7 billion plus late payment interest for alleged unlawful state aid. By this amount the „dead railroad" assets that ČD transferred to SŽ for CZK 12 billion in 2008 were allegedly overestimated. Both the court of the first and the second instances ruled in favour of ČD, the judgment entered into force on 30 November 2020. RegioJet appealed to the Supreme Court within the time limit for submitting an extraordinary appeal, the proceeding is in progress.

32.1.4. Legal action by CB Station Development, a.s. against ČD

This is a real estate project, within of which 3 legal charges were filed against ČD by CB Station Development and EZ holding. The charges were aimed to determine ČD's obligation to conclude a sales contract with the claimants based on previous agreement on a future contract. The claim for contractual penalty in the amount of CZK 100 million and other damage (other claims, pre-contractual liability) cannot be excluded. First instance court proceedings is in progress. Due to the fact that, according to the Company's management, it is not probable that an outflow of funds will be necessary to settle the liability, no provision has been created.

33. Financial Instruments

33.1. Capital risk management

The Company's main objective in managing its capital structure is to maintain a long-term sustainable debt ratio and investment grade rating. Within its methodology, the credit rating agency assesses the debt ratio using the debt / EBITDA indicator and indicates its level required for the given investment grade. The current target value of the indicator determined using the consolidated data is at the level of 6.0. The Company mainly uses bond issues as a source of long-term financing.

The capital structure of the Company consists of net debt (borrowings less cash and cash equivalents) and the Company's equity (includes share capital, reserves and other funds, retained earnings/accumulated losses).

(CZK million)

Net debt		31 Dec 2021	31 Dec 2020
Loans, borrowings and lease liabilities	25	33,337	33,055
Cash and cash equivalents	23	(1,666)	(4,123)
Total net dept		**31,671**	**28,932**
Equity			
Share capital	24	20,000	20,000
Capital contributions	24	19,004	17,061
Accumulated loss	24	(3,667)	(1,798)
Total equity		**35,337**	**35,263**
Total managed capital		**67,008**	**64,195**

The Company is not a subject of any externally imposed capital requirements.

The Board of Directors and the Supervisory Board of the Company are regularly informed about the development of debt. Any additional debt is a subject to their approval.

33.2. Classes of financial instruments

(CZK million)

Classification of financial assets	Category of financial assets		31 Dec 2021	31 Dec 2020 *)
Financial assets measured at amortised cost	Trade receivables	20	1,660	1,063
	Cash and cash equivalents	23	1,666	4,123
	Finance lease receivables	21	80	80
	Loans and cash pooling in the Group	21	464	597
	Other	21	633	393
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting	21	1,407	369
Financial assets measured at fair value through other comprehensive income	Securities at fair value through other comprehensive income	21	390	414
	Total		**6,300**	**7,039**

(CZK million)

Classification of financial liabilities	Category of financial liability		31 Dec 2021	31 Dec 2020
Financial liabilities measured at fair value through profit or loss	Financial derivatives used in hedge accounting	27	495	264
	Other financial derivatives	27	53	-
Financial liabilities measured at amortised cost	Loans and borrowings	25	31,832	31,502
	Lease liabilities	25	1,166	953
	Group cash pooling	25	339	491
	Trade payables		6,647	2,661
	Other	27	187	159
	Total		**40,719**	**36,130**

*) To improve true and fair presentation the Company presented the expected compensation from the insurance company in the amount of CZK 300 million at of 31 December 2021 in Other Assets. In the financial statements as at 31 December 2020, this compensation was presented in Other financial assets (Note 22).

Income from individual categories of financial assets is as follows:

(CZK million)	2021	2020	Reported in the statement of profit and loss line
Interest on cash and cash equivalents	8	44	Finance income
Interest on cash pooling and loans provided	18	27	Finance income
Interest on finance lease receivables	18	18	Finance income
Dividends from capital investments	1	3	Other operating income
Total	**45**	**92**	

Expected credit losses on financial assets are disclosed in Note 20 Trade receivables and Note 33.10 Credit risk management.

33.3. Fair value of financial instruments

(CZK million)

Financial assets	Level	Fair value as at 31 Dec 2021	Carrying value as at 31 Dec 2021	Fair value as at 31 Dec 2020	Carrying value as at 31 Dec 2020
Measured at fair value		**1,797**	**1,797**	**783**	**783**
Derivative instruments in designated hedge accounting relationships	Level 2	1,407	1,407	369	369
Securities at fair value through other comprehensive income	Level 3	390	390	414	414
Measured at amortised cost		**842**	**917**	**862**	**876**
Loans in the Group	Level 2	270	310	542	542
Finance lease receivables	Level 2	80	80	80	80
Other financial assets – long term	Level 2	492	527	320	334
Total		**2,639**	**2,714**	**1,645**	**1,659**

(CZK million)

Financial liabilities	Level	Fair value as at 31 Dec 2021	Carrying value as at 31 Dec 2021	Fair value as at 31 Dec 2020	Carrying value as at 31 Dec 2020
Measured at fair value		**548**	**548**	**264**	**264**
Derivative instruments used in hedge accounting	Level 2	495	495	264	264
Other financial derivatives	Level 2	53	53	-	-
Measured at amortised cost		**32,145**	**31,984**	**32,764**	**31,565**
Issued bonds	Level 2	7,911	7,373	8,733	7,784
Issued bonds (publicly traded)	Level 1	22,388	22,443	23,916	23,653
Loans	Level 2	1,716	2,008	-	-
Other financial liabilities	Level 2	130	160	115	128
Total		**32,693**	**32,532**	**33,028**	**31,829**

Cash and cash equivalents, trade receivables and trade payables, receivables and payables from cash-pooling, other current financial assets and other current financial liabilities are not shown in the table because their fair value is approximately equal to the carrying value due to their short-term maturity.

In 2020 and 2021, there were no transfers of financial instruments between levels.

The fair value of financial derivatives is classified as Level 2 in the fair value hierarchy.

33.4. Valuation procedures used to determine fair value

Fair values of financial assets and financial liabilities are determined as follows:

– the fair value of interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows.
– the fair value of cross-currency interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows in respective currencies.
– the fair value of currency swaps is calculated using a valuation model based on discounted yield curves and swap points for the relevant currencies.

The fair values of financial assets and financial liabilities that are not measured at fair value but are required to be disclosed are determined as follows:

– the fair value of the bonds is determined on the basis of quoted market prices, if exist. If quoted market prices do not exist, the fair value is determined using valuation model on the basis of quoted market prices of comparable bonds,
– the fair value of other long-term financial assets and liabilities is calculated using the discounted cash flow method.

Future cash flows are discounted with a discount rate derived from the incremental borrowing rate.

33.5. Fair value measurement recognised in the statement of financial position

Financial instruments measured at fair value are allocated to levels 1 to 3 according to the extent to which the fair value can be ascertained or verified:

– fair value measurements at Level 1 are valuations, which are determined based on unadjusted quoted prices of the same assets or liabilities in active markets,
– the fair value measurement at Level 2 are valuations, which are determined based on inputs other than quoted prices used at level 1; this information can be obtained from the asset or liability directly (i.e. prices) or indirectly (i.e. data derived from prices),
– fair value measurement at Level 3 are valuations based on valuation techniques that use asset or liability information that is not derived from observable market data (unverifiable inputs).

All financial instruments measured at fair value as at 31 December 2021 and 31 December 2020 are included in Level 2.

33.6. Financial risk management objectives

The Company manages financial risks through internal risk reports which include risk analysis based on their significance. Financial risks include market risk (currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

33.7. Currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. These transactions predominantly include inflows from international transport, issued bonds and purchases of rolling stock in foreign currency. In line with the approved Risk Management Strategy, the Company hedges anticipated payments in a foreign currency such that the size of the open risk position does not exceed the limit defined for the period by the Risk Management Committee and approved by the Company's Board of Directors.

The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities, net of the impact of currency hedging, at the end of the reporting period are as follows:

(CZK million)

31 December 2021	EUR	Other	Total
Financial assets	2,213	2	2,215
Financial liabilities	(31,561)	(2)	(31,563)
Total	**(29,348)**	**-**	**(29,348)**

(CZK million)

31 December 2020	EUR	Other	Total
Financial assets	945	2	947
Financial liabilities	(32,016)	-	(32,016)
Total	**(31,071)**	**2**	**(31,069)**

33.7.1. Sensitivity to exchange rate changes

The exposure to currency risks is measured by a sensitivity analysis. The Company is exposed to the currency risk due to:

– changes in the carrying value of monetary items denominated in foreign currencies; and
– changes in the fair value of concluded financial derivatives.

The following table shows the impact that the strengthening and weakening Czech currency by CZK 1 against EUR would have on the profit (loss) and other comprehensive income. A positive number indicates an increase in profit (decrease in loss) and other comprehensive income, a negative number indicates the decrease in profit (increase in loss) and other comprehensive income:

(CZK million)	Strengthening Czech currency by CZK 1 against EUR		Weakening Czech currency by CZK 1 against EUR	
	2021	**2020**	**2021**	**2020**
Translation of items denominated in foreign currencies at the end of the period	1,214	1,184	(1,214)	(1,184)
Change in the fair value of derivatives at the end of the period	(897)	(799)	897	799
Total impact on the profit/ loss after tax	**317**	**385**	**317**	**(385)**
Change in the fair value of derivatives at the end of the period *)	(83)	(121)	83	121
Total impact on other comprehensive income after tax	**(83)**	**(121)**	**83**	**121**

*) Financial derivatives used in hedge accounting.

