INTERIM REPORT ČESKÉ DRÁHY GROUP

2012

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2012

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1 Responsibility for the Interim Report of the ČD Group

DECLARATION

The persons responsible for preparing the Interim Report of the ČD Group, including the interim consolidated financial statements, declare that, to the best of their knowledge, this report gives a true and fair view of the financial position of České dráhy, a.s. and its subsidiaries as of 30 June 2012, and its financial performance and cash flows for the six months then ended.

In Prague on 31 August 2012

Petr Žaluda
Chairman of the Board of Directors
České dráhy, a.s.

This report was not audited.

2 Key Interim Indicators for the ČD Group

KEY INDICATORS FINANCIAL INDICATORS UNDER CONSOLIDATED IFRS (CZK MILLION)	JAN–JUN 2012	JAN–JUN 2011	DIFFERENCE	%
ČD Group				
EBITDA (from the continuing operations)	2,908	2,946	-38	99
EBIT (from the continuing operations)	26	155	-129	17
Profit or loss for the period	-494	-109	-385	n/a
Total assets	82,526	83,079	-553	99
CAPEX	4,843	2,908	1,935	167
Depreciation and amortisation	2,882	2,790	92	103
Indebtedness (%) – liabilities/assets	49	50	-1	98
Current liquidity (%) – current assets/current liabilities	39	68	-29	57
ROCE (%) – EBIT/(total assets – current liabilities)	0,0	0,2	-0,2	0
Average recalculated number of employees	26,417	36,511	-10,094	72
Passenger transportation (ČD, a.s.)				
Transportation performance (millions of passenger-kilometres)	3,387	3,247	140	104
Traffic performance (millions of train-kilometres)	61	61	0	0
Average transportation distance (km)	40	39	1	103
Occupancy ratio (%)	24	24	0	0
Freight transportation (ČD Cargo, a.s.)				
Transportation volume (millions of tonnes)	37	40	-3	93
Transportation performance (millions of tariff tonne-kilometres)	6,664	7,016	-352	95
Train performance (millions of train-kilometres)	13	13	0	0
Average transportation distance (km)	180	175	5	103
DPOV, a.s.				
SOP – Average actual time of repair (days)	86.41	71.61	14.8	121
ODKP – Average time of repair commissional (days)	81.10	72.26	8.84	112
Weighted average from (SOP) – (ODKP)	2.59	-0.65	3.24	n/a

3 Opening Statement from the Chairman of the Board of Directors

Ladies and Gentlemen, Dear Colleagues,

We are presenting you with the interim report of the České dráhy Group for the first half of 2012. While the railway transport was negatively impacted by a slight decline in the performance of the Czech economy in this period, the growth of input prices and the weakening of the Czech crown in mid-2012, the ČD Group managed to maintain a solid economic result. Specifically important is the increase in revenues, primarily from sales in passenger transportation. This naturally allows us to invest in the renovation of vehicles. In respect of the passenger transport, investments doubled year-on-year in mid-year.

According to International Financial Reporting Standards (IFRS), the ČD Group reported a total operating revenues higher by CZK 1 billion year-on-year. Sales from principal activities increased by CZK 192 million, other operating income increased by CZK 811 million.

With regard to the increase in sales, the highest increase was reported in passenger transport, where concurrently the number of passengers increased by 2.8 million year-on-year. This trend is apparent primarily in suburban and long-distance transport. This is undoubtedly the result of the continuing modernisation of the rolling stock, the gradual improvement in services and an active business policy.

By contrast, freight transport reported a year-on-year decline in total transportation performance. There is a lower demand for black and brown coal, coke, iron ore and scrap as a result of reduced industrial and construction production. On the other hand, the transportation of cars, grain and food products increases.

Thanks to higher revenues and internal savings of the companies within the ČD Group, the operating earnings before tax and depreciation (EBITDA) remained at a comparable level year-on-year and amounted to CZK 2,908 billion.

The increase in the net loss of the ČD Group to CZK 494 million in mid-year was based primarily on the increase in the price of inputs, the weakening of the Czech crown and the increase in interest expenses. However, given the growing revenues of the ČD Group and the accelerated sale of redundant assets, I anticipate that we will reverse this decline in the latter half of the year and we will achieve at least comparable economic results at the end of the year as in the prior year.

Petr Žaluda
Chairman of the Board of Directors
České dráhy, a.s.

4 Principal Events in the First Half of 2012

January 2012

In January 2012, ČD and Pars nova a.s. signed a contract for modernising 40 passenger vehicles for long-distance transportation for almost CZK 700 million. The modernised vehicles will offer a more comfortable travel in a new air-conditioned interior with a speed of 160 km/h on long-distance lines, primarily in the EC/IC trains.

February 2012

ČD put the five hundredth air-conditioned vehicle into operation. Half of the air-conditioned vehicles operate in regional transportation.

ČD started to furnish 197 locomotives with radio equipment intended for the communication in the GSM – R system according to the European EIRENE (TSI Management and security) standard. The furnishing of locomotives with the radio equipment is the subject of the "GSM-R ČD Cargo radio stations" project with the funding from the EU Cohesion Fund under the Transportation operational programme, priority axe Modernisation and development of railway network TEN-T, area of support 1.2. – Interoperability on existing railways, compliance with Technical specifications for interoperability (TSI) and development of telematic systems (non-infrastructural part).

March 2012

Subsequent to the roll-out in November 2011, ČD and ŠKODA VAGONKA a.s. introduced an entirely new group of regional electrical RegioPanter 440/640/650 series trains in March 2012. Modern regional units will offer comfortable travel to clients in the Pardubice, Hradec Králové, Ústí nad Labem and Olomouc regions.

April 2012

Representatives of ČD and PKP Intercity signed a memorandum on cooperation. Both parties declared a common intent to improve transportation offering and services including their promotion.

May 2012

Since 1 May, ČD has offered a new transportation via connecting bus line for travellers from Frýdek-Místek to Hranice na Moravě and back. The objective of the project is to extend the offer to passengers from places where the railway infrastructure does not allow for a faster and more comfortable connection with, eg the capital. A new bus line has a two-hour interval and provides a transfer to long-distance connections at the Hranice na Moravě station to and from Prague. ČD operate the bus connection at its own commercial risk.

ČD has successfully finished the investment project of the "Equipment of 600 railway cars with GSM – R radio stations" in line with the Conventional Rail Technical Specifications for Interoperability TSI-CCS class A. The equipment of railway cars is in line with the conditions of the Czech railway system, which is applied by the National implementation plan ERTMS.

