Summary Annual Report for 2022

České dráhy
National carrier

Content

Corporate Governance

Legal Relations of the Company

The legal relations of the joint stock company České dráhy, a.s. (hereinafter referred to as „ČD“ or „the Company“ or „České dráhy“) are governed by

- Act No. 77/2002 Coll., on the joint-stock company České dráhy, the state organisation Správa železnic and on the amendment of Act No. 266/1994 Coll., on railways, as amended, by Act No. 77/1997 Coll., on State Enterprise, as amended,
- Act No. 89/2012 Coll., Civil Code, as amended,
- Act No. 90/2012 Coll., the Act on Commercial Companies and Cooperatives (Act on Commercial Corporations), as amended.

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

Shareholder´s Structure and Bodies of the Company

The sole shareholder of ČD is the Czech Republic. The Company's supreme body is the General Meeting.

In the event that the Company has only one shareholder, no general meeting shall be held and the powers of the general meeting shall be exercised by the sole shareholder. The scope of the General Meeting's powers is set out in the laws governing the Company's legal relations and in the Company's Articles of Association.

The Company did not share repurchase in 2022.

Steering Committee

The State exercises its rights as sole shareholder in the Company through the Steering Committee. The Steering Committee consists of three government-appointed employees of the Ministry of Transport (MT) and one government-appointed employee each of the Ministry of Finance (MF), Ministry of Defence (MD), Ministry of Industry and Trade (MIT) and Ministry of Regional Development (MRD). The decision-making process of the Steering Committee is governed by the laws governing the legal relations of the Company, the Articles of Association of the Company and the Rules of Procedure of the Steering Committee. The working addresses of the members of the Steering Committee are located at the registered office of the Company. As of the reporting date, the position of the representative of the Ministry of Regional Development was vacant.

The composition of the Company's Steering Committee as of 31 December 2022 was as follows:

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

Supervisory Board

The Supervisory Board has six members. Two thirds of the members are elected by the sole shareholder through the Steering Committee, one third is elected by the employees according to the election rules approved by the Company's Board of Directors after consultation with the relevant trade unions. The term of office of a member of the Supervisory Board is five years. The Supervisory Board meets as required (usually once a month), but at least four times a year. The Supervisory Board supervises the performance of the Board of Management's duties and the Company's activities and submits its opinion to the General Meeting.

The Supervisory Board's decision-making procedure is governed by the laws governing the Company's legal relations, the Company's Articles of Association and the Supervisory Board's Rules of Procedure. The working addresses of the members of the Supervisory Board are located at the Company's registered office.

The composition of the Company's Supervisory Board as of 31 December 2022 was as follows:

Miroslav Zámečník	Chairman
Lenka Hlubučková	Vice-Chairwoman
Antonín Leitgeb	Member
Petr Šlegr	Member
Vladislav Vokoun	Member
Jiří Minka	Member

As of 31 December 2022, Jiří Minka resigned form the position of member of the Supervisory Board and a new member of the Supervisory Board was elected as of 1 January 2023 Michal Vozobule.

The Supervisory Board has established a Real Estate Committee, a Remuneration Committee and a Rolling Stock Committee within its scope of competence.

The Real Estate Disposal Committee discusses proposals by the Board of Directors for the prior approval of the Supervisory Board for the disposal of real estate in cases where such approval is required under the Company's Articles of Association and where discussion in the Committee prior to submission to the Supervisory Board is required under the internal regulations on the sale and lease of ČD's real estate. The members of the Committee are elected and dismissed by the Supervisory Board. The Committee's decision-making procedure is governed in particular by the Company's Articles of Association and, in detail, by the Committee's Rules of Procedure, which are approved by the Supervisory Board.

The Remuneration Committee monitors compliance with the rules governing the remuneration of members of the Company's Board of Directors. According to these rules, the members of the Executive Board are remunerated in particular in accordance with the achievement of set objectives. The Committee also reviews the Company's proposals for determining the remuneration and other benefits of the members of the Executive Board and submits its opinions and recommendations to the Company's Supervisory Board on these proposals. The members of the Committee are elected and dismissed by the Supervisory Board. The Committee's decision-making procedure is governed in particular by the Company's Articles of Association and, in detail, by the Committee's Rules of Procedure, which are approved by the Supervisory Board.

The Rolling Stock Committee is an advisory body of the Supervisory Board which discusses proposals from the ČD Board of Directors concerning the strategy and concept of renewal of railway rolling stock. The Committee's decision-making procedure is governed in particular 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 has five members. The members of the Board of Directors are elected and dismissed by the Company's Supervisory Board. The Board of Directors meets as required (usually once a week), but at least once every three months. Within the scope of its competence, the Company's Board of Directors decides, in particular, on all matters of the Company, unless they are reserved by the relevant legislation and the Company's Articles of Association to the General Meeting, the Supervisory Board or the Audit Committee. The decision-making procedure of the Board of Directors shall be governed by the laws governing the legal relations of the Company and the Articles of Association of the Company. The working addresses of the members of the Board of Directors are located at the registered office of the Company.

The composition of the Company's Board of Directors as of 31 December 2022 was as follows:

Michal Krapinec	Chairman
Michal Kraus	Vice-Chairman
Blanka Havelková	Member
Lukáš Svoboda	Member
Jiří Ješeta	Member

Audit Committee

Members of the Audit Committee are appointed and removed by the Company's 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 shall meet as required but at least four times a year. The Audit Committee's terms of reference are determined by Act No. 93/2009 Coll., on Auditors, as amended, and the Company's Articles of Association. The decision-making procedure of the Audit Committee shall be governed by the Company's Articles of Association.

The composition of the Company's Audit Committee as of 31 December 2022 was as follows:

Tomáš Vyhnánek	Chairman
Otakar Hora	Vice-Chairman
Lenka Hlubučková	Member

Internal Audit

The internal audit function is performed by the Internal Audit and Control department. The department falls under the management responsibility of the Board of Directors. The Audit Committee oversees the independence and effectiveness of the internal audit function.

The internal audit function of ČD is based on the principles of the International Framework for the Professional Practice of Internal Auditing. Accordingly, it undergoes external independent evaluation, which contributes to the assurance and continuous improvement of the quality of internal audit services. The activities and performance of the internal audit function of the ČD were assessed to be in line with international professional standards in the last external evaluation in 2020. Internal Audit acts as an independent ‚third line of defence' of the conceptual layout of internal control levels within the principle of all ‚three lines of defence' of the organisation.

Internal Audit also communicates and cooperates with the external control bodies, the external auditor, law enforcement authorities and, along with the Compliance Officer, ensures the agenda related to the reporting, registration and investigation of fraud and malpractice in ČD (whistleblowing).

Compliance

The compliance system in ČD can be considered as a closed and functional system of prevention, detection and response measures, which is appropriately integrated into the internal management and control system of the Company, as perceived by the methodology of the Prosecutor General's Office.

We have started work on the development of a compliance programme containing a detailed description of the compliance system of the ČD, including the division of roles and responsibilities between the various specialised departments, and the setting up of a compliance programme control system.

The objective of compliance activities is to monitor the Company's actions and ensure that the actions of the Company, employees and management are in compliance with legal regulations and internal standards, with an emphasis on compliance with corporate ethics, or the Code of Ethics.

The Company has a decentralized compliance model in place.