33.7.2. Cross-currency interest rate swaps

In accordance with the currency risk management requirements, the Company has entered into a cross-currency interest rate swap which reduces the risk of the bond funding in EUR using hedge ratio 1:1.

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

– swaps' nominal values are equal to the nominal values of volume of bond
– both transactions are contracted in the same currencies
– maturity of interest rate swaps payment and interest bond payment are equal
– swaps were contracted at market prices (without bonuses), the fair value of derivatives is nil asof the contract date
– swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options)
– the Company assumes no early bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

– in the event of a significant reduction in own or counterparty's creditworthiness.

The table shows the terms of contracts for cross-currency interest rate swaps that were opened at the end of the reporting period:

31 December 2021	Nominal value (EUR million)	Average collected interest rate (annual)	Nominal value (CZK million)	Average paid interest rate (annual)	Fair value of assets (liabilities) CZK million
Up to 1 year	792	2.00 %	(20,963)	2.92 %	(285)
1 to 5 years	755	2.02 %	(19,927)	3.05 %	685
Over 5 years	166	3.45 %	(4,597)	3.63 %	470
Total					**870**

31 December 2020	Nominal value (EUR million)	Average collected interest rate (annual)	Nominal value (CZK million)	Average paid interest rate (annual)	Fair value of assets (liabilities) CZK million
Up to 1 year	792	2.00 %	(20,963)	2.92 %	(202)
1 to 5 years	792	2.01 %	(20,963)	2.97 %	104
Over 5 years	666	1.98 %	(17,498)	3.09 %	203
Total					**105**

The exchanges of payments under the cross-currency interest rate swaps and coupon payments from issued bonds occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the coupon payments from the issued bonds affect the profit or loss.

All hedging relationships were 100% effective at the end of the year.

The expected realisation of hedged items by cross-currency interest rate swaps
Expected cash flows of hedged foreign currency bonds are listed in Note 33.11.1 in tables with remaining contractual maturities of financial liabilities in the line Fixed interest rate instruments.

33.7.3. Foreign exchange swaps
In line with the requirements of currency risk management, the Company has entered into long-term currency swaps that mitigate the risk of financing bonds in EUR with a hedge ratio of 1:1.

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

– The nominal values of the swaps are the same as the face values of the relevant bond volume.
– Both transactions are reconciled in the same currencies.
– Swaps have been agreed at market value (without premium), the fair value of derivatives at settlement is zero.
– The Company assumes no early bond repayment.

Sources of hedging relationship ineffectiveness are identified as follows:

– in the event of a significant reduction in own or counterparty's creditworthiness.

The Company has classified these swaps as fair value hedges. The Company has also entered into short-term foreign exchange swaps which are accounted for as other financial derivative instruments.

The table presents the terms of currency swap agreements that were open at the end of the reporting period:

31 December 2021	Average agreed exchange rate (CZK/EUR)	Principal	Fair value in CZK million
Up to 1 year	25.72	EUR 70 million	(54)
From 1 up 5 years	26.41	EUR 30 million	6
Total			**-48**

In 2020, the Company did not enter into any currency swaps.

Expected hedged cash flows from foreign currency bonds are disclosed in Note 33.11.1. in the tables with the residual contractual maturity of financial liabilities in the line Fixed rate instruments.

All hedging relationships were 100% effective at the end of the year.

33.8. Interest rate risk management

The Company manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financing, and, for this purpose, the Company concludes contracts for interest rate swaps so that the amount of the open risk position does not exceed the limit set for the period by the Risk Management Committee and approved by the Board of Directors of the Company.

33.8.1. Interest rate sensitivity analysis

The exposure to changes in interest rates is measured by the sensitivity analysis. The Company is exposed to the interest rate risk due to:

– changes in interest expenses from loans and lease with a variable rate,
– change in the fair value of concluded financial derivatives.

The following table shows the impact that an increase/decrease in interest rates of 100 basis points would have on the profit (loss) and other comprehensive income. A positive value indicates the increase in profit (decrease in loss) and other comprehensive income, a negative value indicates the decrease in profit (increase in loss) and other comprehensive income:

	Increase in interest rates of 100 basis points		Decrease in interest rates of 100 basis points	
	2021	**2020**	**2021**	**2020**
Interest from loans and lease with variable rate for the period	(20)	(1)	20	1
Total impact on the profit / loss after tax	**(20)**	**(1)**	**20**	**1**
Change in the fair value of derivatives at the end of the period *)	(46)	(42)	50	46
Total impact on other comprehensive income after tax	**(46)**	**(42)**	**50**	**46**

*) Financial derivatives used in hedge accounting.

33.8.2. Interest rate swap contracts

In accordance with currency risk management requirements, the Company has entered into interest rate swap contracts which reduces the risk of secured loans and bonds with variable interest rates.

The hedge ratio is determined at 1:1.

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

– nominal values of the swaps are equal to the nominal value of the relevant secured loans or variable-interest rate bonds,
– both transactions are contracted in the same currencies,
– maturity of interest rate swaps payments and interest secured loan and bond payments are equal
– swaps were contracted at market prices (without bonuses), the fair value of derivatives is nil as at the contract date,
– swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options),
– the Company assumes no loan or secured loan repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

– early repayment of a loan or the residual value of a secured loan,
– termination of the interest rate swap by the counterparty,
– significant decrease in the Company's or the counterparty's creditworthiness.

The following table details the terms of interest rate swap contracts outstanding at the end of the reporting period:

31 December 2021	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value in CZK million
Up to 1 year	loan	2.66 %	CZK 1,000 million	9
1 to 5 years	loan	2.66 %	CZK 857 million	30
more than 5 years	loan	2.66 %	CZK 285 million	(2)
Total				**37**

31 December 2020	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value in CZK million
Up to 1 year	Leases	1.23 %	CZK 109 million	-
Total				**-**

The Company settles the difference between fixed and floating interest rates on a net basis. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating interest rates on debt affect the profit or loss. Gains and losses reclassified during the year from the equity are included in Other interest expense which is part of Financial expenses in the consolidated statement of profit and loss.

33.8.3. Expected realisations of hedged item interest rate swaps

The expected hedged cash flows from interest on variable-rate debt are listed in Note 33.11.1 in tables with remaining contractual maturities of financial liabilities in Lease liabilities and Float interest rate instruments.

33.9. Commodity risk management

The Company is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically diesel and electricity, are significant cost items of the Company. The Company manages this risk using the following instruments:

– negotiating a fixed price of electricity always for the following calendar year,
– conclusion of contracts with public transport orderers so that possible price increase of the above-mentioned commodities is reflected in the amount of received payments.

33.10. Credit risk management

The Company is exposed to credit risk, which is that one party of the financial instrument will cause financial losses to the other party by failing to meet its obligations. Credit risk arises as a result of the Company's business operations and financial market activities. The Company's credit risk quantification is based on a number of primary criteria, where the threat of counterparty default during a transaction is the main determinant due to possible negative impact on the Company's economic results and cash flow. The Company analyses the counterparties using both internal departments support and external information services. Any counterparty insolvency may result in imminent losses with an adverse impact on the Company's business.

Sources of credit risks related to threat of a counterparty default in a transaction were identified by the Company as follows:

- financial institutions,
- employees or tenants – individuals from whom the receivable arises,
- corporate customers,
- entities in the Group as borrowers in case of loans from ČD,
- the state and the regions as public service payers.

Hence, business operations with new counterparties are a subject to standardized approval procedures by designated departments. The credit risk management includes active receivables management, when standard financial instruments, such as prepayments and bank guarantees are used in order to reduce the risk.

Financial assets that expose the Company to potential credit risk include cash and cash equivalents, trade receivables, loans granted within the Group and financial derivative contracts. The Company's cash is deposited in prestigious domestic financial institutions. Intercompany loans do not bear significant credit risk as such companies' exposure and rating is monitoring within the Group.

The Company is mainly exposed to the following credit risk categories due to its business activities:

- direct credit risk,
- credit equivalent risk.

Most frequently, the direct credit risk arises from receivables from ongoing trading relationships, particularly from supplier loans granted. Credit quality of the customers is assessed individually, based on their financial position, previous experiences and other factors. The Company assesses its financial assets at each balance sheet date to determine whether there is any objective evidence that they might be impaired. Financial assets are considered impaired if objective evidence indicates that one or more events have adversely affected the estimated future cash flows from those assets. Material financial assets are tested for impairment individually. The remaining financial assets are assessed on a portfolio basis in the groups that have similar credit risk characteristics. All impairment losses are recognized in profit or loss.