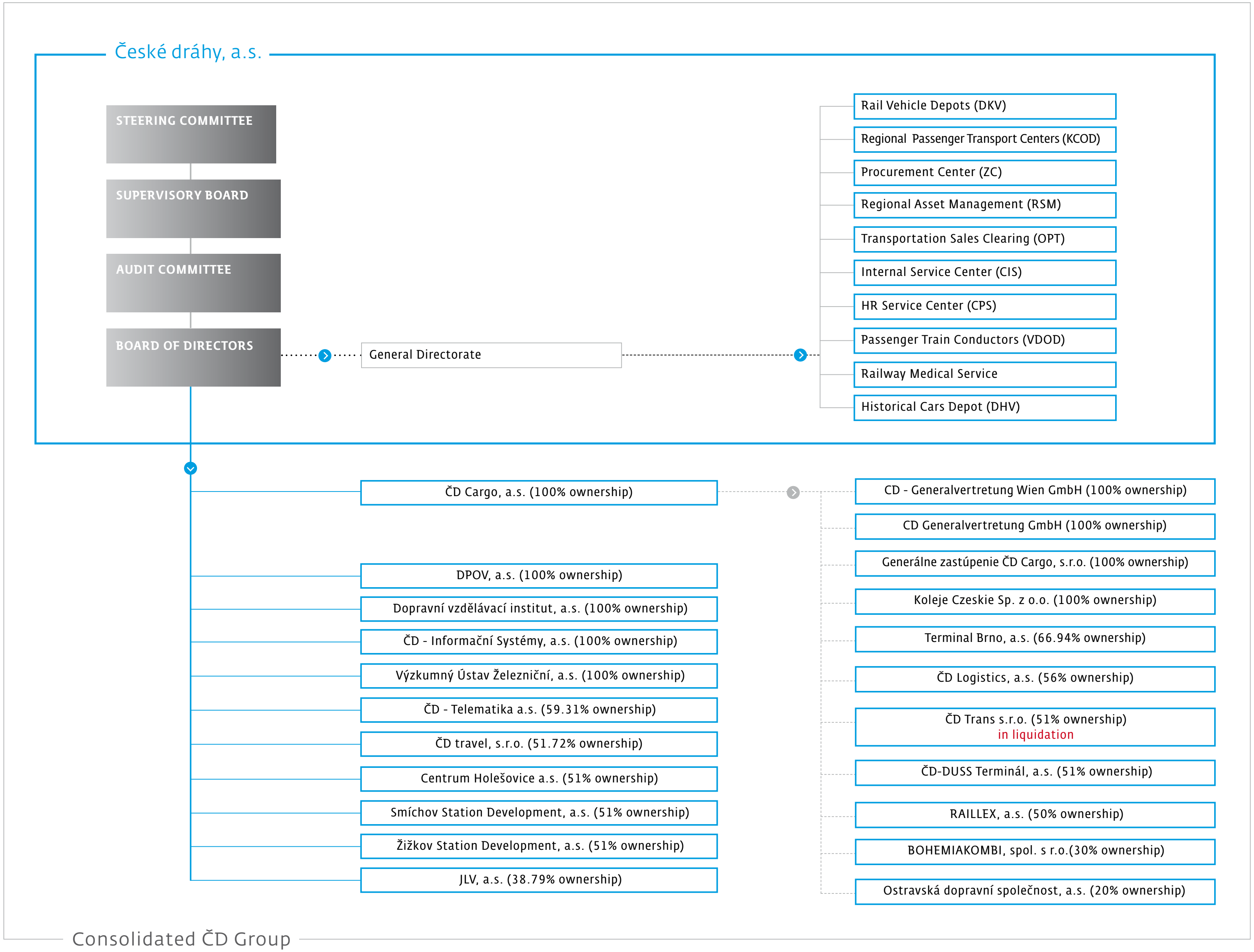
June 2012

ČD and the Polish company PESA introduced a new, regional, motor LINK II train of 844 series named RegioShark. Modern regional 844 units will offer comfortable travel to clients in the Plzeň, Karlovy Vary, Ústí nad Labem and Zlín regions.

In June 2012, a partial renovation of the main train station building in Plzeň, which took approximately one year, was completed.

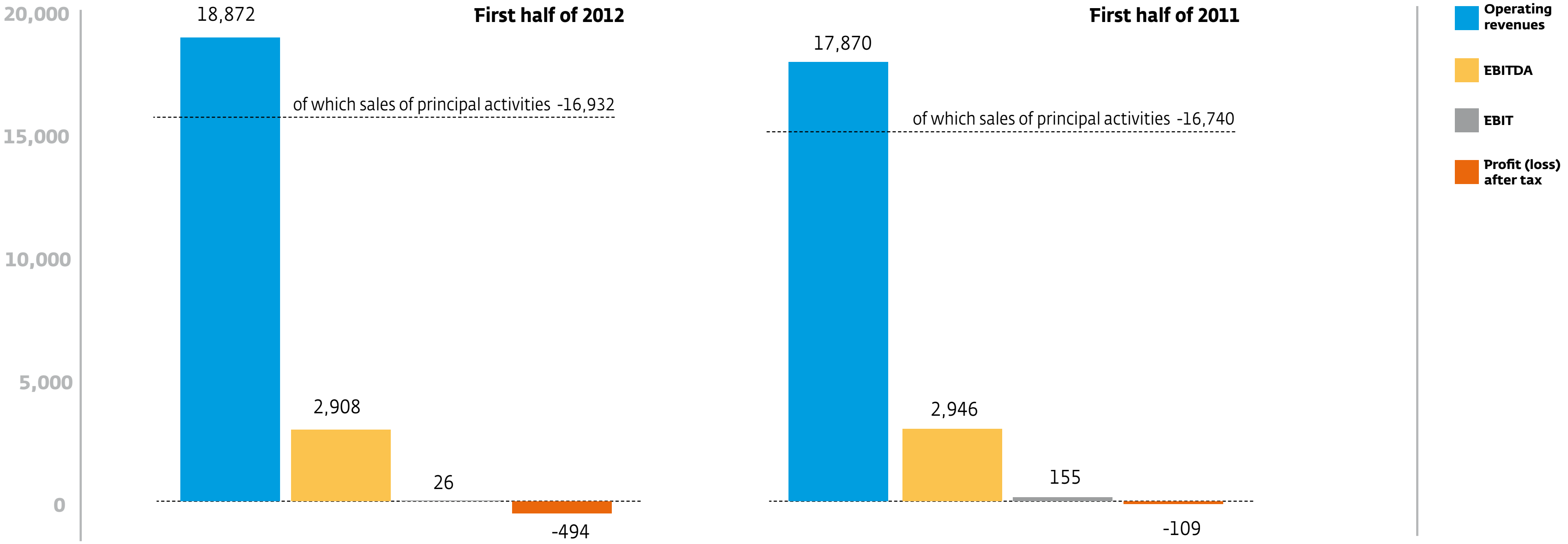
5 Organisational Structure of the ČD Group

as of June 2012



6 Business Results of the ČD Group

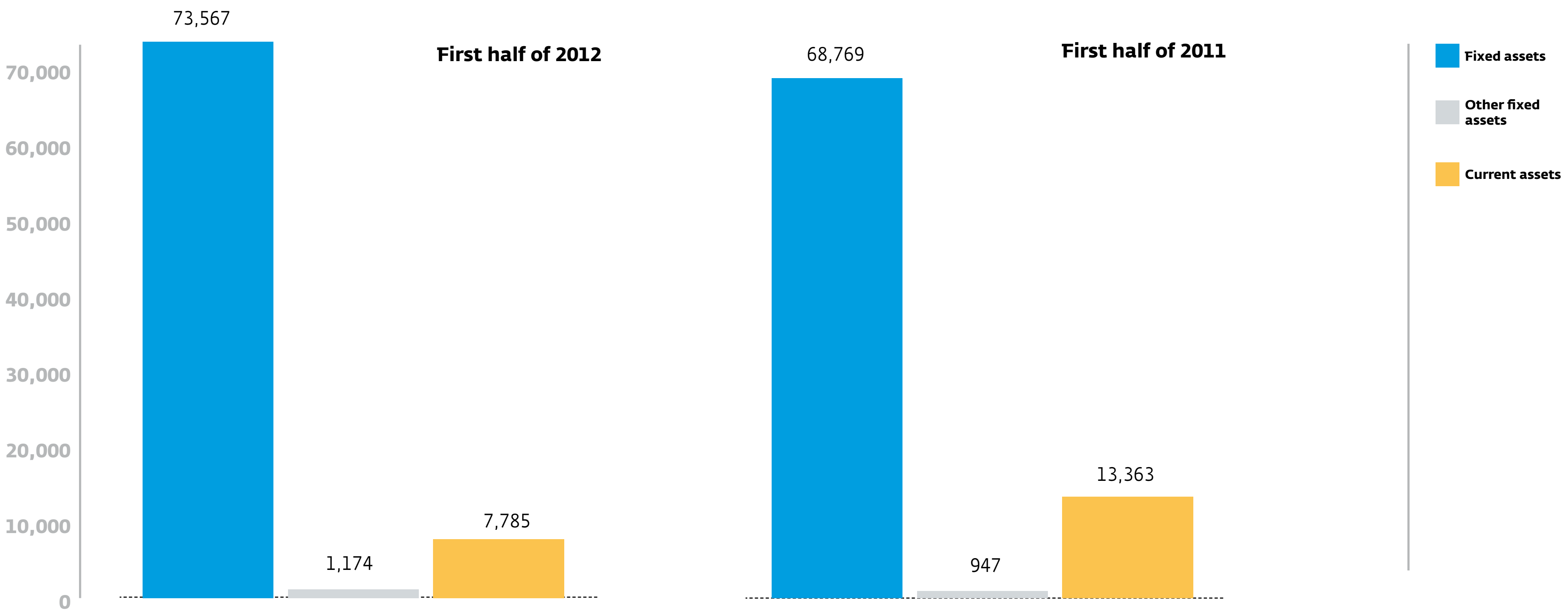
ČD Group



The ČD Group's total operating revenues increased by CZK 1 billion (5.6%) year-on-year, of which sales of principal activities increased by CZK 192 million (1.1%) year-on-year and other operating income increased by CZK 811 million (72%). The Group records an increase in sales, primarily in passenger transportation in sales of domestic and international transportation. The increase in other operating income is due to the reflected enlargement of the consolidation group to include four new entities with the total effect on the increase in sales of CZK 326 million and an increase in sales of the existing consolidated companies of CZK 485 million, primarily ČD – Telematika a.s. The EBITDA indicator was on a similar level as in the last year (a slight decline of CZK 38 million). The decline is primarily due to higher costs of purchased consumables and services, mainly traction energy and diesel. The EBIT indicator is lower by CZK 129 million year-on-year primarily owing to the increase in depreciation arising from the continuing renewal of the rolling stock.