According to the Organizational Regulations, the Legal department, the Security department, the Internal Audit and Control department and the Office of the Deputy Chief Executive Officer for Human Resources have specific roles in the area of compliance. The Legal department is the coordinating and umbrella department for compliance. The Internal Audit and Control department ensures activities in the area of fraud and collusion investigations, proposes the strategy of the risk management system, monitors individual risks, and maintains the risk monitoring and evaluation system. The Office of the Deputy Director General for Human Resources is the unit that develops and implements the concept of employee training.

Regarding personal data protection, the compliance activities are carried out by the appointed Data Protection Officer.

Risk Management and ISO Management Systems

The main objective of the integrated risk management system in the ČD Group is to continuously limit the negative impact of risks on the financial result of the entire ČD Group, i.e. to eliminate as far as possible the threats of reduced revenues or increased costs. The risk management system in the conditions of ČD is based on the set framework of corporate governance rules and is part of the „second line of defence" conceptual layout of internal control levels within the principle of all „three lines of defence" of the organisation.

An important role within the risk management system is played by the ČD Risk Steering Committee, which acts as an advisory body to the ČD 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 for the provision of 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´s 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, ČD is certified according to ISO 9001 and ISO 45001. The subject of certification is the provision of passenger transport in long-distance and regional transport, preparation and implementation of timetables, development and management of products and standards in passenger transport, pricing, planning and implementation of operational deployment and maintenance and repair of railway rolling stock, procurement and storage and delivery of materials. The entire Company is also certified in the field of energy management for passenger transport and property 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 2022 in sections 33.4. – 33.9. The goals and methods of the Group's financial risk management are described in detail in the consolidated financial statements for the year 2022 in sections 36.4. – 36.9.

Human Rights

ČD strives for a safe and healthy working environment and its continuous improvement, provides equal opportunities for all, and does not tolerate discrimination, even in its hidden form. ČD provides equal opportunities to all people regardless of race, colour, sex, nationality, religion, ethnicity or any other characteristic, and shall not tolerate or condone any form of harassment, intimidation, forced or illegal labour.

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 tolerate any form of discrimination against employees.

At the same time, ČD ensures that its employees show the utmost consideration and respect for the personality and privacy of their colleagues.

As one of the tools to ensure the above, the Company has long had a whistleblowing system in place, which serves, among other things, to report or draw attention to violations of norms, principles, 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 2022

In 2022, ten ordinary meetings and six extraordinary meetings were held at the registered office of České dráhy, a.s., and the Supervisory Board always had a quorum. Meetings of the Supervisory Board were regularly attended by the Chairman of the Board of Directors and other members of the Company's Board of Directors as required.

During the reporting period review, the Company's Supervisory Board exercised its powers and performed all tasks in accordance with the law and the Company's Articles of Association. The Supervisory Board made use of all the options stipulated by the Company's Articles of Association for its supervisory activities.

As part of its supervisory activities, the Supervisory Board supervised the proper exercise of the powers of the Board of Directors and the Company's activities. The Supervisory Board was regularly informed by the Company's Board of Directors about the Company's current events, economic results, the Company's financial position, financial risks and the Company's risk position, as well as the economic results of subsidiaries, in particular ČD Cargo, a.s.

The Company's Supervisory Board meetings were regularly presented with the materials requested by the Supervisory Board and requests from the Company's Board of Directors for the prior approval of certain legal actions taken by the Company. All such requests were duly considered and acted upon by the Supervisory Board. The Supervisory Board continuously assigned tasks to the Company's Board of Directors to examine the need for and scope of investment projects in order to optimise the Company's costs. As part of its activities, the Supervisory Board monitored in particular the achievement of the economic targets set out in the Company's annual business plan and requested justification of the development of the business.

The Supervisory Board states that the Company's Board of Directors provided the Supervisory Board in 2022 with all prescribed or required information as well as cooperation, and the Supervisory Board thus had at its disposal all the documents necessary for the performance of its oversight activities.

In the course of its oversight activities, the Supervisory Board did not find any violation or non-fulfilment of the obligations arising from legal regulations, the Company's Articles of Association, the Company's internal regulations or the instructions of the General Meeting.

The Supervisory Board concludes that it has created all the necessary conditions for the proper performance of its activities have been created.

In Prague, 25 January 2023

Miroslav Zámečník
Chairman of the Supervisory Board of České dráhy, a.s.

Corporate Social Responsibility (CSR)

Military Conflict Culminating in Russian Encroachment upon Ukraine

Another turbulent year is behind us. At a time of great uncertainty during the Covid-19 pandemic, the military campaign by Russia against Ukraine pushed aside one problem, and brought all of our attention onto another. The Russian attack on Ukraine has had a significant impact on rail transport throughout Europe. Immediately after the outbreak of the conflict, we were promptly able to dispatch humanitarian trains: first to the Polish border town of Przemysl and later to Chop in Ukraine. In this way, we transported thousands of women and children to safety and delivered several hundred tonnes of material aid to Ukraine. We are extremely grateful to our employees and volunteers who have been involved in the relief effort through the announced employee collection of material aid for Ukrainian refugees or the collection that took place at 63 railway stations across the Czech Republic. We must not forget their courage in escorting trains to Chop, but also in caring for refugees. Employees across the ČD Group were involved in the aid.

We‘re on the same track - the ČD Group Endowment Fund – RAILWAY FROM THE HEART

Even the greatest strongmen and fighters in our ranks can become weak and in need in an instant by the hands of fate. Rail transport is one of the safest ways to travel and transport goods. Strict rules are followed in other activities as well, such as cargo handling, vehicle repairs and vehicle testing. Yet accidents happen that mark the lives of our employees/colleagues for life. And unfortunately, some of them even lose their most precious possessions.

The RAILWAY FROM THE HEART foundation has big supportive. Railwaymen have always stood together and the aim of the fund is precisely to support people who work or have worked for the railway and have found themselves in a difficult life situation for some reason. Equally, the support extends to their families.

Since its establishment in 2020, the ČD Group Endowment Fund - RAILWAY FROM THE HEART has received additional funding to its account CZK 34,833,084.73. A large part of the funds have been contributed by the founders of ČD and ČD Cargo, along with ČD Group subsidiaries and other partners. Proof that the ČD Group Endowment Fund – RAILWAY FROM THE HEART has already made its mark on people’s consciousness is the fact that both employees from across the ČD Group and the general public contribute to its transparent account.

Where does the ČD Group Foundation help? It has provided assistance to several railwaymen who were seriously injured in the course of their profession and have lifelong consequences. The money was used, for example, to pay for special rehabilitation or the purchase of compensatory aids. Other aid went to the families of railwaymen who tragically died. The Foundation contributes, and will continue to do so in the years to come, to the education and development of their children. Further support was directed to the families of railwaymen who care for seriously ill children.

In 2022, the Endowment Fund helped in forty cases and disbursed aid amounting to CZK 2,872,500; since its establishment, the Fund has disbursed aid amounting to CZK 8,042,500.

What we did together in 2022:

- CZK 8,496,749 - the total amount that the transparent account managed to collect during the year
- CZK 2,872,500 - the total amount of foundation funds paid out (excluding future contributions, for example for the education of orphaned children)
- CZK 26,787,685.57 - the balance in the transparent account as of 31 December 2022

Unfortunately, there are times in life when it may seem that fate has placed an insurmountable obstacle in your life's path. The ČD Group Endowment Fund – RAILWAY FROM THE HEART will help you overcome life's difficulties. Our blue hearts beat for all those in need and will not stop in 2023. **„We are on the same track“**.