33.10.1. Trade receivables and finance lease receivables

For the purposes of determining expected credit losses using the simplified approach, current receivables and finance lease receivables are classified according to common credit risk characteristics and appropriate maturities. The expected credit loss rates are determined according to the payment profile and sales for the period of 7 years preceding 31 December 2021 or 31 December 2020, respectively, based on credit losses recognised in the past. The Company analysed a number of macroeconomic variables (GDP, industrial indices, etc.) and their possible correlation to customer solvency. However, as no correlation has been identified, the Company considers rather individual assessment of customer creditworthiness. The Company also creates specific allowances for receivables.

The table below presents an overview of the impairment losses on current trade and finance lease receivables. The carrying value of receivables as at 31 December 2021 and 31 December 2020 below represent the Company's maximum exposure to credit risk on these assets:

(CZK million)

		Past due date (days)					
As at 31 December 2021	**Before due date**	**1 - 30**	**31 - 90**	**91–180**	**181-365**	**Over 365**	**Total**
Expected credit loss rate	1%	14%	50%	100%	100%	100%	
Finance lease receivables	80	-	-	-	-	-	80
Current trade receivables – gross	1,672	7	2	1	1	96	1,179
Expected credit loss	**19**	**1**	**1**	**1**	**1**	**96**	**119**

(CZK million)

		Past due date (days)					
As at 31 December 2020	**Before due date**	**1 - 30**	**31 - 90**	**91–180**	**181-365**	**Over 365**	**Total**
Expected credit loss rate	2%	10%	25%	100%	100%	100%	
Finance lease receivables	80	-	-	-	-	-	80
Current trade receivables – gross	1,068	10	4	2	2	101	1,187
Expected credit loss	**17**	**1**	**1**	**2**	**2**	**101**	**124**

The Company's credit risk associated with fare revenue has low concentration as a significant proportion of fare sales is collected in cash. Credit risk related to payments from the state budget and the regional budgets is low due to the high credit quality of the counterparties. The credit risk associated with financial operations is low because the Company spreads the risk over a larger number of financial institutions and only deals with financial institutions that have a credit rating in the investment range. In other activities, the Company tries to trade only with trusted contractors who are verified individually on an ongoing basis using publicly available data. The Company's exposure and the payment discipline of its contractors are monitored on an ongoing basis.

33.10.2. Cash and other financial assets

The credit risk of liquid assets and financial derivatives is limited, as the contractual partners are banks with an investment grade credit rating. For this reason, the impact of impairment is immaterial.

(CZK million)

Bank	Rating (Moody´s)	Bank balance as at 31 Dec 2021	Restricted cash as at 31 Dec 2021	Bank balance as at 31 Dec 2020	Restricted cash as at 31 Dec 2020
Komerční banka	Aa3	193	563	1,259	274
ČSOB	Aa3	280	-	431	-
Citibank	Aa3	239	-	2,001	-
ING bank	Aa3	95	-	401	-
Česká spořitelna	Aa3	25	-	1	-
Raiffeisenbank	A2	95	-	-	-
UniCredit Bank	A3	614	-	-	-
Všeobecná úverová banka	A2	92	-	-	-
Total		**1,633**	**563**	**4,093**	**274**

Other financial assets mainly include securities at fair value through other comprehensive income, receivables from loans and cash pooling within the ČD Group, against which the Company applied a general impairment model. The Company analysed the financial performance, external indebtedness and future cash flows of related parties and assessed that the credit risk associated with these receivables is limited and at the same time the probability of default related to these balances is low. The application of the expected credit loss model has an immaterial impact on all Other financial assets.

The following table provides an analysis of the credit risk of Other financial assets at amortized cost. The carrying values of assets as at 31 December 2021 and 31 December 2020 represent the Company's maximum exposure to credit risk from these assets:

(CZK million)

As at 31 December 2021	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Hedging derivatives	1,407	-	-	-	1,407
Loans within Group	312	-	-	(2)	310
Group cash pool	155	-	-	(1)	154
Restricted cash	562	-	-	-	562
Receivables from damages and losses	67	-	-	(8)	59
Other	12	4	-	(4)	12
Total	**2,515**	**4**	**-**	**(15)**	**2,504**

(CZK million)

As at 31 December 2020	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Hedging derivatives	369	-	-	-	369
Loans within Group	462	-	-	-	462
Group cash pool	135	-	-	-	135
Restricted cash	274	-	-	-	274
Receivables from damages and losses	46	-	-	-	46
Other	73	5	-	(5)	73
Total	**1,359**	**5**	**-**	**(5)**	**1,359**

The Company has assessed the credit risk for individual items of Other financial assets. Counterparties have low risk and no material overdue receivables are recorded. Credit risk has not increased significantly since initial recognition.

As at 31 December 2021 and 31 December 2020, the Company does not record any financial assets pledged as collateral.

33.11. Liquidity risk management

The Company manages its liquidity risk through planning future cash flows and provision of short-term funding with reputable financial institutions (promissory notes programme and agreed overdraft and revolving loans), with the minimum period of 12 months. In order to ensure sufficient short-term liquidity, the Company has contracted these committed credit facilities so that its available funds exceed its expected short-term expenditures. The liquidity is monitored by the Moody´s rating agency on an ongoing basis.

33.11.1. Liquidity risk tables

The following tables demonstrate the Company's remaining contractual maturity of financial liabilities. The tables have been drawn up based on the undiscounted cash flows from financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that instruments carry the floating interest, the undiscounted amount is derived from interest rate curves at the end of the reporting period and may change, if interest rates differ from the determined estimates.

(CZK million)

31 December 2021	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	3,303	3,275	92	12	152	6,834
Liabilities from unpaid share capital (Note 32)	501	-	-	-	-	501
Derivatives	27	27	102	222	-	378
Incoming cash flows	*-*	*-*	*1,004*	*2,282*	*-*	*3,286*
Outgoing cash flows	*27*	*27*	*1,106*	*2,504*	*-*	*3,664*
Lease liabilities	30	39	205	895	78	1,247
Secured loans	2	4	2	0	-	8
Float interest rate instruments	339	-	239	1,372	689	2,639
Fixed interest rate instruments	-	-	1,538	24,662	6,754	32,954
Total	**4,202**	**3,345**	**2,178**	**27,163**	**7,673**	**44,561**

(CZK million)

31 December 2020	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	1,739	882	72	80	47	2,820
Liabilities from unpaid share capital (Note 32) *)	505	-	-	-	-	505
Derivatives	-	-	2	141	-	143
Incoming cash flows	*-*	*-*	*70*	*3,469*	*-*	*3,539*
Outgoing cash flows	*-*	*-*	*72*	*3,610*	*-*	*3,682*
Lease liabilities	24	27	146	655	178	1,030
Secured loans	24	44	100	8	-	176
Float interest rate instruments	491	-	-	-	-	491
Fixed interest rate instruments	-	-	634	14,338	20,451	35,423
Total	**2,783**	**953**	**954**	**15,222**	**20,676**	**40,588**

*) In the financial statements as at 31 December 2020, this liability was reported in Note 35 Contingent liabilities.

The following tables demonstrate the Company's expected contractual maturity of financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets reflecting the anticipated maturity. The table includes cash flows from the interest and principal.

(CZK million)

31 December 2021	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	3,016	413	532	-	390	4,351
Finance lease receivables	5	-	13	72	399	489
Float interest rate instruments	160	16	65	123	191	555
Derivatives	-	-	(204)	(1,286)	(576)	(2,066)
Incoming cash flows	*-*	*-*	*337*	*13,779*	*4,616*	*18,732*
Outgoing cash flows	*-*	*-*	*541*	*15,065*	*5,192*	*20,798*
Total	**3,181**	**429**	**406**	**(1,091)**	**404**	**3,329**

(CZK million)

31 December 2020	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	2,738	275	106	60	414	3,593
Finance lease receivables	4	-	13	68	383	468
Fixed interest rate instruments	2,400	-	-	-	-	2,400
Float interest rate instruments	141	16	68	195	275	695
Derivatives	-	-	(194)	(779)	(289)	(1,262)
Incoming cash flows	*-*	*-*	*347*	*1,386*	*18,344*	*20,077*
Outgoing cash flows	*-*	*-*	*541*	*2,165*	*18,633*	*21,339*
Total	**5,283**	**291**	**(7)**	**(456)**	**783**	**5,894**

33.11.2. Financing facilities

The Company has access to the following credit facilities:

(CZK million)

Bank overdraft	ČSOB	KB	Total
Loan facility as at 1 January 2020	**700**	**1,500**	**2,200**
Unused amount as at 1 January 2020	**700**	**1,500**	**2,200**
Change of loan facility in 2020	-	-	-
Loan facility as at 31 December 2020	**700**	**1,500**	**2,200**
Unused amount as at 31 December 2020	**700**	**1,500**	**2,200**
Change of loan facility in 2021	-	-	-
Loan facility as at 31 December 2021	**700**	**1,500**	**2,200**
Unused amount as at 31 December 2021	**700**	**1,500**	**2,200**

(CZK million)

Promissory note programme	ČSOB	Citibank	ING	KB	Česká spořitelna	Total
Loan facility as at 1 January 2020	**2,000**	**-**	**1,500**	**500**	**2,250**	**6,250**
Unused amount as at 1 January 2020	**2,000**	**-**	**1,500**	**500**	**2,250**	**6,250**
Change of loan facility in 2020	-	-	-	-	(250)	(250)
Loan facility as at 31 December 2020	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**
Unused amount as at 31 December 2020	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**
Change of loan facility in 2021	-	-	-	-	-	-
Loan facility as at 31 December 2021	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**
Unused amount as at 31 December 2021	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**

(CZK million)

Revolving loan	Citibank	Total
Loan facility as at 1 January 2020	**1,500**	**1,500**
Unused amount as at 1 January 2020	**1,500**	**1,500**
Change of loan facility in 2020	-	-
Loan facility as at 31 December 2020	**1,500**	**1,500**
Unused amount as at 31 December 2020	**1,500**	**1,500**
Change of loan facility in 2021	-	-
Loan facility as at 31 December 2021	**1,500**	**1,500**
Unused amount as at 31 December 2021	**1,500**	**1,500**

The Company contracted long-term bank credit lines in 2021 as part of securing resources for the planned investments.