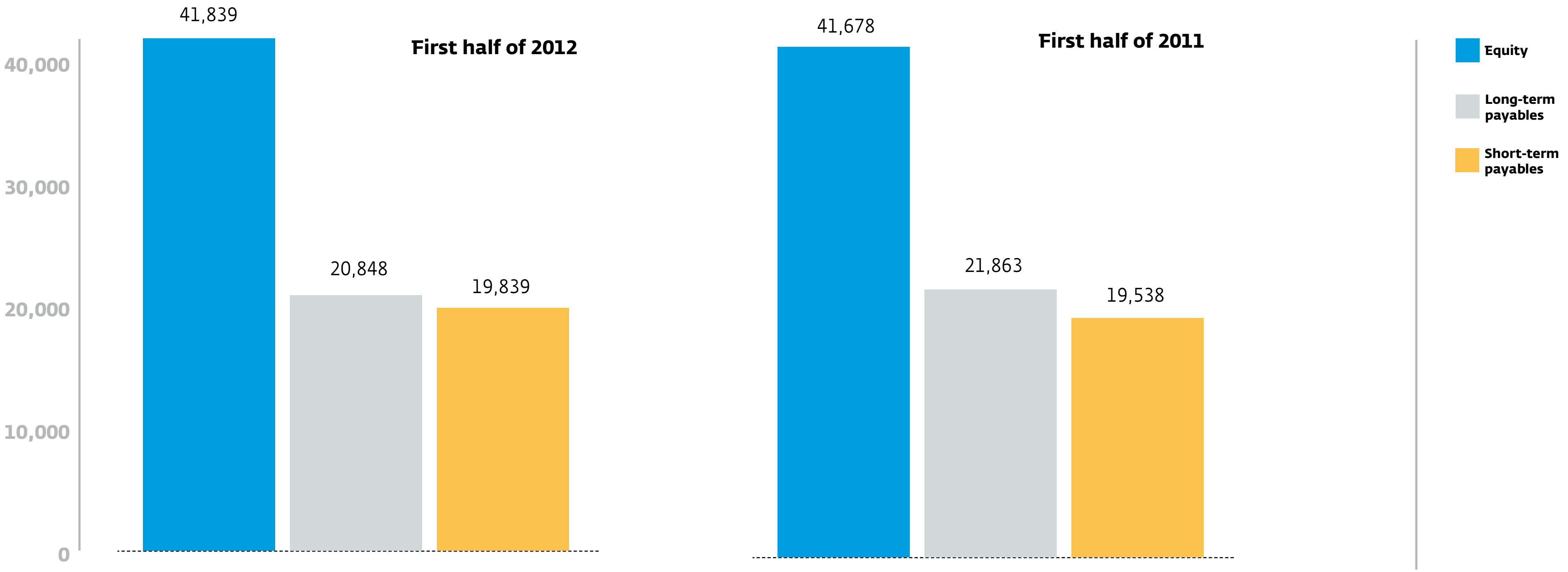
Given the decline in operating profit, higher costs of group funding which are particularly connected with the renewal of rolling stock, and due to foreign exchange rate losses, the Group incurred a loss of CZK 494 million.

Structure of Assets



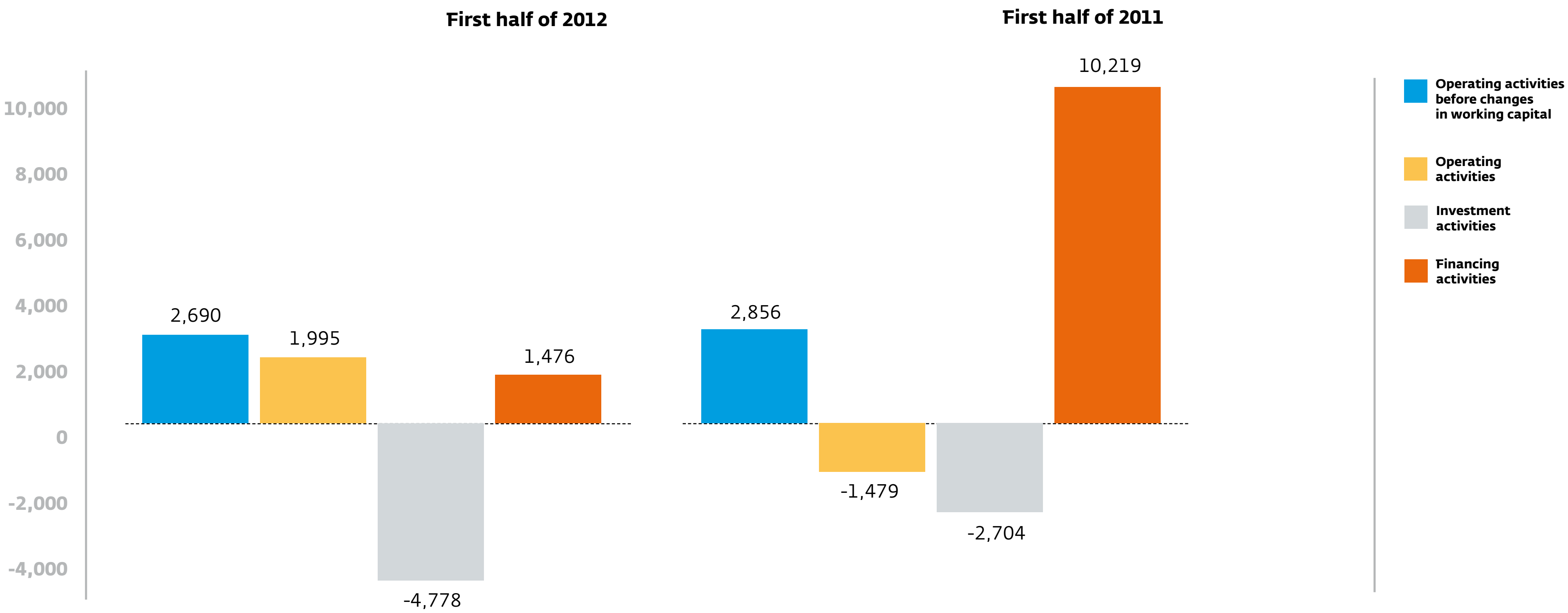
Total assets decreased by CZK 553 million year-on-year. While fixed assets increased year-on-year by almost CZK 5 billion due to continuing investments in the rolling stock, the share of current assets decreased by CZK 5.6 billion year-on-year. This decrease is attributable to the gradual use of the proceeds from the bonds that were issued in June 2011 for investments with the objective of funding the continuing process of the rolling stock renewal.

Structure of Liabilities



The liabilities structure saw no significant changes. Principal changes include the reclassification of bonds maturing at the end of 2012 from long-term payables to short-term payables. The share of total payables to equity remains on a safe level.

Cash Flows



There were no significant year-on-year changes in cash flows from operating activities before changes in working capital. The positive development on the level of cash flows from operating activities reflects the development in working capital when the last year was impacted by a significant decline in payables.

The increase in investment activities was reflected in the development of the cash flow from investment activities amounting to CZK 4.8 billion. Investments were funded partially from the issue of Eurobonds which was placed in June 2011.

Cash flows from financing activities were impacted by a significantly lower use of liabilities than in the comparable period of the last year.

6.1 Results of Segments of Principal Activities

[CZK MILLION]		PASSENGER TRANSPORTATION	MANAGEMENT OF OPERATIONS*	ADMINISTRATION OF ASSETS	FREIGHT TRANSPORTATION***	OTHER	ELIMINATION AND RECONCILIATION	TOTAL
Sales from principal activities	First half of 2012	9,618	–	0	8,012	3	-701	16,932
	First half of 2011	9,471**	2,458	0	7,325	0	-2,514	16,740
Purchased consumables	First half of 2012	-5,087	–	-261	-5,311	-1,697	2,904	-9,452
	First half of 2011	-5,055	-128	-303	-4,260	-1,163	2,419	-8,490
Staff costs	First half of 2012	-3,331	–	-132	-2,201	-706	43	-6,327
	First half of 2011	-3,335	-2,105	-131	-2,160	-695	2,112	-6,314
EBITDA from continuing operations	**First half of 2012**	**860**	**–**	**81**	**777**	**319**	**870**	**2,908**
	First half of 2011	**828**	**78**	**99**	**753**	**208**	**980**	**2,946**
Depreciation and amortisation	First half of 2012	-987	–	-110	-673	-150	-962	-2,882
	First half of 2011	-917	-21	-120	-635	-156	-941	-2,790
EBIT from continuing operations	**First half of 2012**	**-127**	**–**	**-29**	**104**	**169**	**-92**	**26**
	First half of 2011	**-89**	**57**	**-21**	**118**	**52**	**39**	**155**
Profit (loss) for the period	**First half of 2012**	**-259**	**–**	**-23**	**46**	**211**	**-469**	**-494**
	First half of 2011	**-21**	**64**	**-17**	**54**	**98**	**-287**	**-109**