Barrier-free Travel

Helping people with disabilities is an automatic part of our activities in the area of responsible transport, especially in the area of removing barriers on the railway and introducing services that allow for greater mobility and comfort when travelling. In 2022, we carried out more than 7,000 registered transports or assisted their transport. We transported 43% more people with disabilities compared to 2021. We appreciate that we can help our fellow citizens with reduced mobility or orientation in this way. During the year, we began to put modern low-floor RegioPanter trains into service in the South Bohemia and Pilsen regions, for example, significantly expanding travel options, especially for people in wheelchairs. All new modern vehicles are equipped with sockets for charging electric wheelchairs and are comfortable for wheelchair users. Thanks to haptic elements, signs in Braille or door controls via 2-way radio transceivers, they are also suitable for people who are blind or partially sighted.

Education, Awareness and Safety

In 2022, the ČéDés Scholarship Programme continued, which is open to students from partnering secondary schools studying at a secondary school or secondary apprenticeship for a diploma or apprenticeship course in transport operations or technical studies. The intention of the ČD Group is to support the education and employment of young people in technical fields and to attract new and promising employees. The ČéDés Scholarship Programme accepts students who are interested in the railway industry and have a desire to work in a technical or operational position at ČD. The benefits of the scholarship programme 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

The preservation and stewardship of the cultural and technical heritage of the Czech Republic is one of the important society-wide activities undertaken by ČD. In 2022, the activities of ČD Nostalgia were related to repairs of several unique railway monuments and many rides. Some of them are part of the traditional Railway Nostalgia programme and popular regional events that also promote tourism.

The steam locomotive No. 354.195, „Všudybylka", which was flooded for the first time after repairs at the end of 2021, was fully involved in the ČD Nostalgia programme. It was also possible to arrange for the repair of historic electric vehicles on our first electrified line of Tábor - Bechyně. The completion of repairs done to Křižík's historic car EM 400.001, manufacture in 1903, which is owned by the National Technical Museum, and the younger electric locomotive E 422.001 made it possible to offer an attractive summer programme on this unique South Bohemian regional line.

Corrections to the tender for 423.009, which celebrated its centenary, was also completed and repairs continued on two other steam locomotives, 464.008 and 313.432. The popular steam locomotive 475.179, known as the Děčín Líza, failed a boiler pressure test and is scheduled for repair in 2023. The general public can financially support the locomotive's commissioning by setting up a transparent account in cooperation with Lokomotif, to which any amount can be contributed. In the depository of the Centre for Historical Vehicles in Olomouc, a significant investment was made in 2022, which was the repair of the turntable.

ČD Nostalgia, along with with many partners, has also prepared a rich programme for those interested in railway history. In addition to many regular events, such as the Hurvínek engine rides from Břeclav to Lednice ("Hurvínek z Břeclavi do Lednice"), the Bezdružice steamy summer ("Bezdružické parní léto"), by Steam by way of Prague ("Párou Prahou"), by Steam by the way of the Sazava river ("Párou Posázavím"), other unique events were also held. These included a visit to the Olomouc locomotive 464.202 on trips in Bohemia or a meeting of Sergejs and other large six-axle motor locomotives in the ČD museum in Lužná u Rakovníka.

Economic Results

(in CZK million)		Passenger Transport	Freight Transport	Asset Management	Certification and Testing	Other	Intercompany eliminations	Total
Revenues	2022	27,045	14,667	463	692	5,663	(4,308)	44,222
	2021	23,505	12,899	421	713	4,901	(3,905)	38,534
Cost of services, raw materials and energy	2022	(10,893)	(6,475)	(540)	(173)	(3,627)	3,759	(17,949)
	2021	(9,290)	(5,547)	(325)	(161)	(3,455)	3,304	(15,474)
Employee benefits costs	2022	(9,824)	(4,892)	(265)	(149)	(1,427)	401	(16,156)
	2021	(9,316)	(4,524)	(214)	(131)	(1,181)	433	(14,933)
EBITDA from continuing operations	2022	7,229	3,174	(79)	355	1,062	(645)	11,096
	2021	4,639	2,896	110	415	705	(663)	8,102
Depreciation, amortisation and impairment	2022	(6,201)	(2,507)	(190)	(72)	(364)	140	(9,194)
	2021	(6,850)	(2,263)	(121)	(62)	(321)	130	(9,487)
EBIT from continuing operations	2022	1,028	667	(269)	283	698	(505)	1,902
	2021	(2,211)	633	(11)	353	384	(533)	(1,385)
Profit (Loss) before tax	2022	(128)	310	(242)	296	673	(513)	396
	2021	(2,580)	388	5	354	347	(526)	(2,012)

The table shown was compiled on the basis of the information presented in the Data section on segments, which is part of the consolidated financial statements.

Passenger Transport

The year 2022 was marked, on the one hand, by the reverberations of the Covid-19 pandemic, but on the other, above all by the armed conflict in Ukraine and its consequences. There was a dramatic increase in the prices of expense items, particularly in the areas of energy and fuel, financial costs in the form of rising interest rates or, for example, delays in the delivery of materials and spare parts, as well as the lengthening of vehicle repair times and the postponement of deliveries of new vehicles. Along with public transport customers, we have managed to maintain a stable order book and have been reasonably successful in negotiating compensation for increased costs. Moreover, in regional transport orderers we have been successful in persuading customers to switch their contracts to „gross mode" (the regional operators bear the burden of the ticket sales).

Long-distance Transport

In 2022, in connection with the termination of the previous contract, we signed a new contract with a customer for long-distance transport, the Ministry of Transport of the Czech Republic, for the provision of services performed under the public service obligation on the R27 Olomouc - Krnov - Opava - Ostrava line, with performance from December 2022 to December 2027.

Along with the previously concluded contracts, we have operated and will continue to operate, in 2023, a total of 21 long-distance transport lines on the basis of seven concluded contracts. In December 2023, our contract for the operation on the R29 Cheb-Germany line will expire. The Ministry of Transport of the Czech Republic has announced a small-scale direct award for the next 9 years and is negotiating a new public service contract with us for the operation of this line.

In 2022, following the cancellation of the previous tender, the contracting authority launched a new tender for operating on the R9 Prague - Havlíčkův Brod - Brno/Jihlava line for a 15-year period starting in December 2025. The deadline for submission of tenders was postponed by the contracting authority in the course of the tender procedure, until 2023.

Regarding long-distance transport, we continued to improve the quality of travel and adapt the portfolio of services offered to the needs of customers. In 2022, we operated 10 brand new InterJet five-car non-traction units on the R15 and Ex6 routes, which contributed significantly to improving the quality of and attractiveness of rail transport. Improving the quality of rolling stock and increasing the range of additional services for passengers, both on board the vehicles and in stations, s one of the main prerequisites for achieving our objectives in this segment in the coming periods.

Regional Transport

Although we left the L2 Děčín - Česká Lípa - Liberec line in December 2022, we managed to maintain our positions in the Zlín, Ústí nad Labem, Moravia-Silesia, Liberec, South Bohemia and Pilsen regions. This resulted in new contracts for the Ostrava, Zlín A+C, Pilsen and Český Les operating units, a contract extension in the Electric Traction operating unit in the South Bohemia region and a new contract for the U11+U6 lines in the Ústí nad Labem region. We will continue to be a carrier in the Liberec Region on the so-called Jizera Mountain Railway.