(CZK million)

Long-term bank credit lines	Raiffeisenbank	UniCredit Bank	Všeobecná úverová banka	Total
Loan facility as at 31 December 2020	**-**	**-**	**-**	**-**
Unused amount as at 31 December 2020	**-**	**-**	**-**	**-**
Change of loan facility in 2021	2,600	4,000	1,900	8,500
Loan facility as at 31 December 2021	**2,600**	**4,000**	**1,900**	**8,500**
Unused amount as at 31 December 2021	**2,100**	**3,000**	**1,400**	**6,500**

34. Post Balance Sheet Events

In January - March 2022 the Company drew long-term loans of CZK 4.5 billion (drawn within long-term bank credit lines listed in Note 33.11.2).

At the end of February 2022, continuing political tensions between Russia and Ukraine escalated into a conflict with Russia's military invasion of Ukraine. A worldwide response to Russia's violations of international law and aggression against Ukraine was the imposition of extensive sanctions and restrictions on business activities. We consider these facts to be non-adjusting subsequent events. The overall impact of recent developments has been reflected in increased volatility in financial and commodity markets and other implications for the economy. Business risks, including the adverse effects of economic sanctions on Russia, business disruptions (including supply chains), more frequent cyber-attacks, the risk of breaches of legal and regulatory rules, and many others, are difficult to assess and their overall impact and potential effects are currently unknown.

In 2022, there were changes in the composition of the Supervisory Board. On 10 February 2022 two members of the Supervisory Board, Jan Vrátník and Vojtěch Kocourek were dismissed and new members of the Supervisory Board Miroslav Zámečník, Petr Šlegr and Jiří Minka were appointed.

On 15 February 2022 there were also changes in the Board of Directors. At an extraordinary meeting of the Supervisory Board the resignation of Václav Nebeský, the Vice-Chairman of the Board of Directors, was accepted. Effective from 16 February 2022, Michal Kraus was appointment as Vice-Chairman of the Board of Directors of the Company. The resignation of Petr Pavelec, a member of the Board of Directors and the resignation of Ivan Bednárik, the Chairman of the Board of Directors were also accepted. Effective from 16 February 2022, Blanka Havelková was appointed as a member of the Company's Board of Directors. On 24 March 2022, Michal Krapinec was elected as Chairman of the Board of Directors and Chief Executive Officer of the Company, effective from 4 April 2022. At its meeting on 7 April 2022, the Supervisory Board appointed Lukáš Svoboda as a member of the Board of Directors of the Company, effecting from 8 April 2022.

There were no other significant events between the balance sheet date and the time of preparation of the financial statements.

35. Approval of the Financial Statements

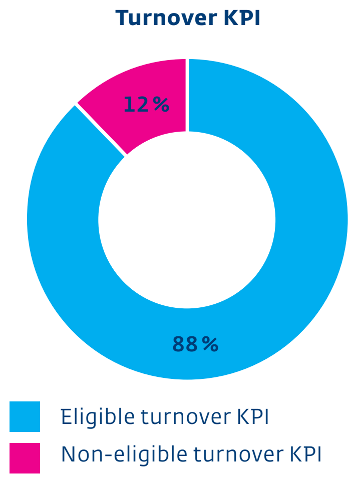
The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2022.

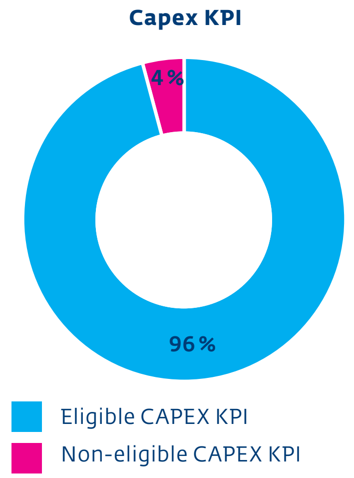
Consolidated Disclosures Pursuant to art. 8
of Regulation (EU) 2020/852 of the European Parliament and of the Council on the Establishment of a Framework to Facilitate Sustainable Investment (Taxonomy Regulation)

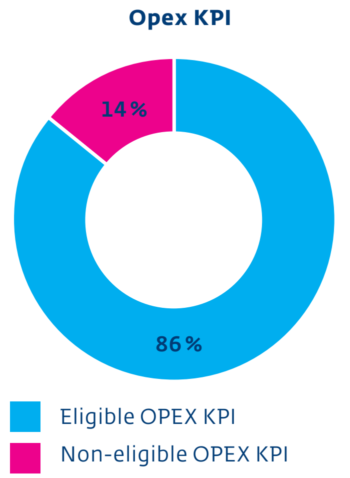
Article 8 Taxonomy Regulation

The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU climate goals as the Taxonomy is a classification system for environmentally sustainable economic activities.

In the following section, we as a non-financial parent undertaking present the share of our group turnover, capital expenditure (Capex) and operating expenditure (Opex) for the reporting period 2021, which are associated with Taxonomy-eligible economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Art. 8 Taxonomy Regulation and Art. 10 (2) of the Art. 8 Delegated Act.







Proportion of Taxonomy-eligible and Taxonomy-non-eligible economic activities in total turnover, Capex and Opex

	Total (in CZK million)	Proportion of Taxonomy-eligible economic activities (in %)	Proportion of Taxonomy-non-eligible economic activities (in %)
Turnover	40,356	88 %	12 %
Capital expenditure (Capex)	15,206	96 %	4 %
Operating expenditure (Opex)	7,289	86 %	14 %

Definitions

Taxonomy-eligible economic activity means an economic activity that is described in the delegated acts supplementing the Taxonomy Regulation (i.e. the Climate Delegated Act as of now) irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.

Taxonomy-non-eligible economic activity means any economic activity that is not described in the delegated acts supplementing the Taxonomy Regulation.

An economic activity is Taxonomy-aligned when it complies with all the following requirements

a) the economic activity contributes substantially to one or more environmental objectives;
b) it does not significantly harm any of the environmental objectives;
c) it is carried out in compliance with the minimum safefuards; and
d) it complies with the technical screening criteria in the delegated acts supplementing the Taxonomy Regulation (i.e. Climate Delegated Act as of now).

Taxonomy-eligible Economic Activities

We have examined the relevant Taxonomy-eligible economic activities based on an analysis of our worldwide activities and assigned them to the following economic activities in accordance with Annex I and II to the Climate Delegated Act. The table below indicates for which environmental objective the activities qualify as eligible:

Eligible economic activity (number, name)	Description	Climate change mitigation	Climate change adaptation
6.1. Passenger interurban rail transport	Purchase, operation, lease, and operation of passenger transport using rail vehicles.	✔	✔
6.2. Rail freight transport	Purchase, financing, leasing, rental and operation of freight transport on mainline rail networks as well as short line freight railroads.	✔	✔
6.14. Infrastructure for rail transport	Construction, modernisation, operation and maintenance of railways and subways as well as bridges and tunnels, stations, terminals, rail service facilities, safety and traffic management systems including the provision of architectural services, engineering services, drafting services, building inspection services and surveying and mapping services and the like as well as the performance of physical, chemical and other analytical testing of all types of materials and products.	✔	✔
5.1. Construction, extension and operation of water collection, treatment and supply systems	Construction of WWTP	✔	✔

Allocation of Turnover, Capex and Opex to one Environmental Objective

The ČD Group is particularly concerned by the objective of climate change mitigation and therefore seeks to contribute as much as possible to its own climate change mitigation goals. The ČD Group determined that activities 6.1, 6.2, 6.14 and 5. should be allocated to climate change mitigation as the contribution to climate change adaptation is of minor importance and the Taxonomy does not allow double counting (i.e., assigning one activity to more than one climate goal).

Relevant Judgement on the Taxonomy-eligibility of our Activities

Assessment of activities in the value chain of our revenue-generating activities
Our assessment of Taxonomy-eligible activities is focused on economic activities defined as the combination of resources needed to provide services. As a major rail passenger and freight operator, we operate in several sectors within the value chain of our services and products and generate revenues in several areas within this value chain, namely revenues related to passenger transport (activity 6.1) and freight transport (activity 6.2). We do not disclose under activities within the value chain that are not external revenue-generating, but that result in assets or processes that are essential for our revenue-generating activities, such as:

– intra-group service and repair activities,
– intra-group leases of railway vehicles and transport capacities,
– intra-group IT support and administration services,
– acquisition / construction of new buildings.