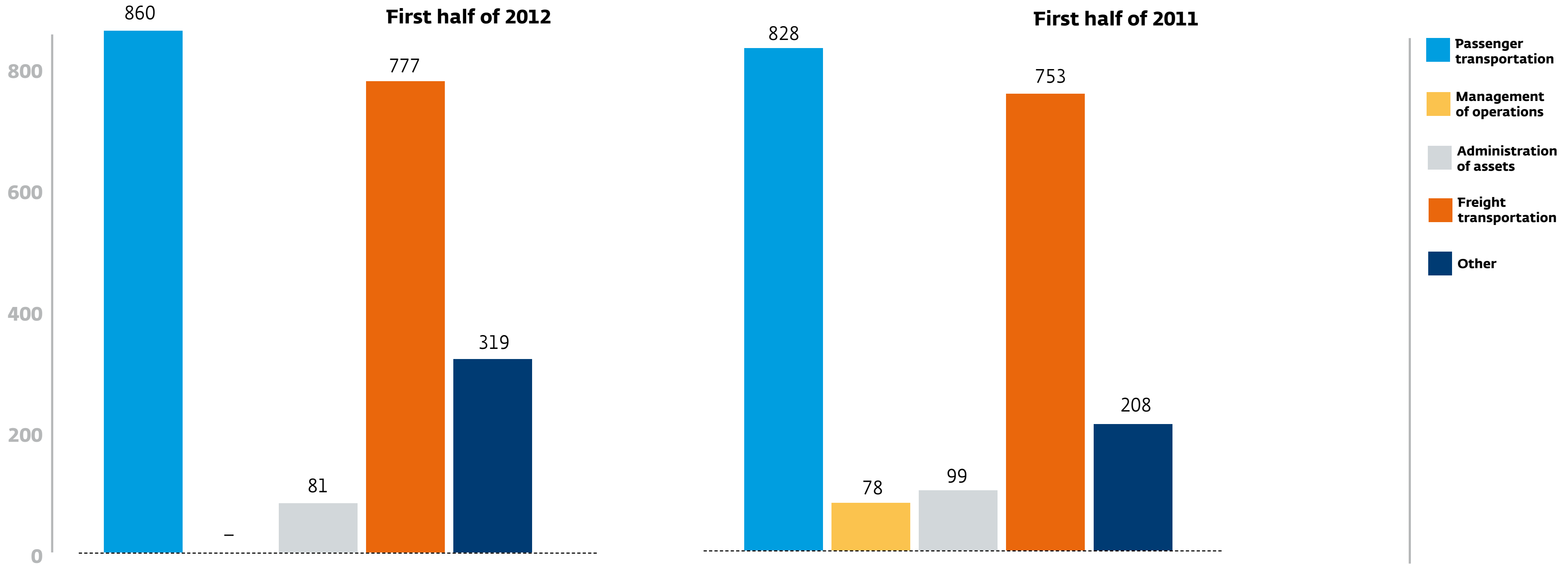
The segment statement includes the unconsolidated figures prepared in accordance with Czech accounting regulations as the Group's management monitors the operations of all segments on this basis. Consolidation adjustments and IFRS adjustments are made in the elimination and reconciliation columns. These predominantly include the elimination of gains from the sales of fixed assets in the Group and IFRS adjustments in the presentation and measurement of non-current assets.

* Management of operations – ČD provided these activities to SŽDC till 31 August 2011.

** In 2011, the parent company changed the methodology of reporting the internal segments. For this reason, the data in 'Passenger transportation' were reclassified as of 30 June 2011 in order to be comparable with the year 2012.

*** The results for the first half of 2012 are impacted by newly consolidated companies within ČD Cargo.

EBITDA Indicator by Segment



Note: Results for the first half of 2012 are impacted by newly consolidated companies within ČD Cargo.

▸ 6.1.1 Passenger Transportation

The results in the first half of 2012 are slightly better in terms of EBITDA by approximately 4% on a year-on-year basis.

The revenues from principal operating activities increased by 1.6% year-on-year. The increase was due to the sales from the domestic transportation which increased by 1.7% year-on-year and sales from international transportation which increased by 4.2%. Compensations from the state and regions increased only by 1% year-on-year due to their stagnation in long-distance transportation.

In international transportation, both sales generated in the Czech Republic (+CZK 18.9 million) and sales generated abroad (+CZK 4.5 million) significantly increased due to a higher number of foreign tourists travelling to the Czech Republic. In passenger transportation, the number of transported passengers increased by 2.8 million year-on-year. The passenger transportation increased with the great help of the continuing modernisation of the rolling stock and an active tariff policy focusing on strengthening ČD's position in the long-distance transportation which resulted in a significant increase in the number of passengers in the long-distance transporation, primarily on the line between Prague and Brno. The increase in sales was also due to the organisation of the European Football Championship in Poland when the passenger transportation generated sales from fares for the operation of special trains in May and June when the sales increased by CZK 2.6 million. As compared to the prior year, the fees for the prolongation of rail passes were increased.

The year-on-year costs of consumed fuel and services increased by CZK 32 million (0.6%). The increase was mainly due to the increase in the costs of traction fuel and energy (of CZK 124 million, 8.8%) which increased owing to the increase in the prices of electricity (of CZK 245.77 for 1MWh) and diesel (of CZK 1.45/litre), and the increase in costs due to the increase in payments for the leaseback for the modernisation of 19 motor 750 series locomotives and 58 passenger vehicles for long-distance transportation (of CZK 49 million, 25%). On the other hand, these increases were compensated for by the decrease in the costs of repair and maintenance of railway vehicles of CZK 124 million (17.3%) which were reduced thanks to more advantageous tendered long-term contracts with suppliers where ČD managed to obtain lower unit prices for repairs of vehicles.

As a result of continuing investments in the renewal of the rolling stock which almost doubled year-on-year, the depreciation increased by CZK 70 million (7.6%) year-on-year.

▸ 6.1.2 Freight Transportation

Despite the generally negative development of the road, railway, water and air freight transportation in the Czech Republic, the result of the railway freight transportation segment increased, in terms of EBITDA, by 3.2%.

The decrease in the total performance of all freight transportation in the Czech Republic was negatively reflected in the transportation performance of ČD Cargo which transported by 3 million tonnes (7.5%) less than for the same period of 2011. ČD Cargo was mostly impacted by the decline in the industrial and construction production and the resulting decline in demand for black and brown coal, coke, iron ore and scrap commodities. The most significant decline was reported by the key brown coal commodity where ČD Cargo transported by 22% tonnes of goods less year-on-year.

On the other hand, this development is compensated for by the increase in the automotive commodity which increased by 18% year-on-year. Its positive development is primarily due to permanently growing production of cars in the Czech Republic and neighbouring countries, primarily Slovakia. Other commodities which reported a year-on-year increase include the transportation of grains and food products – an increase of 39% and combined transportation which reports a 6% increase.

▸ 6.1.3 Administration of Assets

In the first half of 2012, ČD finalised construction changes (both repairs and investments) for approximately CZK 156 million.

In design preparation, ČD focused, inter alia, on the accelerated preparation of common projects with cities and towns for renovations of train station buildings, including improvements in the areas in front of train stations and construction of change terminals in order to obtain subsidies from the Regional Operational Programmes.

COMMERCIAL SALES OF REDUNDANT ASSETS

As of 30 June 2012, 114 cases were sold with the achieved sales of CZK 141.42 million.

PACKAGE SALE OF REDUNDANT ASSETS

During the second quarter of 2012, ČD successfully completed the preparatory phase of the Sale of Redundant Assets through Package Sale project through the conclusion of the contract with the winner of the tender for the advisor. In addition, ČD started the implementation phase of the project and first sales are anticipated to be made in the first half of 2013.

6.2 Investments

▸ 6.2.1 Passenger Transport

[CZK MILLION]

	REGIONAL TRANSPORTATION	LONG-DISTANCE TRANSPORTATION	COMMERCIAL TRANSPORTATION	TOTAL
Investments in railway vehicles		First half of 2012		
New railway vehicles	1,144	44	9	**2,969**
Renovation of railway vehicles	1,526	245	1	
Investments in railway vehicles		First half of 2011		
New railway vehicles	1,386	54	0,5	**1,743**
Renovation of railway vehicles	221	81	0	

Investments in railway vehicles largely comprising the modernisation of existing vehicles and purchase of new vehicles amounted to almost CZK 3 billion in the first half of 2012. Investments are financed using both own funds and external funds, primarily the funds obtained from the issue of bonds placed in June 2011.

REGIONAL TRANSPORT

In the first half of 2012, ČD invested CZK 2,706 million in the purchase of new vehicles and modernisation and renovation of railway vehicles for regional transportation. The year-on-year increase in invested funds accounts for more than 68%. 13 modernised motor vehicles of 842 series, 17 modernised control vehicles of 961 series and 12 modernised vehicles of 053 and 054 series were supplied which are partially used in the long-distance transportation. In addition, 20 modernised Regionova two-vehicle units and eight RegioShuttle (RS1) new motor vehicles were supplied.