We have signed a new four-year contract with the Moravian-Silesian Region for the operation of the S6 line. We have actively participated and continue to participate in market consultations within the Šluknovsko operating segment with commencement of operations starting in December 2023. In the South Bohemian Region, we continued negotiations on contracting additional EMU160 vehicles on the line to Lipno nad Vltavou and at the same time on extending the contract for the Electric Traction operating grid until 2033. On the other hand, our offer was not successful in the tender for the operation of the S49 and S61 city lines in Prague, where another carrier was successful with its offer.

We were also the winner in the market consultation for the operation in the Zlín Region for operating segements A+C and we will be operating there until 2029. We have been similarly successful in the Ústí Region, where we are securing a contract with RS1 vehicles on the U11 and U6 lines. We have also been able to use these vehicles under the current contract in the Pardubice Region.

In the Moravian-Silesian Region, we participated in the tender for the operation of the S1 line. The deadline for submitting tenders has not yet passed and we will therefore not submit a tender until 2023. This year, we will also submit a tender for the selection of a carrier in the Pilsen Region for the P1 JIH operating file, where the Pilsen Region announced the corresponding tender at the end of 2022.

At the same time, we have been preparing for new tenders and market consultations across the regions, which we expect to be announced. These include the P1 West operating set (Pilsen Region and Carlsbad Region), the electric traction set in Ústí nad Labem Region, as well as several operating sets in the South Moravia Region, one of which will be for the operation of Moravia units owned by this region. Our goal has been and will continue to be to defend all existing capacities and possibly to acquire new capacities, but always only under the assumption of a positive economic impact on our profit and loss.

Additional Services

Additional services regards to both on board trains and in railway stations, whether or not they are the subject of a public service obligation order, serve to attract new customers, retain existing customers, and are meant to generate new revenues and create positive PR for České dráhy, a.s.

Within the framework of on-board services, we continued to expand and improve the wireless internet offer within the ČD WiFi service, mainly by testing hardware with 5G network support and the renewal of outdated vehicle technology. We have introduced the possibility of watching recordings of theatre performances in the ČD Onboard Portal. For more effective communication with passengers on board trains, we are preparing for remote management of content displayed on the screens of the visual information system.

We have started equipping the ČD Minibar stewards with a brand new compact sales device that will, among other things, enable payment for purchases by credit card. We have combined this change with the introduction of a completely new warehouse management system, which will not only help us to increase the efficiency of the employees involved in providing the ČD Minibar service, but also to significantly improve the recording and control of goods movement. In order to improve the distribution of refreshments on board our trains, we have also developed and purchased new trolleys of a more durable design with more space for storing the products offered. For example, we have expanded the range of healthy foods on offer to include crunchy insect and worm specialities. During the year, the ČD Minibar service was also newly offered on the Tábor - Bechyně line (the so-called Bechyňka line) as part of nostalgic rides, on the Cyklohráček excursion train or on the winter Čertohráček. In night long-distance transport, we have set new quality standards for services provided in accommodation carriages and started to communicate these services under the ČD Night product brand. The interiors of the accommodation carriages have also undergone a partial transformation, in which we have used a new brand of night transport in the form of moon phases and a new colour scheme facilitating orientation. For the start of the new timetable in December 2022, we have extended the range of night services with a new line, Canopus, between Prague and Zurich via Leipzig.

We have also introduced new services at railway stations in 2022. We have opened a seasonal bike rental shop ČD Bike in Lužná u Rakovníka and other year-round rental services. We have increased the number of in-demand e-bikes and have also prepared new cycling accessories for rental. We have started the preparation of an online reservation system that will significantly increase the availability of the ČD Bike service to customers. We continued to offer a discount on bike storage in Biketower bike carriers in cooperation with operators and extended the offer to other newly built ones. We have expanded the number of locations offering ČD Parking, for which we are preparing further improvements. Through our partner E.ON, we have increased the range of charging stations for charging electric vehicles near railway stations on ČD land. By linking our mobile application My Train and the application of Liftago, a company operating taxi services in a number of cities in the Czech Republic, we have completely changed the concept of the ČD Taxi service and significantly increased its availability. We continued to operate ČD Currency Exchange Offices in selected railway stations and newly introduced the Mailroom service.

We are planning a new sales channel for advertising and promotional items, which were previously available only at selected railway stations. We are preparing to expand and enable online shopping with the new ČD Fanshop service. We will thus be able to significantly expand the range of interesting promotional items, toys and clothing with railway themes.

Sales

Revenues from the B2B segment's commercial activities in 2022 were almost at the pre-pandemic level of 2019. For all items monitored, we achieved revenue increases compared to 2021. The most significant increase was in the sales of tickets via API, from 340 million in 2021 to 840 million in 2022. This represents an increase of 147 %. Corporate sales increased by 129 % compared to to those of 2021 ČD's e-shop, and there was also strong interest in the newly opened e-shop for contract sellers, which is primarily intended for travel agents and agencies. We also achieved an increase of one percent in sales of In Cards with the IN Business application and in sales of In Cards to corporate employees.

In the case of special trains, too, we managed to meet the expected sales growth targets, mainly due to the relaxation of anti-pandemic measures, when it was possible to run special trains for passengers as well. The Orient Express, for which we provide services in the Czech Republic, also resumed operations, and we have newly provided charter trains to Prague for TRAINCHARTER. Special trains and carriage of vehicles without passengers, i.e. test and measurement runs for various companies, still account for the largest share of sales. This year we also managed to win Správa železnic's tender for measuring overhead lines.

We also carried out a number of transports under the Outbound Train product, with an increase in revenue of more than 200% compared to 2021. We provided transport across the country and abroad for large musical ensembles, theatres, sports clubs and a number of smaller groups.

In the ČD Points loyalty programme, we managed to contract new benefits from partners and once again increase the attractiveness of this programme. The programme offers 57 benefits from 39 partners. The number of registered customers of the loyalty programme increased by 66,000, which is an increase of 18.5% compared to 2021. Customers are most interested in ČD products, but interest in partner benefits is also steadily increasing.

Customer Check in

In 2022, we continued to support the development of electronic passenger ticketing in ČD's internal online sales channels (primarily the My Train app and the ČD e-shop), but as well as for external sales platforms (primarily in the IDOS connection search engine), resulting in a significant increase in the share of online purchases within ČD's distribution channels. By the end of 2022, we were approaching the 40% mark of all tickets sold via online channels, an increase of around 15% compared to the figures for 2019, which had not yet been affected by the Covid-19 pandemic.

The growth of online purchase is closely linked to initiatives to promote its use. During the year, we introduced several innovations to simplify the customer travel experience. In the My Train app ("Můj vlak"), we introduced a special offer of a monthly commuter ticket valid for 10 days in March 2022, which customers can choose according to their needs. With this offer, we responded to changes in working habits, where some passengers no longer commute to work every working day, but only on selected days when they do not work from home. However, the My Train app is not only used to purchase tickets and additional services, but also to comprehensively inform customers before and during their journey. Therefore, in spring 2022, we launched the first phase of a project to increase customer awareness of changes related to their journey. The first part is to inform customers about changes to their booked seat due to a change in train order. This will be followed by further phases in 2023 where we will inform customers in advance of their journey, of changes to departure times and services. From November 2022, we have simplified the processing of delays compensation for passengers with a ČD ticket purchased online and automated the whole process where the customer uses a direct connection. The result is a situation where the customer receives compensation automatically to the account they used to purchase the ticket.