They are not reported as Taxonomy-eligible activities and are not included in our turnover KPI as they are not generating external turnover on a standalone basis.

Activity 6.1 Passenger interurban rail transport
One of the main activities of the ČD Group is passenger transport. In this category we include all activities performed by our companies using railway vehicles moving on the European railway infrastructure associated with passenger transport. This category consists of revenues from fares both at the national and international level, revenues from the state and individual regions paid for the purpose of strengthening or maintaining the railway transport function in the regions, or revenues from the sale of seats in our trains.

Activity 6.2. Freight rail transport
Another important activity of the ČD Group is freight transport. This category includes all transport services performed by our companies using rail vehicles moving on European rail infrastructure associated with the transport of freight at both national and international level.

Taxonomy-non-eligible Economic Activity

Within its companies, the ČD Group provides a number of other services that we consider to be non-eligible to meet the EU's climate goals in terms of EU taxonomy.

The ČD Group provides telematics services. It is a wide range of services in the field of telecommunications and IT with contractually guaranteed parameters. Services are provided through second largest telecommunications infrastructure in the Czech Republic, central data storage, server farms, development, service, and other specialized workplaces, from development stage, maintenance, and support of tens of thousands of users.

We also provide professional services and comprehensive solutions in the field of assessment, testing and expertise activities for railway systems and rail transport. We operate two of our own test railway circuits in the Velim Test Centre, which belong to the important and reputable test centres for railway technology and railway equipment in Europe. With its infrastructure and technical equipment, it creates a unique compact unit for the implementation of all types of rolling tests of rolling stock, tests of all railway equipment and other experimental measurements and verifications. The test centre also includes the Dynamic Test Laboratory, which is designed to perform stress and dynamic tests of vehicles and their parts, including simulations of operating conditions and operating conditions of vehicles.

The ČD Group also provides a number of other services related to its own assets, such as leases of real estate or parts thereof, agency activity in the sale of diesel and spare parts, or revenues from the sale of its own real estate.

Taxonomy-eligible Capex/Opex and Individually Taxonomy-eligible Capex/Opex

With regard to Capex and Opex related to our Taxonomy-eligible economic activities and Capex/Opex related to purchases and measures that we consider as individually Taxonomy-eligible, we refer to the explanations in the sections “Capex KPI” and “Opex KPI” in the description of our accounting policies.

Our KPIs and Accounting Policies

Key performance indicators (KPIs) include turnover KPI, Capex KPI and the Opex KPI. For the reporting period 2021, the KPIs have to be disclosed in relation to our Taxonomy-eligible and Taxonomy-non-eligible economic activities (Art. 10 (2) of the Art. 8 Delegated Act).

The specification of the KPIs is determined in accordance with Annex I of the Art. 8 Delegated Act. We determine the Taxonomy-eligible KPIs in accordance with the legal requirements and describe our accounting policy in this regard as follows:

Turnover KPI

Definition
The proportion of Taxonomy-eligible economic activities in our total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the net turnover (denominator), in each case for the financial year from 1 January 2021 to 31 December 2021.

The denominator of the turnover KPI is based on our consolidated net turnover in accordance with IAS 1.82(a). For further details on our accounting policies regarding our consolidated net turnover are provided in the Consolidated Financial Statements, Note 2.

The numerator of the turnover KPI is defined as the net turnover derived from products and services associated with Taxonomy-eligible economic activities, i.e.

– activity 6.1. Passenger interurban rail transport generating revenue from fares and related services and revenue from the state and regions,
– activity 6.2. Rail freight transport generating revenues from freight transport and related services.

Reconciliation
Our consolidated net turnover can be reconciled to our consolidated financial statements, see the consolidated income statement (line-item Revenue and Other operating income).

Further explanations
The ČD Group records in detail the allocation of individual revenues to activities 6.1 and 6.2 within its internal IT systems. For this reason, there was no need to use any allocation keys to assign revenues to individual activities eligible under EU taxonomy.

Capex KPI

Definition
The Capex KPI is defined as Taxonomy-eligible Capex (numerator) divided by our total Capex (denominator).

Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes acquisitions of tangible fixed assets (IAS 16), intangible fixed assets (IAS 38), right-of-use assets (IFRS 16) and investment properties (IAS 40). Additions resulting from business combinations are also included. Goodwill is not included in Capex, as it is not defined as an intangible asset in accordance with IAS 38. For further details on our accounting policies regarding Capex, see the Consolidated Financial Statements, Note 2.

The numerator consists of the following categories of Taxonomy-eligible Capex:

a) Capex related to assets or processes that are associated with Taxonomy-eligible economic activities ("category a"):

We consider assets and processes are associated with Taxonomy-eligible economic activities when they are essential components necessary to execute an economic activities. Consequently, all Capex invested into the following areas are considered in the Capex KPI:

– stock, wagons, and other rolling stock,
– components, spare parts, and batteries for rolling stock,
– information systems used by end customers for ticket purchases, capacity orders.

b) Capex that are part of a plan to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-eligible economic activity ("category b"):

– we do not record any capital expenditures in this category this year.

c) Capex related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling certain target activities (usually our non-eligible activities) to become low-carbon activities or to lead to greenhouse gas reductions ("category c"). They are also considered as Taxonomy-eligible when the purchased output/individual measure meets the description of its respective economic activity (cf. further explanations below).

Reconciliation
Our total Capex can be reconciled with our consolidated financial statements, see Note 16 Property, plant and equipment and Note 18 Intangible assets and goodwill. They are the total of the movement types (acquisition and production costs).

Further explanations

Allocation keys
At sites where both Taxonomy-eligible and Taxonomy-non-eligible economic activities are carried out (mixed sites), the Taxonomy-eligible portion of Capex is determined on the basis of the eligible activities carried out in relation to these assets. Investments to our eligible activities (i.e., activities related to rail transport both passenger and freight) are defined using a suitable allocation key based on turnover.

Individually Taxonomy-eligible Capex
The numerator of the Capex KPI also includes those Capex that are related to the purchases of output that meets the description of the relevant economic activity.

We have identified the following purchased outputs and individual measures that correspond to eligible economic activities and, thus, result in Taxonomy-eligible Capex (and Opex):

Individually Taxonomy-eligible Capex/Opex and the corresponding economic activities

Description of the individually Taxonomy-eligible purchased output/measure	Corresponding economic activity (Annex I to Climate Delegated Act)
Acquisition of a wastewater treatment plant	5.1. Construction, extension and operation of water collection, treatment and distribution systems
Acquisition of ETCS systems	6.14. Railway infrastructure
Construction, technical improvement, modifications, or repairs of railway infrastructure constructions, e.g., railway stations, railway tracks, transhipments, and other necessary railway infrastructure	6.14. Railway infrastructure

Individually eligible expenditures (both capital and operating) falling under the activities listed in the Table were excluded from category a) in order to avoid double counting of these activities to particular KPI and are only treated as category c) expenditures.

Opex KPI

Definition
The Opex KPI is defined as Taxonomy-eligible Opex (numerator) divided by our total Opex (denominator).

Total Opex consists of direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the company or an external contractor, and which are necessary to ensure the continuous and efficient operation of these assets. These include:

– The volume of non-capitalized leases was determined in accordance with IFRS 16 and includes expenses for short-term leases and low-value leases (see Note 19 to the Consolidated Financial Statements).
– Maintenance and repair and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment were determined based on the maintenance and repair costs allocated to our internal cost centres. The related cost items can be found in various line items in our income statement, including production costs (maintenance in operation), sales and distribution costs (maintenance logistics) and administration costs (such as maintenance of IT systems). This also includes building renovation measures. In general, this includes staff costs, costs for services and material costs for daily servicing as well as for regular and unplanned maintenance and repair measures. These costs are directly allocated to our PP&E.

This does not include expenditures relating to the day-to-day operation of PP&E such as: fluids and fuels, staff costs for machinery, energy that are necessary to operate PP&E.

As long as the numerator is concerned, we refer to the corresponding statement on the Capex KPI.

Further explanations
With regard to the use of allocation keys, we refer to the corresponding statements on the Capex KPI.

Additionally, we have applied an allocation key to staff costs, where we have identified employees or departments of individual companies that provide daily maintenance of assets, with the use of which the ČD Group performs taxonomy-eligible and non-eligible-economic activities (mixed cases). The part of these operating expenses that is taxonomy-eligible is determined based on the portion of performed eligible activities in these assets. Investments for our eligible activities (i.e., activities related to both passenger and freight rail transport) are defined using a suitable turnover-based allocation key. Other operating personnel costs are not included in the operating expenditure in the sense of the Taxonomy.

Providing Information Pursuant to Act No. 106/1999 coll., on Free Access to Information, for the Year 2021

Pursuant to Section 18 of Act No. 106/1999 Coll., on Free Access to Information, as amended (hereinafter the "Act") České dráhy, a.s. (hereinafter the "ČD"), hereby publishes its Annual Report on its activities in providing information pursuant to the Act in 2021.