LONG-DISTANCE TRANSPORT

ČD invested CZK 289 million in the long-distance transportation in the first half of 2012 which was a year-on-year increase of 114% in investments in the long-distance transport. Three modernised catering vehicles and 17 revitalised passenger vehicles were supplied.

COMMERCIAL TRANSPORT

Commercial transport predominantly includes the operation of the SC, IC, EC category trains and some other activities, such as the lease of historical and special trains. As compared to the prior year, ČD made investments in commercial transport of CZK 10 million in the first half of 2012.

INVESTMENTS RELATED TO THE ROLLING STOCK

Other investments included modernisation of electrical locomotives as part of periodical repairs and modernisation of railway vehicles and their construction units in relation to increasing the reliability and safety. These investments were reflected both in regional and long-distance transportation.

In other investments, a predominant part of locomotives and electrical and motor units in the regional and long-distance transport were equipped with the GSM-R radio-stations which is an international standard of wireless communication for railway applications in the European railway transportation system. Pendolino vehicles used in the commercial transport were equipped with WiFi technology.

In the regional and long-distance transport, ČD invested in the modification of vehicles designed to improve the culture of travelling.

OTHER INVESTMENTS

[CZK MILLION]

OSTATNÍ INVESTICE	FIRST HALF OF 2012	FIRST HALF OF 2011
Construction	126	93
Other (ICT and operating needs)	91	29
Total	**217**	**122**

▸ 6.2.2 Freight Transportation

Similarly, ČD Cargo's investments in the first half of 2012 primarily focused on the renewal of the rolling stock. Modernisations and renovations together with component repairs of traction vehicles and freight vehicles accounted for almost 97% of investments for the first half of 2012 in the aggregate volume of CZK 1,065 million.

[CZK MILLION]

INVESTMENTS IN RAILWAY VEHICLES	FIRST HALF OF 2012	FIRST HALF OF 2011
New railway vehicles	0	0
Renovation of railway vehicles	773*	72
Inspection repairs	257	346
Total	**1,030**	**418**

* including the modernisation of 11 traction vehicles of 363.5 series

OTHER INVESTMENTS

[CZK MILLION]

OTHER INVESTMENTS	FIRST HALF OF 2012	FIRST HALF OF 2011
Construction	19	19
Other	16	31
Total	**35**	**50**

Other investments primarily focused on construction adjustments, acquisition of handling technology and modernisation and development of IT technologies. In the first half of 2012 ČD implemented 30% of the planned annual volume of investments.

7 Changes in Equity Investments of the ČD Group

On 29 February 2012, 67,269 shares of ČDT – Informační Systémy, a.s. were purchased for the aggregate price of CZK 121,880,000. This investment was purchased by České dráhy, a.s. from its subsidiary ČD – Telematika a.s. The purchased shares accounted for 100% of the share capital of ČDT – Informační Systémy, a.s. The transfer process was subsequently completed by the registration of the change in the shareholder of ČDT – IS in the list of shareholders which was made on the same date.

On 18 April 2012, ČDT – Informační Systémy, a.s. was renamed to ČD – Informační Systémy, a.s. pursuant to the resolution of ČD, a.s. as the sole shareholder.

8 Internal Management of the ČD Group

HOLDING STRUCTURE AND SUPPORT ACTIVITIES CENTRALISATION PROJECT

ČD's management is currently preparing for the planned introduction of a holding structure. For this reason, the Board of Directors of ČD appointed holding managers, all of them are employees of the ČD Group, and this appointment extended their authorities. Since 1 April 2012, the managers have been responsible for preparing and creating the holding structure in their segments. As of the same date, a group for the support of the holding management was established and was integrated into ČD's existing organisational structure. In the same period and for the same reason, the Support Activities Centralisation programme was initiated. In the holding structure, subsidiaries are intended for key areas that will focus on their principal activities – passenger transportation, freight transportation and stations and service. The support activities will be provided for the companies within the holding centrally which will allow, among other things, for more effective and standardised activities. The proposed operating model is based on standard practice rules for individual areas and group of companies as a whole. Activities that will be managed at the holding level include investments, treasury, controlling, central procurement and logistics, compliance, internal audit and risk management. Other activities, primarily transactional, will be shared by ČD for all companies in the holding - this relates specifically to accounting, IT, payroll administration, operating procurement and HR management. The preparation for the holding is part of České dráhy's broader strategy of ensuring a fair competition with competitors on the increasingly liberalised railway market. By implementing the steps referred to above, ČD's management anticipates an increased use of the ČD Group's strength, effectiveness and a unified strategy on both local and international markets.

RISK MANAGEMENT

In risk management, the pilot operation of IT/SW support for Risk Management (eRisk project) in the ČD Group was successfully implemented in the first half of 2012. The creation and testing of a new eRisk application created quality assumptions for a modern and unified risk management system in all entities of the ČD Group. The bringing of risk management procedures and processes into line in individual entities was also markedly supported by the creation of a new system of education of the owners and analysts of risks through e-learning techniques in the eRisk application. As part of the Support Activities Centralisation in the ČD Group project, synergistic effects were utilised – common funding of the eRisk project by all companies in the ČD Group. The pilot operation of the eRisk application created assumptions for further enhancing the quality of regular reporting to top bodies of the company on the risk position of all subsidiaries and consolidation of the risk position of the ČD Group as a whole. Assumptions were created for completing the implementation of the active risk management in the ČD Group with the principal objective of actively mitigating the negative impact of identified risks on the result of operations for 2012.

PERIODICAL REPAIRS OF RAILWAY VEHICLES

ČD concluded contracts for the maintenance of individual types of vehicles ranging from locomotives to various types of railway cars with seven suppliers. As part of these contracts, suppliers will provide a higher scope of maintenance – "periodical repairs" which are determined for individual vehicles usually after a certain mileage. As compared to prior periods, these contracts resulted in approximately CZK 1.2 billion in savings for ČD.

9 Employees

During the first half of 2012, the ČD Group recorded the recalculated number of employees of 26,417, ie a year-on-year decrease of 28% (from 36,511). The year-on-year decline in the number of employees was primarily due to the sale of part of ČD's business to SŽDC s.o. when 9,326 employees were transferred to SŽDC as a result of this sale.

In addition, the Company continued implementing its saving measures, following up with the trend initiated in the prior year. A predominant part of employees discontinued their employment by agreement either due to the claim for old-age pension, loss of health capability or due to redundancy. Employees were dismissed across all categories, ie both in employees providing for operations and administrative employees. The main reason for the decrease in the employment is rationalisation measures resulting from changes in the train transport flow chart, use of synergistic effects in the Group, optimisation of administrative activities and increase in work productivity.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10 Interim Consolidated Financial Statements for the Six Months Ended 30 June 2012

INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 30 JUNE 2012

	30 June 2012 CZK thousand (unaudited)	31 Dec 2011 CZK thousand (audited)	30 June 2011 CZK thousand (unaudited)
Property, plant and equipment	70,906,415	69,682,502	66,065,433
Investment property	2,160,443	2,095,000	2,213,259
Intangible assets	500,668	567,896	490,634
Investments in joint ventures and associates	169,856	161,040	120,742
Deferred tax asset	8,013	0	0
Trade receivables	4,876	6,577	8,320
Other financial assets	872,391	947,075	633,100
Other assets	118,547	118,326	184,745
Total non-current assets	**74,741,209**	**73,578,416**	**69,716,233**
Inventories	1,164,483	1,130,194	1,286,072
Trade receivables	3,376,024	3,550,338	3,038,705
Tax receivables	1,088	4,024	61,110
Other financial assets	230,724	270,835	200,476
Other assets	1,604,029	1,321,604	761,983
Cash and cash equivalents	1,230,871	2,538,315	6,755,449
Assets held for sale	178,007	217,879	1,259,357
Total current assets	**7,785,226**	**9,033,189**	**13,363,152**
TOTAL ASSETS	**82,526,435**	**82,611,605**	**83,079,385**

INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 30 JUNE 2012

	30 June 2012 CZK thousand (unaudited)	31 Dec 2011 CZK thousand (audited)	30 June 2011 CZK thousand (unaudited)
Share capital	20,000,000	20,000,000	20,000,000
Reserve and other funds	16,648,325	16,616,402	16,599,162
Retained earnings	4,290,373	4,817,974	4,233,541
Equity attributable to equity holders of the parent company	**40,938,698**	**41,434,376**	**40,832,703**
Non-controlling interests	900,738	866,849	844,840
Total equity	**41,839,436**	**42,301,225**	**41,677,543**
Loans and borrowings	19,403,661	20,197,402	20,375,889
Deferred tax liability	237,084	167,861	174,532
Provisions	257,972	221,480	469,680
Other financial liabilities	581,211	694,545	785,047
Other liabilities	368,337	381,498	58,456
Total non-current payables	**20,848,265**	**21,662,786**	**21,863,604**
Trade payables	6,903,378	7,606,527	6,520,279
Loans and borrowings	8,362,545	6,194,071	8,242,587
Tax payables	41,295	21,448	16,985
Provisions	1,135,365	1,097,990	725,633
Other financial payables	635,291	819,598	45,828
Other payables	2,760,860	2,907,960	3,309,026
Payables arising from assets held for sale	0	0	677,900
Total current payables	**19,838,734**	**18,647,594**	**19,538,238**
TOTAL LIABILITIES	**82,526,435**	**82,611,605**	**83,079,385**

INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

	PERIOD ENDED 30 JUNE 2012 CZK thousand (unaudited)	PERIOD ENDED 30 JUNE 2011 CZK thousand (unaudited)
CONTINUING OPERATIONS		
Revenue from principal operations	16,931,633	16,740,317
Other operating income	1,940,076	1,129,392
Purchased consumables and services	-9,451,550	-8,489,721
Employee benefit costs	-6,326,592	-6,314,563
Depreciation and amortisation	-2,881,588	-2,790,390
Other operating losses, net	-185,749	-119,627
Profit before interest and tax	**26,230**	**155,408**
Financial expenses	-388,646	-307,827
Other gains (losses), net	-16,243	128,778
Share of income of associates	7,128	3,875
Loss before tax	**-371,531**	**-19,766**
Income tax expense	-122,576	-105,079
Loss for the period from continuing operations	**-494,107**	**-124,845**
DISCONTINUED OPERATIONS		
Profit from discontinued operations	0	15,693
Loss for the period	**-494,107**	**-109,152**
Attributable to equity holders of the parent company	-511,368	-120,514
Attributable to non-controlling interests	17,261	11,362

INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

	PERIOD ENDED 30 JUNE 2012 CZK thousand (unaudited)	PERIOD ENDED 30 JUNE 2011 CZK thousand (unaudited)
Loss for the year	-494,107	-109,152
Foreign exchange rate gains from the transfer of foreign branches	63	0
Cash flow hedging	13,697	41,191
Relating income tax	2,447	-13,807
Other comprehensive income for the period, net of tax	**16,207**	**27,384**
Total comprehensive loss for the year	**-477,900**	**-81,768**
Attributable to equity holders of the parent company	-495,161	-93,130
Attributable to non-controlling interests	17,261	11,362

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2012

	SHARE CAPITAL CZK THOUSAND	RESERVE AND OTHER FUNDS CZK THOUSAND	RETAINED EARNINGS CZK THOUSAND	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY CZK THOUSAND	NON-CONTROLLING INTERESTS CZK THOUSAND	TOTAL EQUITY CZK THOUSAND
Balance at 1 Jan 2011 (audited)	**20,000,000**	**16,567,630**	**4,358,201**	**40,925,831**	**840,081**	**41,765,912**
Profit (loss) for the period	0	0	-120,514	-120,514	11,362	-109,152
Other comprehensive income for the period, net of tax	0	27,384	0	27,384	0	27,384
Allocation to the reserve fund	0	4,146	-4,146	0	0	0
Dividends paid	0	0	0	0	-6,603	-6,603
Other	0	2	0	2	0	2
Balance at 30 June 2011 (unaudited)	**20,000,000**	**16,599,162**	**4,233,541**	**40,832,703**	**844,840**	**41,677,543**
Balance at 1 January 2012 (audited)	**20,000,000**	**16,616,402**	**4,817,974**	**41,434,376**	**866,849**	**42,301,225**
Profit (loss) for the period	0	0	-511,368	-511,368	17,261	-494,107
Other comprehensive income for the period, net of tax	0	16,207	0	16,207	0	16,207
Allocation to the reserve fund	0	16,233	-16,233	0	0	0
Dividends paid	0	0	0	0	-9,956	-9,956
Other	0	-517	0	-517	26,584	26,067
Balance at 30 June 2012 (unaudited)	**20,000,000**	**16,648,325**	**4,290,373**	**40,938,698**	**900,738**	**41,839,436**

INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

	PERIOD ENDED 30 JUNE 2012 CZK THOUSAND (UNAUDITED)	PERIOD ENDED 30 JUNE 2011 CZK THOUSAND (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year before tax	-371,531	-4,073
Dividend income	-2,165	-23,090
Financial expenses	388,646	307,827
Profit from the sale and disposal of non-current assets	-134,420	-136,104
Depreciation and amortisation of non-current assets	2,881,588	2,790,390
Impairment of non-current assets	-69,476	43,418
Impairment of trade receivables	60,429	24,621
Foreign exchange rate gains	-48,783	-196,367
Other	-13,918	49,525
Cash flow from operating activities before changes in working capital	**2,690,370**	**2,856,147**
Decrease (increase) in trade receivables	-27,275	-589,974
Decrease (increase) in inventories	-31,334	47,201
Decrease (increase) in other assets	-165,203	-7,251
Increase (decrease) in trade payables	430,264	-2,600,431
Increase (decrease) in provisions	69,245	27,455
Increase (decrease) in other payables	-467,897	-1,085,107
Total changes in working capital	**-192,200**	**-4,208,107**
Cash flows from operating activities	**2,498,170**	**-1,351,960**
Interest paid	-468,787	-156,012
Income tax paid	-34,663	28,664
Net cash flows from operating activities	**1,994,720**	**-1,479,308**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant and equipment	-4,954,014	-2,863,980
Proceeds from disposal of property, plant and equipment	175,393	177,846
Payments for investment property	-95	-6,878
Costs of acquisition of intangible assets	-10,127	-36,861
Received interest	9,745	6,712
Received dividends	1,020	19,542
Net cash flows used in investment activities	**-4,778,078**	**-2,703,619**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	2,812,324	12,073,105
Repayments of loans and borrowings	-1,328,923	-1,854,190
Dividends paid	- 7,487	0
Net cash flow from financing activities	**1,475,914**	**10,218,915**
Net increase (decrease) in cash and cash equivalents	**-1,307,444**	**6,035,988**
Cash and cash equivalents at the beginning of the reporting period	2,538,315	719,461
Cash and cash equivalents at the end of the reporting period	**1,230,871**	**6,755,449**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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1 GENERAL INFORMATION

1.1 General Information

The parent company České dráhy, a. s. (the "Company" or "ČD") was formed on 31 March 2002. The sole shareholder of the Company is the Czech Republic. The Company's share capital is CZK 20,000,000 thousand. The Company's registered office is located at nábř. L. Svobody 1222, Prague 1.

The Group has been principally engaged in operating railway passenger transportation. Other activities of the Group predominantly include the administration of immovable assets (railway station buildings and other). In addition, the Group is engaged in other activities relating to its principal business activities.

The assets comprising the railway routes are in the ownership of the State, not the Group. The right of management of these assets rests with Správa železniční dopravní cesty, s.o. ("SŽDC"). SŽDC secures the operability and servicing of the railway route.

1.2 Organisational Structure and Bodies of the Parent Company

On 26 April 2012, Jiří Kolář's membership in the Board of Directors expired. On 10 August 2012, Vladimír Bail submitted his resignation from the position of the First Vice-Chairman of the Board of Directors, his resignation was approved at the meeting of the Supervisory Board held on 16 August 2012.

At the meeting of the Supervisory Board held on 14 June 2012, Ivo Toman was appointed Chairman of the Supervisory Board (with effect from 15 June 2012). On 6 June 2012, Daniel Bartek's membership in the Supervisory Board expired. Lukáš Hampl's membership in the Supervisory Board expired on 19 July 2012. With effect from 20 July 2012, Miroslav Drobný and Josef Smýkal were appointed new members of the Supervisory Board.

On 31 December 2011, Jakub Hodinář's membership in the Steering Committee expired. On 31 January 2012, Petr Polák's position as a member of the Steering Committee expired. On 7 June 2012, Ivo Vykydal resigned from his position as Chairman of the Steering Committee. With effect from 8 June 2012, the new members of the Steering Committee have included Jiří Žák, Miloslav Hala and Petr Pelech (Governmental Resolution No. 401 dated 6 June 2012). Pursuant to this resolution, Jiří Žák was appointed Vice-Chairman of the Steering Committee and Lukáš Hampl was appointed Chairman of the Steering Committee.

1.3 Consolidation Group

On 29 February 2012, the Company became the sole owner of ČD - Informační Systémy, a.s.

The investments in subsidiaries (Dopravní vzdělávací institut, a. s., ČD travel, s. r. o., Terminal Brno, a.s. and ČD–DUSS Terminál, a.s.) were treated as immaterial in the prior reporting period. In the consolidated financial statements for the year ended 31 December 2011, these investments were reported as other financial assets available for sale. In the interim consolidated financial statements for the six months ended 30 June 2012, they were included in the consolidation group.