A significant change for customers was the deployment of the first phase of the new ČD e-shop in November 2022, whose main asset is the customisation of content according to the user's device (i.e. mobile phone, tablet, or computer) and above all simplifying and shortening the purchase process, which is now similar to the My Train app. The key improvement was especially noticed by customers shopping on their mobile phone, where the process of buying a ticket was shortened from 10 steps in the old mobile e-shop to 6 steps in the new version.

The development of online ticketing is also related to the expansion of the range of fare types available in the My Train app and the ČD e-shop. In addition to facilitating the sale of SMS (text message) tickets for individual public transport systems, the sale of OneTicket and IDS Pilsen region tickets, 2022 saw an expanded offer of in the sale of tickets for the Zlín Region IDS and at the same time an extended sales offer for bus transport for the first time, specifically in the Pilsen Region. For 2023, we are planning to expand other transport supplementary services available in online channels in this area (in particular, first and last mile solutions, direct sales of follow-up tickets for public transport, etc.). We intend to continue to develop additional regional fare offers and strive to ensure that ČD sales channels are always the first choice for passengers using rail in the Czech Republic. This vision is linked to ČD's strategic goal of increasing the share of tickets sold electronically to at least half of the total volume. We are confident that this benchmark will be reached in the near future. At the same time, we are pleased that we are registering positive feedback from customers. Our My Train app has a long-standing high user rating in Google Play and the AppStore of approx. 4.5 and 4.7 stars out of 5 respectively.

In addition to online ticketing, a number of development initiatives related to customer purchase took place in 2022, in which we simplified and clarified conditions for passengers (especially new contractual transport conditions in domestic and international transport), developed dynamic pricing (e.g. maximising the sale of train-linked tickets in long-distance transport) and simplified the work of ticket counter staff. At the same time, in 2022 we started a process leading to the complete renewal of the equipment used to sell and check tickets on board our trains. We anticipate that during 2023, new portable passenger ticket counters will begin to proliferate among conductors and new ticket vending machines will begin to appear on a number of new vehicles.

Last but not least, during 2022, our mobile app and the Train to Trip website ("Vlakem na výlet") were in service, which are key information channels to promote rail-themed events and at the same time stimulate customers to travel by train at their leisure.

Customer Satisfaction

Feedback from our customers is very important to us, which is why in November 2022 we added the My Train app to allow passengers to rate their customer experience in relation to a specific ticket. The rating is done using the CSAT (Customer Satisfaction Score) method, where customers rate their overall satisfaction with the journey and sub-areas of the journey on a five-star scale. The results for 2022 show that customers rate overall satisfaction at an average of 3.9 stars, with satisfaction with buying a ticket (4.6 stars) being the highest and satisfaction with keeping to the timetable (3.4 stars) being the lowest. During 2023, we want to work more with the customer feedback from the My Train app to identify problem areas and work on improving them.

The initial results of the satisfaction measurement in the My Train app are also broadly in line with the passenger satisfaction survey on long-distance and commercial trains, which we usually carry out in November with a sample of more than 3,000 respondents. According to their statements, passengers have a positive perception of the quality of services provided to passengers, which is linked to the gradual renewal of the fleet and the expansion of services before and during the journey. The negative perception is often associated with the timetable fulfilment and the related delays, which, however, cannot be objectively influenced by ČD in view of the ongoing modernisation works on the railway infrastructure.

Communication

The year 2022 was marked by the fulfilment of all communication objectives. By continuously optimising the communication plan in relation to the current situation in Ukraine and the media mix, we have achieved effective use of the resources spent on brand and product promotion.

In the online environment, thanks to search and content campaigns, we managed to generate record sales of CZK 345.7 million. The Summer Group Ticket campaign led to a year-on-year increase of CZK 51.6 million in sales from these tickets. The International Travel campaign was particularly successful in terms of creative quality. It won first place in the advertising catalogue of the specialist marketing website mediar.cz. In an independent testing of TV campaigns, it was evaluated as the campaign with the best impact in terms of branding, emotion and need, and its lead actor Ivan Trojan defended his title of first place as the best actor in advertising. The optimal communication set-up was verified by the annual Brand Research. It confirmed both the appeal of the campaigns and their ability to motivate the public to use the services and products offered by our Company.

Last year we also further strengthened our position on social networks, where we operate the largest railway transport profile in the Czech Republic under the ČD brand. Almost 112,000 people follow us on Facebook, we have more than 26,000 fans on Instagram and 11,000 users regularly follow ČD's profile on Twitter, the fastest growing social network. Social networks significantly help us not only to disseminate our business messages, but also to build relationships with existing and potential customers, to inform them about news in ticketing and fleet renewal, and also to provide them with online traffic information that helps them, for example, in planning their journeys. That's why we are constantly improving our content and focusing on working with the community.

Other successes, such as defending the title of the Most Trusted Brand among transport service providers in the independent ACNielsen poll or the high attendance at the Railway Day in Pilsen, which attracted over six thousand visitors, also testify to the right communication set-up and its positive impact on the public's relationship with our Company.

In 2023, we will continue our campaigns aimed at attracting new customers, promoting the benefits of travelling using our trains and, of course, promoting the ongoing renewal of the rolling stock as a basic condition for improving services and increasing public interest in using rail transport.

Operational Indicators for 2022

Number of Trains Departed	
long-distance passenger transport	173,527
regional passenger transport	2,276,186
Total	**2,449,713**

Timetable Fulfilment	
long-distance passenger transport	66.2 %
regional passenger transport	86.0 %
Total	**84.6 %**

Liability for Train Delays	
carrier	11.9 %
railway operator	22.4 %
other causes	65.6 %

Fulfillment of Timetable Minus Causes of Delay outside of the Carrier Responsibility	
long-distance passenger transport	95.1 %
regional passenger transport	98.8 %
Total	**98.5 %**

Carrier's Liability for Train Delays	
long-distance passenger transport	15.2 %
regional passenger transport	10.5 %
Total	**11.9 %**

In 2022, there was a decrease in the overall performance of the timetable of 2.7 percentage points compared to 2021 (from 87.3 % in 2021 to 84.6 % in 2022).

The reasons for this decrease can be traced to the increase in delays carried over from one train to the next. Year-on-year, these (secondary) delays have increased by 4.5 percentage points. These were mainly increases in delays due to the crossing and passing trains, waiting for connections within waiting times, emergencies and train turnarounds.

As far as only primary (i.e. original, non-deviated) delays are concerned, most of them are due to causes on the part of the railway operator (mostly closures, construction reasons and defects in infrastructure facilities). Specifically, they account for **53.9 %** of all primary timetable disruptions. **28.7 %** of primary disruptions to the timetable are the responsibility of the carrier (notably extended stays of trains at intermediate stations due to increased passenger frequency, waiting for delayed connections beyond basic waiting times, vehicle breakdowns and faults in train composition) and **17.5 %** are due to external influences (notably delays of trains arriving from foreign railways and adverse weather conditions).

One of the reasons for non-performance of the timetable was also **extraordinary events and exceptional occurrences**, i.e. unforeseeable situations where, for various reasons (e.g. due to adverse weather, vehicle breakdowns or collisions between trains and road vehicles at level crossings), train operation was restricted and trains were delayed. The number of incidents and accidents on the infrastructure of SŽ monitored in the MIMO system totalled **7,399 such cases** in 2022.