In the period before 2 March 2020, regarding the judgement of the Municipal Court in Prague, File no. 8 A 80/2017–50 dated 28 September 2017, the Company ČD did not consider itself as an obliged entity according to the Act, and therefore did not provide information according to the Act.

However, on 2 March 2020, the Supreme Administrative Court stated in the judgement File no. 8 As 145/2018-61 dated 27 February 2020 that ČD is, in accordance with settled case-law, considered as a mandatory subject under the Act.

Agenda statistics according to the Act – period from March to December 2021:

a) During the period above, 51 requests for information were processed by ČD.

b) In 17 cases, the applicant was requested to complete the application in accordance with the provisions of Section 14 paragraph 5 (a) of the Act.

c) In 14 cases, the information was provided to the required extent in accordance with the provisions of Section 14 paragraph 5 (d) of the Act.

d) In 10 cases, the application was partially rejected / the information was not provided to the required extent in accordance with the provisions of Section 15 of the Act.

e) In 4 cases, the application was rejected in accordance with the provisions of Section 15 of the Act.

f) In 4 cases, the application was postponed as it was outside the scope of ČD's activities in accordance with the provisions of Section 14 paragraph 5 (c) of the Act.

g) In 2 cases, the applicant was requested to reimburse costs according to the provisions of Section 17 paragraph 3 of the Act, as it related to an extremely extensive search for information (in one case the applicant paid the required amount, in the other the applicant did not pay nor filed a complaint filed, therefore the request was postponed according to Section 17 paragraph 5 of the Act).

h) In 18 cases, the request was processed in a different way than indicated in points b) - g).

i) In 13 cases, a complaint was filed against the manner of the application processing pursuant to the provisions of Section 16a of the Act, which was submitted to the Office for Personal Data Protection (the "Office") in accordance with the provisions of Section 20 paragraph 5. However, in total there are only 3 cases, the settlement of which was challenged by complaints, as in the case of one application the complaint was submitted 6 times and in the other also 6 times.

j) In 8 cases, an appeal was filed against the decision of ČD in accordance the provisions of Section 16 of the Act, on which the Office was deciding.

k) In 3 cases, ČD, as a party concerned by application in the proceedings of providing application, commented on the notification sent from the obliged entities of the Ministry of Transport, the Vysočina Region and the Railway Administration (Správa železnic, státní organizace, hereinafter referred to as "SŽ").

l) In 1 case, ČD acts as an applicant for information where SŽ is the obliged entity. ČD filed 3 appeals against SŽ's decisions. The proceedings have not yet been closed.

m) In 1 case, the applicant was RegioJet a.s. An administrative appeal was filed against the supervisory authority of ČD, which is the Office. ČD acted as a party interested in the proceeding. The Municipal Court in Prague ruled a judgment No. 14 A 38 / 2021-59 of 8 December 2021 in favour of ČD and dismissed the complaint.

n) In 2 cases, the applicant filed an administrative appeal against ČD (one against the decision of ČD - plaintiff Oživení, z. s. and one due to alleged inaction of ČD - plaintiff JUDr. Vymazal). Neither of the cases has yet been decided.

o) In 2 cases, ČD filed an administrative appeal against the decision of the Office's supervisory authority. Neither one of the cases was decided in 2021.

p) In 2 cases, ČD, as an obliged entity, filed a cassation complaint against the judgment of the Municipal Court in Prague. In the case of the first cassation complaint, ČD succeeded. In the case of the second cassation complaint, the matter has not yet been decided.

q) For lawsuits filed between 2016 and 2020:

1 action against the Office as a defendant (ČD acted as a party interested in the proceeding) was upheld by the court and the case was returned by the court for further proceedings. ČD subsequently issued a new decision in the matter, which the applicant did not appeal against.

The remaining lawsuits have not yet been settled by the court.

r) In accordance with the provisions of Section 18 paragraph 1 (c) of the Act, we list the relevant parts of the judgments received:

- judgment of the Municipal Court in Prague No. 14 A 38 / 2021-59 of 8 December 2021 (see point m): „*Trade secret protection serves to protect business entities. The Act on Free Access to Information cannot serve as a means of disadvantaging entities that enter into business relations with obliged entities. Its purpose is to control the exercise of public power, including the management of public funds. In that regard, the Court agrees that it is relevant that the applicant itself is a competitor in the railways market. This fact also plays a role in balancing the interests of business protection and the right to information. The court therefore concluded that the interference with the plaintiff's right to information in this case was balanced by the need to protect the rights of others, namely, to protect the trade secrets of České dráhy.*"
- Judgment of the Supreme Administrative Court No. 10 As 450/2021 - 32 of 30 November 2021 (point p), by which ČD was granted the right to be actively legitimized in the matter of filing an administrative appeal against the supervisory authority of the Office: „*As explained by the SAC, the complainant (ČD) acted in a dual role in the application proceedings. Firstly, as the holder of competence (according to the Act on Free Access to Information), i.e., as an administrative authority, and secondly as a person having public subjective right (and obligation) to provide information only in the manner and to the extent required by the Act on Free Access to Information.*"

s) The obliged entity has incurred an amount of CZK 20,000 in connection with court proceedings on rights and obligations under the Act to reimburse the costs of the proceedings.

t) List of exclusive licenses, including a justification of the necessity to grant exclusive license:

In the period under review, none of the application procedure under the provisions of the license or sub-license agreement in providing information were adhered to.

Information on Individuals Responsible for the ČD Group Annual Report

Affidavit

With due care and to the best of our knowledge, the consolidated annual report gives a true and fair view of the financial position, business activities and operational results of the Company and its consolidation group for the year ended 31 December 2021, and of the prospects of the future development of the financial position, business activities and operational results of the Company and its consolidation group and no facts that could change its meaning have been concealed in this report.

Prague, 27 April 2022

Michal Krapinec
Chairman of the Board
of Directors
České dráhy, a.s.

Lukáš Svoboda
Member of the Board
of Directors
České dráhy, a.s.

Report on Relations

between the Controlling Party and the Controlled Party and between the Controlled Party and Parties Controlled by the Same Controlling Party for the year 2021

The Board of Directors of České dráhy, a.s. with its registered office in Prague 1, Nábřeží L. Svobody 1222, company registration number 70994226, administered by the Municipal Court in Prague, Section B, File 8039, presents the following

Report on Relations between the Controlling Party and the Controlled Party and between the Controlled Party and Parties Controlled by the Same Controlling Party (hereinafter the "Report on Relations")

pursuant to Section 82 of Act 90/2012 Coll., the Corporations Act (the "Corporations Act") for the accounting period from 1 January 2021 to 31 December 2021.

I. The Controlling Party and the preparer of the Report on Relations
The Controlling party, for the purposes of the Report on Relations, is the Czech Republic (hereinafter also "the State" or "the CR").

The Controlled party, for the purposes of the Report on Relations is České dráhy, a.s. (hereinafter "the Company" or "ČD"), with its registered office in Prague 1, Nábřeží L. Svobody 1222, company registration number 70994226, administered by the Municipal Court in Prague, Section B, File 8039.

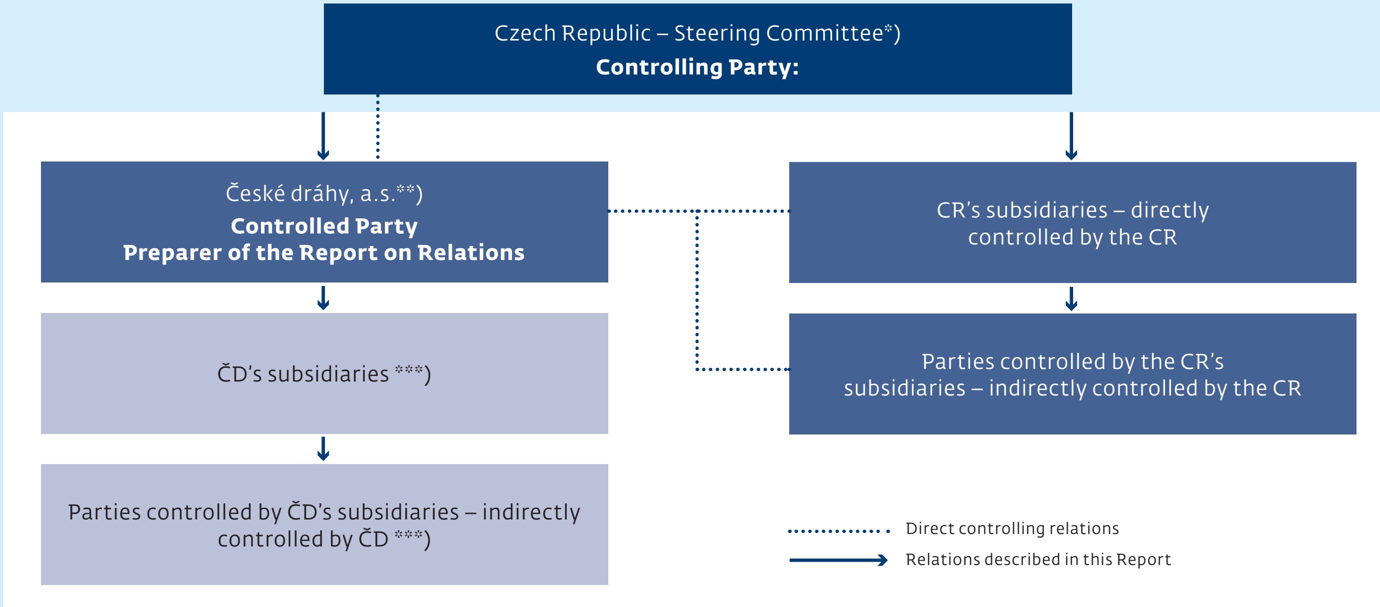
II. Methods and Means of Control
1) A directly controlled party is a corporation in which the State has a share of voting rights of at least 40% of all the votes in a given corporation, unless another party or other parties acting jointly have the same or bigger share of voting rights in a given corporation.