2 STATEMENT OF COMPLIANCE AND PRINCIPAL ACCOUNTING POLICIES

The interim consolidated financial statements for the six months ended 30 June 2012 were prepared in accordance with IAS 34. They do not include all the information required to be disclosed in the annual financial statements and should be read in close conjunction with the consolidated financial statements for the year ended 31 December 2011.

These interim consolidated financial statements were not audited by independent auditors.

In preparing these interim consolidated financial statements, the Group used the same accounting policies that were used in the consolidated financial statements for the year ended 31 December 2011.

During the six months ended 30 June 2012, amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets took effect. The amendments had no significant impact on the recognition and disclosures or the reported financial results.

The Group used no standards or interpretations adopted by the European Union in advance of their effective dates.

3 SEASONAL CHARACTER

The seasonal character of the parent company's activities is demonstrated by a slight decrease in sales during the summer. The reason relates to the lower labour frequency (vacation days) and school holidays. The opposite upwards fluctuations of sales are noted during holidays, beginning of the school year, end and beginning of the calendar year and long weekends.

Sales of ČD Cargo, a.s. are impacted by the seasonal economic performance of its principal customers. First, these include seasonal sales of coal (impacted by, among other things, fluctuations in consumed electricity and heat, which increase in the winter) and other bulk cargo. These include transports significant in terms of performance; therefore, their seasonal impact expressed in absolute terms is significant. Other fluctuations arise owing to, for example, company holidays in car manufacturers or higher pre-Christmas imports of consumer goods from Asia through combined transport operators.

4 RELATED PARTY TRANSACTIONS

The Parent Company is wholly owned by the state. In accordance with the exemption listed in paragraphs 25–27 of IAS 24 (revised), the Parent Company does not include other state-owned entities among related parties. The below table shows only transactions with SŽDC (given the significant position of SŽDC in the activities of the Parent Company) and with the ČEZ Group.

Expenses and revenue of the Group resulting from the transactions conducted with SŽDC and the ČEZ Group were as follows:

(CZK '000)

	30 JUNE 2012		30 JUNE 2011	
	SŽDC	ČEZ GROUP	SŽDC	ČEZ GROUP
Expenses	2,474,521	477,432	2,745,723	405,832
Revenue	470,315	689,609	2,717,131	928,182

The Group's receivables from and payables to SŽDC and the ČEZ Group were as follows:

(CZK '000)

	30 JUNE 2012		30 JUNE 2011	
	SŽDC	ČEZ GROUP	SŽDC	ČEZ GROUP
Receivables (line "Trade receivables")	507,221	245,131	267,288	263,999
Payables (line "Trade payables")	968,047	240,269	1,097,541	232,432
Estimated payables (line "Trade payables")	39,114	190	29,350	1,222
Estimated receivables (line "Trade receivables")	12,837	0	4,673	287

5 SEGMENTS

(CZK MILLION)

PERIOD ENDED 30 JUNE 2012	PASSENGER TRANSPORTATION	ADMINISTRATION OF ASSETS	FREIGHT TRANSPORTATION	OTHER	ELIMINATION AND RECONCILIATION *	TOTAL
Revenue from principal operations						
Revenue from passenger transportation	3,438	0	0	0	-26	3,412
Revenue from securing railway routes	0	0	0	0	0	0
Payments from orderers	6,178	0	0	0	0	6,178
Other	2	0	8,012	3	-675	7,342
	9,618	**0**	**8,012**	**3**	**-701**	**16,932**
Purchased consumables and services						
Traction costs	-1,533	0	-959	0	24	-2,468
Payment for the use of the railway route	-828	0	-1,137	0	-21	-1,986
Other purchased consumables and services	-2,726	-261	-3,215	-1,697	2,901	-4,998
	-5,087	**-261**	**-5,311**	**-1,697**	**2,904**	**-9,452**
Staff costs						
Payroll costs	-2,398	-97	-1,568	-504	88	-4,479
Social security and health insurance	-802	-31	-525	-167	17	-1,508
Statutory social costs	-15	-1	-96	-18	-125	-255
Statutory social costs – benefits arising from the collective agreement	-116	-3	-12	-17	63	-85
	-3,331	**-132**	**-2,201**	**-706**	**43**	**-6,327**
Other operating income and expenses	273	460	277	2 ,120	-1,376	1,754
Intercompany income and expenses	-42	49	0	-7	0	0
Overhead costs – operating	-571	-35	0	606	0	0
Depreciation and amortisation	-987	-110	-673	-150	-962	-2,882
Other income and expenses	-212	0	-58	128	-377	-519
Overhead costs – financial and other	80	6	0	-86	0	0
Profit (loss) for the period from continuing operations	**-259**	**-23**	**46**	**211**	**-469**	**-494**
Profit (loss) for the period from discontinued operations	0	0	0	0	0	0
Profit (loss) for the period	**-259**	**-23**	**46**	**211**	**-469**	**-494**
Profit attributable to non-controlling interests	0	0	0	0	17	17
Profit (loss) attributable to owners of the parent company	-259	-23	46	211	-486	-511

* The 'Elimination and reconciliation' column includes eliminations of intercompany relations and differences between balances under Czech Accounting Standards and IFRS.

(CZK MILLION)

PERIOD ENDED 30 JUNE 2011	PASSENGER TRANSPORTATION	MANAGEMENT OF OPERATIONS **	ADMINISTRATION OF ASSETS	FREIGHT TRANSPORTATION	OTHER	ELIMINATION AND RECONCILIATION *	TOTAL
Revenue from principal operations							
Revenue from passenger transportation	3,333 ***	0	0	0	0	0	3,333
Revenue from securing railway routes	0	2,450	0	0	0	-2,450	0
Payments from orderers	6,116	0	0	0	0	0	6,116
Other	22	8	0	7,325	0	-64	7,291
	9,471	**2,458**	**0**	**7,325**	**0**	**-2,514**	**16,740**
Purchased consumables and services							
Traction costs	-1,409	0	0	-987	0	70	-2,326
Payment for the use of the railway route	-814	0	0	-1,213	0	-22	-2,049
Other purchased consumables and services	-2,832	-128	-303	-2,060	-1,163	2,371	-4,115
	-5,055	**-128**	**-303**	**-4,260**	**-1,163**	**2,419**	**-8,490**
Staff costs							
Payroll costs	-2,401	-1,510	-95	-1,541	-496	1,566	-4,477
Social security and health insurance	-801	-502	-32	-517	-168	513	-1,507
Statutory social costs	-15	-18	-1	-97	-17	-110	-258
Statutory social costs – benefits arising from the collective agreement	-118	-75	-3	-5	-14	143	-72
	-3,335	**-2,105**	**-131**	**-2,160**	**-695**	**2,112**	**-6,314**
Other operating income and expenses	212 ***	-16	455	-152	1,548	-1,037	1,010
Intercompany income and expenses	-78	-16	104	0	-10	0	0
Overhead costs – operating	-387	-115	-26	0	528	0	0
Depreciation and amortisation	-917	-21	-120	-635	-156	-941	-2,790
Other income and expenses	46	0	2	-64	77	-342	-281
Overhead costs – financial and other	22	7	2	0	-31	0	0
Profit (loss) for the period from continuing operations	**-21**	**64**	**-17**	**54**	**98**	**-303**	**-125**
Profit for the period from discontinued operations	0	0	0	0	0	16	16
Profit (loss) for the period	**-21**	**64**	**-17**	**54**	**98**	**-287**	**-109**
Profit attributable to non-controlling interests	0	0	0	0	0	11	11
Profit (loss) attributable to owners of the parent company	-21	64	-17	54	98	-298	-120

* The 'Elimination and reconciliation' column includes eliminations of intercompany relations and differences between balances under Czech Accounting Standards and IFRS.

** Management of operations – the Company provided these activities to SŽDC till 31 August 2011.

*** In 2011, the Parent Company changed the methodology of internal segment reporting. For this reason, items in "Passenger transportation" were reclassified as of 30 June 2011 in order to be comparable with the year 2012.

6 PROPERTY, PLANT AND EQUIPMENT

In the six months ended 30 June 2012, the Group acquired property, plant and equipment of CZK 4,853,071 thousand (as of 31 December 2011: CZK 9,940,063 thousand).

The most significant items of prepayments made by the Parent Company include prepayments made for the purchase and modernisation of railway vehicles.

Principal additions reported by the Parent Company include the acquisition of the series no. 840, EMU320 railway vehicles, modernisation of the series no. 842, 961, 053, 054, DMU85 railways vehicles and modernisation of radio stations. Other significant additions include the inspection and modernisation of railway vehicles by ČD Cargo, a.s., completion of the renovation of a large testing area of Výzkumný Ústav Železniční, a.s.

Property, plant and equipment with the net book value of CZK 167,410 thousand were disposed of by the Group in the six months ended 30 June 2012 (31 December 2011: CZK 954,547 thousand).