Passengers can receive information on train restrictions (including closures) via the My Train application, or they can obtain it at www.cd.cz/omezeniprovozu or on the Twitter social network (@cdmimoradnosti).

Emergencies and operational incidents usually require the adoption of operational measures in passenger transport, apart from changes in staff, traction vehicles and trainset turnarounds, this means the introduction of alternative transport and, where appropriate, the cancellation of trains without compensation.

In 2022, we recorded the following data on operational measures in the event of emergencies and contingencies *):

Number of Trains with Operational Replacement Services in Place	
long-distance passenger transport	792
regional passenger transport	9,898
Total	**10,690**
caused by carrier	2,642
of which defects of traction units	1,165
other reasons	8,048
Total	**10,690**
Scope of Operational Replacement Transport	
long-distance passenger transport [train-km]	20,490.50
regional passenger transport [train-km]	152,403.70
Total [train-km]	**172,894.20**

*) Except for the section dealing with exceptional occurrences, operational replacement services and cancelled trains, the values presented are based on the entire public route (origin, destination and intermediate stations of arrival and departure). The data on exceptional occurrences, operational replacement services and cancelled trains are then based on the entire route.

Reasons for Introducing Operational Replacement Services		
Description of the Cause	**Number of Trains**	**Range of Train-km**
Consequence of an incident	4,321	76,763.00
Unforeseen closure, late start and end of closure	1,456	15,477.30
Carrier's disposition	1,419	27,332.30
Adverse weather conditions	1,064	21,613.20
Total	**8,260**	**141,185.80**

Number of Trains Partially or Fully Cancelled Operationally without Compensation	
long-distance passenger transport	4,780
regional transport	16,308
Total	**21,088**
reasons on the part of the carrier	3,904
of which defects of traction units	3,463
other reasons	17,184
Total	**21,088**
Scope of Operational Train Cancellations	
long-distance passenger transport [train-km]	536,462.00
regional passenger transport [train-km]	203,165.30
Total [train-km]	**739,627.30**
Share of Trains Cancelled Operationally of the Total (Planned) No. of Trains	
caused by carrier	0.16 %
other reasons	0.70 %
Total	**0.86 %**

The most frequent specific reasons for operational cancellation of trains were measures taken by state authorities (5,772 trains, 14,532.90 train-km) and then extraordinary events (5,234 trains, 261,405.80 train-km).

Evaluation of Quality Standards

The quality of services provided to the travelling public forms a crucial part of ČD's image, as it is visible and monitored by the general public, the media, competing carriers and as well as customers of passenger transport in regional and long-distance transport. ČD's quality standards internally set a uniform level of quality of services provided to passengers and customers.

The quality management system at ČD is set up in such a way that it fulfils the requirements of ČSN EN ISO 9001, ČSN EN ISO 45001 and ČSN EN ISO 50001, and is also in compliance with the European Commission's opinion, JS/290311, and the Methodological Guideline of the Railway Authority on service quality standards pursuant to Article 28 of Regulation (EC) No. 1371/2007 of the European Parliament and of the Council. None of these documents provide binding values for the fulfilment of the individual required quality standards.

The measurement of the fulfilment of the quality standards using internal controls, the results of customer inspections, timetable fulfilment, evaluation and analysis of operational work, complaints and suggestions received is complemented by the measurement of customer satisfaction, with the level of service provided by means of a survey, mystery shopping and specific surveys.

At the beginning of 2022, the quality of services provided to the travelling public was again affected by the impact of the Covid-19 pandemic.

The Quality Standards of České dráhy, a.s. (No. 55122/2022-O17) set forth seven basic pillars of quality standards internally. Some pillars are further divided into subgroups. Thus, we evaluate a total of 50 piece quality standards, where 36 were met, 7 were met in the interval 95-99.9 %, 2 were met in the interval 93-94.9 % and 5 were met below the 93 % threshold.

Partial non-compliance with these internally set quality standards does not constitute a breach of contract or commitment, nor does it constitute a breach of legislation.

The conclusions of the 2022 audit activity are consistent with the outcomes of the assessment of these quality standards. A total of 43,124 inspections were carried out in 2022, of which 16,931 occurred in stations (with a detection rate of 2,901 - 17.1 %) and 26,193 in trains (with a detection rate of 7,620 - 29.1 %).
The inspection activity in 2023 will focus on verifying the effectiveness of the measures taken to meet the quality standards.

Where the level of compliance with individual standards for a defined period was below the minimum value, the individual organisational units are required to investigate the reasons, take corrective action and implement it without delay.

Standards Card		Performance level	2022	Performance of Standards
1.	**Information and transport documents**			
1.1.	**Sale and control of travel documents on trains**			
	Ensuring the sale of travel documents (except ND)	99 %	98.78 %	not met
	Quality of the work of train attendants in selling travel documents	99 %	99.95 %	met
1.2.	**Provision of information on trains**			
	Ensuring on-board information (outside ND)	99 %	97.67 %	not met
	Quality of work performance of train attendants	99 %	99.96 %	met
1.3.	**Sale of travel documents at stations**			
	Sale of travel documents at every occupied station or stop	99 %	98.88 %	not met
	Provision of an alternative sales method	99 %	99.98 %	met
1.4.	**Provision of information to passengers at stations**			
	Ensuring that passengers are informed at a busy station/stop	90 %	98.84 %	met
	Quality of work performance of station staff	99 %	99.97 %	met
1.5.	**Behaviour of train and station staff**	99 %	99.97 %	met
1.6.	**On-board information systems**			
	Functionality of information provision	99 %	93.58 %	not met
	Quality of work performance of train and carriage staff	99 %	99.91 %	met
1.7.	**Station information systems**			
	Functionality of information provision	99 %	99.37 %	met
	Quality of work performance of station staff	99 %	99.98 %	met
2.	**Accuracy of transport connections and general principles of action in the event of operational emergencies**			
2.1.	**Operational incidents in rail transport**			
	Reliability of the timetable	98 %	99.00 %	met
	Quality of emergency handling	75 %	83.40 %	met

Standards Card		Performance level	2022	Performance of Standards
2.2.	**Compliance with planned requirements and planned train capacity**	95 %	90.59 %	not met
2.3	**Timetable punctuality in long-distance, regional and commercial transport**			
	Long-distance and commercial transport			
	Train services arrive within a tolerance of 0 - 5 minutes for punctual operation	min. 78 %	61.40 %	not met
	Train services arrive within a tolerance of 6 - 60 minutes for punctual operation	max. 20 %	36.70 %	not met
	Train connections arriving within a tolerance of more than 60 minutes for punctual operation	max. 2 %	1.90 %	met
	Long-distance and commercial transport - carrier's responsibility			
	Train services arrive within a tolerance of 0 - 5 minutes for punctual operation	min. 94 %	93.90 %	not met
	Train services arrive within a tolerance of 6 - 60 minutes for punctual operation	max. 5.5 %	5.90 %	not met
	Train connections arriving within a tolerance of more than 60 minutes for punctual operation	max. 0.5 %	0.20 %	met
	Regional transport			
	Train services arrive within a tolerance of 0 - 5 minutes for punctual operation	min. 91 %	86.90 %	not met
	Train services arrive within a tolerance of 6 - 60 minutes for punctual operation	max. 8 %	13.00 %	not met
	Train connections arriving within a tolerance of more than 60 minutes for punctual operation	max. 1 %	0.10 %	met
	Regional transport - carrier's responsibility			
	Train services arrive within a tolerance of 0 - 5 minutes for punctual operation	min. 97 %	99.00 %	met
	Train services arrive within a tolerance of 6 - 60 minutes for punctual operation	max. 2.5 %	1.00 %	met
	Train connections arriving within a tolerance of more than 60 minutes for punctual operation	max. 0.5 %	0.00 %	met
2.4.	**Connection links**			
	Compliance with connection planning threshold	95%	96.53 %	met
	Compliance with procedure to ensure connection links (less than 500 cases per year)	500	51	met
3.	**Compliance with the agreed transport scope and cancellations**			
	Compliance with agreed transport scope	99 %	99.84 %	met
	Cancellation of transport connections	1 %	0.16 %	met