2) An indirectly controlled party is a corporation controlled by a party specified in paragraph 1).

The Report on Relations includes only those indirectly controlled parties of which the Company is aware according to the information available to the statutory body of the Company acting with due managerial care (see Attachment no. 1), and with which the Company established relations in the reporting period that are described in this Report on Relations.

The Company's Board of Directors declares that it identified the relations between the Company and the State and between the Company and relevant indirectly controlled parties, and described these relations in the Report on Relations.

III. The Structure of Relations between the Company and the State and the Parties Controlled by the State



*) Pursuant to Act No. 77/2002 Coll., on České dráhy, a.s. and Správa železnic, státní organizace (Czech railways, joint-stock company and Railway Transport Route Administration, state organisation) and amending Act No. 266/1994 Coll., On railways, as amended, and Act No. 77/1997 Coll. , on a state organization, as amended (hereinafter referred to as the "Act on the Joint-Stock Company České dráhy, a.s."), the Czech Republic exercises the rights of a shareholder in the Company through the Company's Steering Committee. The Steering Committee comprises of the relevant employees of the Ministry of Transport (three members), the Ministry of Finance (one member), The Ministry of Defence (one member), the Ministry of Industry and Trade (one member) and the Ministry of Regional Development (one member), authorised by the Government in writing.

**) In the structure of relations of the parties controlled by the Czech Republic, České dráhy, a.s. fulfils the role of the national railway carrier in terms of Section 8, 9 and 17 of Act No. 77/2002 Coll., on the Joint-Stock Company České dráhy, a.s.").

***) The Board of Directors of ČD presents the list of all subsidiaries in relation to České dráhy, a.s. within the Report on Relations (see Attachment no. 1)

The list of subsidiaries which concluded mutual contracts with České dráhy, a.s., valid in 2021:

CR-City a.s.
ČD - Informační Systémy, a.s.
ČD - Telematika a.s.
ČD Cargo, a.s.
ČD Reality a.s.
ČD Restaurant, a.s.
ČD Travel, s.r.o.

Dopravní vzdělávací institut, a.s.
DPOV, a.s.
JLV, a.s.
Masaryk Station Development, a.s.
RailReal a.s.
Výzkumný Ústav Železniční, a.s.
Žižkov Station Development, a.s.

Relations between ČD and each of the subsidiaries listed above are presented individually in the Reports on Relations between the Controlling Party and the Controlled Party and between the Controlled Party and Parties Controlled by the Same Controlling Party for 2021 submitted separately by each of these subsidiaries.

IV. Mutual contracts between the Company and the State or the Company and Parties Indirectly Controlled by the same Controlling Party (the Czech Republic)

This list below outlines the contracts concluded between the Company and the State and the Company and its parties indirectly controlled by the same Cotnrolling party that were valid in 2021.

ČEPRO, a.s.	
Contract reference number	**Contract description**
4600016691	Supply of diesel fuel - service facility
4600017184	Extra-light fuel oil LTO-E 2020-2023
2657020017	Siding – lease of a plot of land Zeleneč
2927202209	Equipment - siding
2937706306	Lease of a plot of land no. 855/20
2967271207	Lease of a siding – plot of a land no.12, Nová Víska
2977408603	Lease of a plot of land Veselý nad Lužnicí
2977735207	Lease of a plot of land no. 3203/22, land register item no. 722120

ČEZ Distribuce, a. s.	
Contract reference number	**Contract description**
4600017609	Electricity supplies - Louny, Říční
4600018516	Relocation of distribution equipment
4501086149	Connection of a collection point
2927402414	1S44 powerhouse Olomouc
2927852807	Lease of a plot of land Ostrava
2947012007	Siding – lease of a plot of land Všestary
2647019520	Lease of a plot of land no. 1968/2 Chlumec nad Cidlinou
2657021221	Lease of a plot of land no. 999/66 Trhový Štěpánov

ČEZ ESCO, a.s.	
Contract reference number	**Contract description**
4500982292	241-ZAP OVA Electricity supplies – Osoblaha
4500899568	Electricity Borová u Poličky

ČEZ Korporátní služby, s.r.o.	
Contract reference number	**Contract description**
2657003018	Surface reservation for placement of 2 hydrogeologist wells

ČEZ Prodej, a.s.	
Contract reference number	**Contract description**
4600008450	Electricity supplies – Ústí nad Labem
4600008487	Electricity supplies Borová u Poličky
4600010444	Contract on joint services of electricity supplies
4600011357	Connection of sampling point
4600013585	Electricity supplies Svojšín 412061
4600013586	Electricity supplies Svojšín 412062
4600013835	Electricity supplies - Hlinsko
4600013836	Contract on joint services of electricity supplies

ČEZ Teplárenská, a.s.	
Contract reference number	**Contract description**
4600009554	Heat energy – Chomutov
4600009597	Heat energy – Hradiště UNL
4600009767	Heat energy – no. 68141501_1
4600010292	Heat energy – no. 68050003_1
4600013797	Heat energy – Trutnov
4600019493	Heat energy – no. 68050003_2
E296-OS-0015/12-A	Water and sewerage fees

ČEZ, a. s.	
Contract reference number	**Contract description**
4600008825	Water and sewerage fees
4600015237	Sales of drinking water ČD Kadaň Prunéřov
4501058286	Demineralized technical water
2937105107	Lease of a siding – plot of a land no. 2864/610
2937302207	Lease of property no. 4515/20 and 4177/23
2947007207	Lease of property no 311/21 siding Dvůr Kr./L.
2947007307	Plot of land no 1529 siding Poříčí u Trutnova
2667105020	Lease of a siding – Trmice no. 1493/1
2667105120	Lease of a siding – Bílina no. 2795
2977100708	Lease of a plot of land for siding

MARTIA a.s.	
Contract reference number	**Contract description**
4600012865	Management and maintenance of the boiler room - Chomutov

Ministry of Transport	
Contract reference number	**Contract description**
4600017864	Contract for the lease of commercial space
E060-59346/2015-O16	Ensuring transport services on line Brno-Břeclav-Olomouc
E057-55108/2019-O16	Ensuring transport services on line SVS-Ex2, R18
E057-58507/2019-O16	Ensuring nation-wide transport services
E057-58509/2019-O16	Ensuring transport services on line SVS R29
E060-58315/2020-O16	Ensuring transport services on line R27
E060-57544/2021-O16	Ensuring transport services on line R9
E060-57545/2021-O16	Ensuring transport services on line R10

SD - Kolejová doprava, a.s.	
Contract reference number	**Contract description**
E296-OS-0022/13-T	Heat and hot water supply
E296-OS-0026/13-A	Water, sewerage, storm water
2967105113	Lease of building no. 354 in Březno
2967346907	Lease of a siding in Chotějovice no. 224/6

Severočeské doly a.s.	
Contract reference number	**Contract description**
2667100215	Lease of a siding in Bílina no. 2251/1 and 2386

ENESA a.s.	
Contract reference number	**Contract description**
2637700119	Lease of a building no. 222 in Havlíčkův Brod
4600017272	Lighting reconstruction

V. Other relations

The Company received payments from the Ministry of Transport for the operation of long-distance rail transport in the amount of CZK 5,826 million in 2021. The Company made no other legal acts in the interest, or at the instigation of the Controlling party or its indirectly controlled parties that would involve assets exceeding in value 10% of the Company's equity, which is in amount of CZK 3,526 million according to the most recent financial statements as at 31 December 2020.

VI. Other information

Confidentiality of information: Confidential information comprises information and facts that are part of business secret and information that was designated as confidential by any party that is part of the structure of relations described in this Report on Relations. In addition, confidential information includes any business information that could, on its own or in connection with other information, cause damage to any party belonging to the structure of relations described in this Report on Relations. For this reason, the Report on Relations contains no information on the prices (or amounts) of construction work, supplies, services or the relevant volume of services.

VII. Declaration

All the above-specified contracts and amendments were concluded, and the performance and counter-performance were provided under arm's length conditions. No detriment occurred to the Company in the accounting period from the relations described in this Report on Relations nor other legal acts made in the interest, or at the instigation of the Controlling party or its controlled parties.