The most significant impairment loss as of 30 June 2012 relates to the series 680 tilting trains (Pendolino) in the accumulated amount of CZK 669,340 thousand (31 December 2011: CZK 719,340 thousand).

During the interim period ended 30 June 2012, the Parent Company acquired property, plant and equipment financed through government grants in the amount of CZK 307,283 thousand.

7 INTANGIBLE ASSETS

In the six months ended 30 June 2012, the Group acquired intangible assets of CZK 27,417 thousand (31 December 2011: CZK 229,343 thousand).

Intangible assets with the net book value of CZK 82 thousand were disposed of by the Group in the six months ended 30 June 2012 (31 December 2011: CZK 4,059 thousand).

The acquisition of intangible assets by the Parent Company includes the POP, PARIS portal and passenger transportation portal, SAP BW and system for the monitoring of diesel consumption.

8 INVENTORIES

The decrease in the value of inventories to the net realisable value as of 30 June 2012 amounts to CZK 52,660 thousand (31 December 2011: CZK 55,403 thousand).

9 CASH AND CASH EQUIVALENTS

(CZK '000)

	30 JUNE 2012	31 DECEMBER 2011	30 JUNE 2011
Cash on hand and cash in transit	90,486	79,700	65,535
Cash at bank	790,848	2,150,112	3,761,154
Depository bills of exchange	349,537	308,503	2,928,760
Total	**1,230,871**	**2,538,315**	**6,755,449**

10 LOANS AND BORROWINGS

As of 30 June 2012, the Parent Company increased the balance of issued bills of exchange by CZK 1.2 billion as compared to the balance as of 31 December 2011.

As part of its bond programme, ČD Cargo, a.s. placed two tranches of the third issue of bonds with the aggregate nominal value of CZK 500,000 thousand in January 2012. The administrator of both tranches was ČSOB, a.s. Both tranches have a floating interest yield which was subsequently hedged by a fixed rate (1.64% p.a.). The payments are made on a six monthly basis and the maturity of both bonds is 22 December 2015.

11 CONTRACTUAL OBLIGATIONS RELATING TO EXPENSES

As of the interim consolidated balance sheet date, the Group concluded contracts for the purchase of property, plant and equipment and investment property of CZK 22,748,503 thousand (31 December 2011: CZK 28,329,303 thousand). A significant portion of the obligations relating to expenses include investments in railway vehicles.

12 DERIVATIVE FINANCIAL INSTRUMENTS

In June 2012, the Parent Company concluded new derivative transactions for the hedging of diesel and electricity prices. The total fair value of these commodity swaps is CZK -1,668 thousand as of 30 June 2012.

During the interim reporting period, ČD Cargo, a.s. concluded four new currency derivatives with the fair value of CZK -6,124 thousand as of 30 June 2012. In addition, it concluded new commodity derivatives for the hedging of diesel prices with the fair value of CZK -5,423 thousand as of 30 June 2012. To hedge the floating interest rate in respect of the issued bonds, two interest rates swaps were concluded with the fair value of CZK -4,441 thousand as of 30 June 2012.

13 DIVIDENDS

ČD - Telematika a.s. decided to pay out dividends from ordinary shares outside the Group in the amount of CZK 9,515 thousand in the interim reporting period. The dividends of CZK 7,045 thousand were paid before the end of June 2012. ČD travel, s.r.o. paid dividends outside the Group of CZK 442 thousand in the interim reporting period.

14 POST BALANCE SHEET EVENTS

On 23 July 2012, the Parent Company issued international bonds with a seven-year maturity and a fixed coupon of 4.125% p.a. The issue amounted to EUR 300 million and the issue rate was 99.821%. These bonds are listed on the Luxembourg Stock Exchange. The funds are intended for the modernisation of the rolling stock and partial settlement of short-term loans and borrowings.

In relation to these newly issued bonds, the Parent Company concluded cross-currency interest rate swaps in July 2012 that are also used as hedging against currency and interest rate risks. The total volume of the hedge is EUR 250 million. The financial settlement of the interest rates between ČD and banks will be made on an annual basis, from July 2013 to July 2019, inclusive.

On 23 July 2012, in respect of the case of the non-supplied 380 series locomotives, České dráhy, a.s., as the defendant, received a statement from the Arbitration Court Attached to the Economic Chamber and Agrarian Chamber of the Czech Republic regarding a charge filed by ŠKODA TRANSPORTATION a.s. for the payment of CZK 216,564,109.24 with accrued interest and fees. In its charge, ŠKODA TRANSPORTATION a.s. is specifically seeking the payment of the allegedly yet-unpaid part of the purchase price (including default interest) which ŠKODA TRANSPORTATION a.s. believes České dráhy, a.s., unlawfully offset against part of the claim for a contractual penalty (this offset was made in the amount of CZK 208,314,480). In its charge, ŠKODA TRANSPORTATION a.s. is additionally seeking the payment of default interest for the allegedly delayed payments of České dráhy, a.s. according to the purchase contract. In response to the statement from the Arbitration Court, České dráhy, a.s. has stated that it does not acknowledge the claims made by ŠKODA TRANSPORTATION a.s. and has appointed its arbiter.

Pursuant to the conclusion of the Contract for the Production, Operation and Supply of the Railjet Units dated September 2011, České dráhy, a. s. confirmed its obligation to purchase seven Railjet units from Siemens. The units are expected to be put into operation in 2014 and will operate in cooperation with ÖBB and their Railjet trains on the Prague – Brno – Vienna – Graz line. České dráhy will pay approximately EUR 100 million for the seven trains.

15 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements were approved and authorised for issue on 31 August 2012.

11 Events Subsequent to 30 June 2012

- On 23 July 2012, České dráhy successfully issued international bonds of EUR 300 million for the second time. The eurobonds have a seven-year maturity and a fixed coupon of 4.125% p.a. The proceeds from the eurobonds are intended primarily for the modernisation of rolling stock and purchase of new railway vehicles. In addition, they will be used to partially settle the short-term and long-term debt of the Company. Of the total value of the issued bonds, EUR 250 million is hedged against a foreign currency risk exposure.

- Pursuant to the conclusion of the Contract for the Production, Operation and Supply of the Railjet Units dated September 2011, České dráhy confirmed its obligation to purchase seven Railjet units from Siemens. The units are expected to be put into operation in 2014 and will operate in cooperation with ÖBB and their Railjet trains on the Prague–Brno–Vienna–Graz line. České dráhy will pay approximately EUR 100 million for the seven trains.

12 Prospects through the End of 2012

In the second half of 2012, the ČD Group anticipates a stable development in its operations with an increasing level of risk of decreasing sales in freight transport.

In passenger transportation, ČD will seek to maintain the positive trend of growing sales from passengers, although it can anticipate an increased competition on the Prague - Ostrava line following an entry of a new competitor on the market with the new train schedule starting from 13 December 2012.

The results of the Group may be significantly affected by the fluctuations in the EUR/CZK exchange rate as a significant portion of ČD's loans are denominated in euros and sales in both passenger and freight transportation are also largely received in euros.

In the second half of 2012, freight transportation may also be impacted by the anticipated risk relating to the growing pressure by customers to decrease prices subject to the influence of growing competition, stagnating Czech economy and continuing decrease in the industrial and construction production which significantly impacts the development in business activities in railway freight transportation.

The acceleration of the sales of redundant assets in the second half of the year should contribute to the improvement of the economic results of the Group on the operating level and the strengthening of cash flow.

13 Legal Disputes

The information on the current legal dispute with Škoda Transporation is provided in Note 14 to the Interim Consolidated Financial Statements (page 38 of this Interim Report).

In the first half of 2012, the ČD Group recorded no other significant legal disputes that could significantly impact the operations of ČD or the ČD Group.

14 Information on the ČD Group

The České dráhy Group includes the parent company ČD, a.s. and consolidated subsidiaries ČD Cargo, a.s., DPOV, a.s., ČD – Telematika a.s., ČD – Informační Systémy, a.s., VÚŽ, a.s., JLV, a.s., DVI, a.s., ČD travel, s.r.o., Smíchov Station Development, a.s., Žižkov Station Development, a.s., Centrum Holešovice a.s., CD Generalvertretung GmbH, CD – Generalvertretung Wien GmbH, Koleje Czeskie Sp. z o.o., Generálne zastúpenie ČD Cargo, s.r.o., ČD Logistics, a.s., Terminal Brno, a.s., ČD-DUSS Terminál, a.s., RAILLEX, a.s., BOHEMIAKOMBI, spol. s r.o. and Ostravská dopravní společnost, a.s. The České dráhy Group provides comprehensive services relating to the operation of passenger and freight transportation, and additional and related activities – repairs, railway research and testing, IT services, accommodation and catering services, storage and handling of material and development of localities surrounding railway stations.

14.1 Identification and Contact Details

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