Standards Card		Performance level	2022	Performance of Standards
4.	**Cleanliness of railway carriages and station facilities**			
4.1.	**Cleanliness of stations and operational facilities / availability of toilets**	98 %	100 %	met
	Troubleshooting	within 24 hours	yes	met
4.2.	**Cleanliness of vehicles**	95 %	98.86 %	met
5.	**Customer satisfaction survey**	100 %	100 %	met
6.	**Complaint handling, redress and compensation of passengers in case of non-compliance with service quality standards**			
6.1.	**Handling of passenger complaints**	100 %	100 %	met
	Submission rate per 100,000 passengers carried	7	8.41	not met
	Coefficient of justified submissions per 100,000 passengers carried	2	1.90	met
	Average time to process submissions	30 days	19.9 days	met
6.2.	**Exercise of the right under the transport contract and compensation of passengers**	100 %	100 %	met
	Unjustified rejection of claims	below 1 %	- %	met
	Loss of application or refusal to accept an application	below 1 %	- %	met
	Processing of the request within the UPPS time limit	99 %	100 %	met
	Processing of request within the time limit for compensation	99 %	50 %	not met
	Average time to process a UPPS application	28 days	21 days	met
	Average processing time for compensation	28 days	77 days	not met
7.	**Assistance provided to disabled persons and persons with reduced mobility**			
	Fulfilment of agreed order (customer request)	99 %	99.70 %	met
	Ordering of the prescribed requirements according to the order	99 %	99.42 %	met
	Functionality and technical competence of mobile platforms	98 %	99.77 %	met

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

‚Sale and checking of travel documents on trains', there was a partial failure to meet the standard for the set indicators in the area of ‚Ensuring the sale of travel documents (excluding replacement transport)', where the required performance is 99 % and the actual performance is 98.78 %:

The control and sale of travel documents on board the train is directly affected by the train's throughput. During peak periods, especially in relation to daily commuting, combined with non-compliance with the planned train formation and the impossibility of changing the order of the shunting of the shunting cars, overcrowding of trainsets occurred to an extent that often prevented the smooth movement of the train crew along the train. As part of a long-term safety improvement measure, priority was given to focusing the activities of the train staff on the safe performance of train departure operations, particularly on services with a higher frequency of stops. On trains operating in self-service mode, mobile ticket vending machines and ticket markers were often out of service and, in view of internal and locally applicable requirements of the ordering entities to prioritise the drivers' transport and technological duties, the sale and control of travel documents cannot be ensured in full.

‚Provision of information on board trains', there was a partial failure to meet the standard for the specified indicators in the area of ‚Provision of information on board trains (excluding replacement services)', where the required performance is 99 % and the result was 97.67 %:

It is not always possible to ensure the full level of active passenger care, including information service from the train conductor on the platform before the train departs. This is due to the performance of all the technological tasks associated with the takeover and preparation of the train set (time influenced by the change of gear, delay/transition of the train crew from set to set, occurrence of a technical fault on the vehicles) and the focus of the train staff on the safe performance of the tasks associated with the departure of the train. In trains, information service is mainly provided automatically by means of vehicle information systems. In the event that the information system is not operational, the train crew does not provide operational information to passengers in an alternative way (using the train's public address system, in person). This misconduct by staff is on an upward trend due to persistent problems in adhering to scheduled marshalling, where other types of carriages without information systems are marshalled operationally.

‚In the case of ‚Ticketing at stations', there was a partial failure to meet the standard for the indicators set in the area of ‚Sale of travel documents at each occupied station or stop', where the required performance is 99 % and the actual performance is 98.88 %:

This partial non-performance is due to the fact that it is not a systemic error, but the staff of ticket offices do not always find out from passengers the exact requirements for transport so that the request is resolved to their full satisfaction (especially purchase for long-distance trains), so they do not offer the most advantageous ticketing option and a comprehensive range of services (price session, seat tickets, additional services on trains).

‚On-board information systems' - there was a partial failure to meet the standard for the specified indicators. Regarding ‚Functionality of information provision', where the required performance is 99 % and the actual performance is 93.58 %:

Problems persist in adhering to the planned marshalling, where other types of vehicles are marshalled operationally without information systems. As part of a long-term safety improvement measure, priority was given to focusing the activities of train staff on the safe performance of train departure operations, which resulted in a reduction in the time capacity for informing passengers (particularly on services with a higher frequency of stops). A short-term, but recurring problem was the incorrect display of information in the vehicle information systems during extensive closures throughout 2022 (rerouting of trains, coupling of trains).

Comment on the failure to meet some standards in Section 2. Accuracy of transport connections and general principles for dealing with operational contingencies:

‚Compliance with planned requirements and planned train capacity', where the required compliance is 95 %, and the actual performance is 90.59 %:

In 2022, there was a decrease of 1.9 % in the overall compliance with the planned marshalling compared to 2021 (from 92.49 % in 2021 to 90.59 % in 2022).

The reasons for non-compliance with the planned sequencing should be seen in the following context:

- the broader context of the condition of the cars on selected express lines - the non-fulfilment of contractual deadlines by repair contractors who exceed the deadlines for scheduled car repairs. The repairermen justify the extension of repairs by objective force majeure circumstances, as a circumstance excluding liability (e.g. the effects of the war in Ukraine). It is clear that the agreed deadlines are exceeded by days or months;
- increased emphasis on compliance with the maintenance system of individual rolling stock as relates to strict compliance with the OPE TSI and the Railway Act, even at the cost of taking rolling stock out of service without the possibility of adequate replacement;
- non-compliance with the marshalling of trains assembled from vehicles of foreign partners (e.g. I-DLB);
- insufficient capacity of the repair activity itself, mainly due to a lack of qualified staff;
- the impact of accidents and operational failures.

The number of back-up vehicles of the respective series was not and is not adequate for the above-mentioned disruptions. For this reason, a situation arises in which wagons of appropriate parameters (both on ČD wagons and, where appropriate, those of partner carriers) must be deployed on selected trains/lines as a matter of priority so that the operation of these trains is not fundamentally disrupted. This then entails the necessity to move individual carriages between lines - in practice, this means that the movement of carriages will result in „maintaining operations" on one line at the expense of deteriorating performance on another line.

‚Timetable punctuality in long-distance, regional and commercial transport':

In 2022, there was a decrease of 2.7 percentage points in the overall performance of the timetable compared to 2021 (from 87.3 % in 2021 to 84.6 % in 2022).
The performance of the timetable in 2022 , net of non-carrier causes of delay, was 98.5 %.