The statutory body states that the Company benefits notably from the relations described in this Report on Relations and that it is not aware of any disadvantages or significant risks arising to the Company from the relations described in this Report on Relations.

VIII. Conclusion

The Company's statutory body ensured preparation of the Report on Relations within the deadline stipulated by law. The Report on Relations was prepared to the best of the preparer's knowledge and belief, using available data and documents and taking all reasonable efforts. The scope of the Czech Republic's controlling relations was identified using the data provided by the shareholder. The Report was submitted for the review to the Supervisory Board which will provide its statement at the Company's Steering Committee.

Prague, 29 March 2022

Michal Kraus
Vice-Chairman of the Board
of Directors
České dráhy, a.s.

Jiří Ješeta
Member of the Board
of Directors
České dráhy, a.s.

Attachment 1

The list of the directly and indirectly controlled parties from 1 January 2021 to 31 December 2021

The name of the party	Identification Number	Share of state in %	Means of Control
Severočeské mlékárny, a.s. Teplice	48291749	40.78	Party directly controlled by the State.
MUFIS a.s.	60196696	49	Party directly controlled by the State.
Kongresové centrum Praha, a.s.	63080249	54.35	Party directly controlled by the State.
ČEZ, a. s.	45274649	69.78	Party directly controlled by the State.
ČEZ Distribuce, a. s.	24729035	100	Party indirectly controlled by the State through ČEZ, a. s.
ČEZ ESCO, a.s.	3592880	100	Party indirectly controlled by the State through ČEZ, a. s.
ČEZ Korporátní služby, s.r.o.	26206803	100	Party indirectly controlled by the State through ČEZ, a. s.
ČEZ Prodej, a.s.	27232433	100	Party indirectly controlled by the State through ČEZ, a. s.
ČEZ Teplárenská, a.s.	27309941	100	Party indirectly controlled by the State through ČEZ, a. s.
MARTIA a.s.	25006754	100	Party indirectly controlled by the State through ČEZ Teplárenská, a. s.
SD - Kolejová doprava, a.s.	25438107	100	Party indirectly controlled by the State through Severočeské doly a.s.
Severočeské doly a.s.	49901982	100	Party indirectly controlled by the State through ČEZ, a. s.
ENESA a.s.	27382052	100	Party indirectly controlled by the State through ČEZ ESCO, a.s.
Česká exportní banka, a.s.	63078333	84	Party directly controlled by the State.
HOLDING KLADNO, a.s. v likvidaci	45144419	96.85	Party directly controlled by the State.
Exportní garanční a pojišťovací společnost, a. s.	45279314	100	Party directly controlled by the State.
ČEPRO, a.s.	60193531	100	Party directly controlled by the State.
Letiště Praha, a.s.	28244532	100	Party directly controlled by the State.
GALILEO REAL, k.s.	26175291	100	Party directly controlled by the State.
IMOB a.s.	60197901	100	Party directly controlled by the State.
MERO ČR, a.s.	60193468	100	Party directly controlled by the State.
PRISKO a.s.	46355901	100	Party directly controlled by the State.
THERMAL – F, a.s.	25401726	100	Party directly controlled by the State.
Výzkumný a zkušební letecký ústav, a.s.	10669	100	Party directly controlled by the State.

The name of the party	Identification Number	Share of state in %	Means of Control
Ministry of Transport	66003008	100	Party directly controlled by the State.
ČD - Telematika a.s.	61459445	100	Party indirectly controlled by the State through ČD, a.s.
Výzkumný Ústav Železniční, a.s.	27257258	100	Party indirectly controlled by the State through ČD, a.s.
DPOV, a.s.	27786331	100	Party indirectly controlled by the State through ČD, a.s.
ČD Cargo, a.s.	28196678	100	Party indirectly controlled by the State through ČD, a.s.
ČD - Informační Systémy, a.s.	24829871	100	Party indirectly controlled by the State through ČD, a.s.
Dopravní vzdělávací institut, a.s.	27378225	100	Party indirectly controlled by the State through ČD, a.s.
ČD travel, s.r.o.	27364976	51.72	Party indirectly controlled by the State through ČD, a.s.
Smíchov Station Development, a.s.	27244164	51	Party indirectly controlled by the State through ČD, a.s.
Žižkov Station Development, a.s.	28209915	51	Party indirectly controlled by the State through ČD, a.s.
Masaryk Station Development, a.s.	27185842	34	Party indirectly controlled by the State through ČD, a.s.
JLV, a.s.	45272298	38.79	Party indirectly controlled by the State through ČD, a.s.
CR-City a.s.	26705427	34	Party indirectly controlled by the State through ČD, a.s.
ČD Restaurant, a.s.	27881415	100	Party indirectly controlled by the State through ČD, a.s.
RailReal a.s.	26416581	66	Party indirectly controlled by the State through ČD, a.s.
ČD Reality a.s.	27195872	100	Party indirectly controlled by the State through ČD, a.s.

List of Used Abbreviations

Abbreviation	Description
AO	Audit authority
BOZP	Occupational health and safety
CAPEX	Investment (capital) expenditures
CAPM	Capital asset pricing model
CER	Community of European Railways
CIT	International Rail Transport Committee
ČD	České dráhy, a.s.
ČDC	ČD Cargo, a.s.
ČD-IS	ČD – Informační Systémy, a.s.
ČD-T	ČD – Telematika a.s.
ČNB	Czech National Bank
ČSN	Czech Technical Norm
ČSN EN	European norm
CSR	Corporate Social Responsibility
ČR	Czech Republic
DISOD	Dispatcher Information System for Passenger Transport
DPH	Value added tax
DPOV	Railway Rolling Stock Repair Works Company (DPOV, a.s.)
DVI	Transport Education Institute (Dopravní vzdělávací institut, a.s.)
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	European Commission

Abbreviation	Description
ETCS	European Train Control System
EU	European Union
EUROFIMA	European Company for the Rolling Stock Financing
Ex	Long-haul passenger train of the express category
GPS	Global position system
GŘ	General Directorate
GSM-R	Global System for Mobile Communication – Railway
HDP	Gross domestic product
IAS	International Accounting Standards
ICT	Information and Communication Technology
IDS	Integrated transportation system
IFRS	International Financial Reporting Standards
IS	Information system
ISO	International Organisation for Standardisation
IS OPT	Information system of the Shipping revenue centre
IT	Information technologies
JLV	Sleeping and dining car company (Jídelní a lůžkové vozy, a.s.)
JŘ	Train timetable
KASO	Complex application of rounds
KN	Land register
KPI	Key performance indicators
LV	Title deed

Abbreviation	Description
MT	Ministry of Transport of the Czech Republic
MF	Ministry of Finance of the Czech Republic
MIMO	Incident system of ČD
MISOP	Modernisation of passenger transport information systems
MRD	Ministry of Regional Development of the Czech Republic
MD	Ministry of Defence of the Czech Republic
MIT	Ministry of Industry and Trade of the Czech Republic
MU	Extraordinary event
NAD	Railway Replacement Bus Service
NNŽ	Žižkov freight railway station
NSS	Supreme Administrative Court
OCÚ	Regional Maintenance Centre
OPT	Shipping revenue centre
OSŽD	Organisation for Railway Cooperation
ÖBB	Österreichische Bundesbahnen
PARIS	Sales and reservation information system
PHM	Fuel
POP	Portable personal cash register
PROBIS	Operational business information system
PRIBOR	Prague Inter Bank Offered Rate
RIC	RegolamentoInternazionale delle Carrozze
ROP	EU Regional Operational Programme

Abbreviation	Description
RSM	Regional Asset Administrations
SAP	Bookkeeping system
SC	Passenger train category of highest quality (SuperCity)
SED	Electronic document review and approval
SOC	Security Operation Center
SJT	Uniform tariff system
SŽ	Railway Transport Route Administration, state organisation (Správa železnic, státní organizace, formerly SŽDC, a.s.)
TAČR	Telematics and Diagnostics Centre
TFEU	Treaty on the Functioning of the European Union
TPI	Infrastructure Technical Passport
UIC	International Union of Railways
UNIPOK	Cash register system for ČD personal transport
OPC	Office for Protection of Competition
VIK	Virtual In Karta Card
VIM	Vendor Invoice Management
Vlkm	Train kilometres (sum of train and distance trains)
VUZ	Railway Research Institute (Výzkumný Ústav Železniční, a.s.)
WACC	Weighted average cost of capital
ZK	Equity
ŽKV	Railway vehicles for passenger transport
ŽST	Railway station

Identification and Contact Information

Name of the company: České dráhy, a.s.

Registered office: Nábřeží L. Svobody 1222, 110 15 Prague 1

Corporate ID: 70994226

Tax ID: CZ70994226

Registration court: Prague

File no: Section B, file 8039

Telephone: 972 111 111

Fax: 972 232 498

E-mail: info@cd.cz, info@cdcargo.cz

---

www.cd.cz, www.ceskedrahy.cz, www.cdcargo.cz, www.cdvuz.cz,
www.dpov.cz, www.cdt.cz, www.jlv.cz

České dráhy
National carrier