The reasons for this decrease are traceable to the increase in delays transferred between trains. Year-on-year, these (secondary) delays increased by 4.5 percentage points. These were mainly increases in delays due to the crossing and passing of trains, waiting for connections within waiting times, emergencies and train turnarounds.

Primary causes (i.e. original, non-derived) of delays, most of which are due to causes on the part of the railway operator (most often closures, construction reasons and defects in infrastructure facilities). Specifically, they account for 53.9 % of all primary timetable disruptions; 28.6 % of primary disruptions to the timetable are the responsibility of the carrier (mainly extended stays of trains at intermediate stations due to increased passenger frequency, waiting for delayed connections beyond basic waiting times, vehicle breakdowns and faults in train composition) and 17.5 % are due to external influences (especially delays of trains arriving from foreign railways and adverse weather conditions).

Comment on the failure to meet certain standards in section 6. and compensation of passengers in the event of non-compliance with service quality standards:

‚Handling of passenger complaints', there was a partial non-compliance with the standard for the specified indicators in the area of ‚Submission rate per 100,000 passengers carried', where the required performance is 7 submissions per 100,000 passengers carried and the actual performance is 8.41 submissions:

2022 had the highest number of complaints in the EM period on record. The main cause is non-compliance with the sorting and delays (lockouts and a large number of incidents). This is followed by an extreme increase in compensation under Regulation (EC) No 1371/2007 of the European Parliament and of the Council on passenger rights and obligations in rail transport and the prolongation of its processing, well beyond 1 month, which generated further complaints about the length of processing (this was also addressed by the Railway Authority as a supervisory authority).

Regarding ‚Passenger compensation‘, there was a partial failure to meet the standard for the set indicators in the area of ‚Failure to process applications within the set timeframe‘, where the required performance is 99 % processing within the set timeframe of 28 days and the actual performance is 50 %:

Dealing with requests for compensation for delays in accordance with Article 17 of Regulation (EC) No 1371/2007 of the European Parliament and of the Council on rail passengers' rights and obligations. ČD complied with this obligation without fail from the commencement of delays compensation from 11 December 2011 until 8 June 2022. Thereafter, several operational events with often long-term impacts on the timeliness of train journeys have accumulated, resulting in an increase in compensation claims. In 2021, there were 1,423 such claims and in 2022 there were 5,194, an increase of 265 % year-on-year (3,771 claims). It should be noted here that in the vast majority of cases these are events for which the ČD is not at fault and therefore could not have prepared in advance. Among the most significant events, we select those which, in combination with the lockout activities of the Railway Administration, a state organisation, had an impact on the on-time performance of hundreds of passengers:

- From May 2022, checks at the border between the Czech Republic and Germany, in the event of delays, EC trains ending in Munich in the direction of Schwandorf, and in the opposite direction, departures from Schwandorf, a necessary change of trains and further delays on arrival at the destination station;
- 8 June - burnt out transformer station in Otrokovice;
- 15 June - floods in Hungary and a rock slide on the line between Szob and Budapest;
- 27 June - accident of SC train in Bohumín;
- 1 July - rock slide on the line Prague – Beroun;
- 6 August - blocked traffic in the section Choceň - Brandýs nad Orlicí for the whole day;
- 25 September - stoppage of traffic in both directions on the section Řečany n. L. - Záboří n. L;
- 26 September - stoppage of traffic in both directions in the section Červenka - Štěpánov.

The situation escalated further in October, for which we have recorded 5 major events, the largest of which was the stoppage of traffic in the Pardubice - Kostěnice section, and the resulting delay, which carried over until late hours on Sunday, 30 October 2022.

All claims are being reviewed and processed on an ongoing basis. In this context, we have to say that we are the point where 20 % of the claims submitted are ultimately rejected because they do not meet the conditions for compensation.

We have taken several measures to ensure that compensation claims are processed in accordance with Regulation (EC) No 1371/2007 of the European Parliament and of the Council on rail passengers' rights and obligations. At the level of OPT Olomouc, work activities have been redistributed so that a larger number of employees handle these claims. Based on the significant increase in compensation requests, we have ordered a modification of our systems to ensure automatic payment of compensation for delays in uncontested cases, without the passenger having to ask for it. This system was launched on 7 November 2022.

Servicing of Passenger Train Rolling Stock

In 2022, our repair business faced the consequences of previous measures against the Covid-19 pandemic and, more recently, the war in Ukraine. Not only was there a significant increase in the price of a number of commodities, which was reflected in higher prices for materials and spare parts, but more importantly there were delays in their delivery. As a result, we began to experience longer shutdown times for repairs of passenger rail vehicles.

The planned maintenance and corrective maintenance of passenger rail vehicles in the ČD Group in 2022 was carried out mainly by our own capacities, which consist of Regional Maintenance Centres (hereinafter referred to as „OCU") with operations throughout the Czech Republic.

Periodic higher-level repairs, upgrades and reconstructions of passenger rail vehicles were carried out through DPOVs and by external contracted certified repairmen. Some of the periodic overhauls were physically carried out by selected OCU. In 2022, we increased the volume of periodic repairs of vehicles by 20 % compared to the previous year, resulting in a total of over 800 vehicles undergoing periodic repairs.

The renewal of passenger rolling stock was carried out in 2022 in accordance with the plan and the needs of the Passenger Transport Operations section. The increased budget in the financial plan for periodic repairs and the provision of repair capacities, which we had already been carried out in previous years, enabled us to meet the repair plan with a 97 % execution rate. The underspending of the financial volume was due to delays in selected contracts for motor unit upgrades, sleeper car upgrades and periodic renewals of passenger cars. The periodic renewals of vehicles, especially of the R1 stage, carried out by the OCU continued to be carried out without major complications in 2022 and have become part of the standard repair performance.

The installation of power metering equipment on electric locomotives and units also continued during 2022. In total, nearly 300 vehicles are now fully operational or ready to be revived, and installation of the current equipment is still underway on a further 47 vehicles.

For the locomotives of the 362/362 WTB, 162 WTB series, the ETCS system installation phase has now entered serial installation. For other vehicle series we have also started installation of ETCS in prototype vehicles. At the end of 2022, ČD had over 70 locomotives equipped with ETCS. Related to the conversion of the AC/DC traction voltage system, an order was completed with Škoda Pars, a.s. for the conversion of 12 units of the 440 series to the 640 series.

The modernisation of the Bcmz 834 series at DPOV and the order for the conversion of WLABmee 823 series sleeper cars at Škoda Pars, a.s. were also in progress. Deliveries of Panter type electric units and 4 three-car push-pull sets continued during the year. Other projects for the delivery of new vehicles, such as 847 series power units, locomotives with a speed parameter of 230 km/h or new passenger cars for long-distance international transport with a maximum speed of 230 km/h numbering 180 units, have reached the stage of vehicle construction and the start of type tests.

In April 2022, we completed the certification process according to the EU Commission Implementing Regulation 2019/779 (ECM) by issuing our own certificates. Certificates have been issued for all 4 ECM levels. The legislative requirements for vehicle servicing were further integrated into the service department environment in 2022 and we will continue to deepen the integration in 2023.

As per the liberalisation of the railway market and the massive renewal and modernisation of the vehicle fleet operated on the ČD and in accordance with the approved ČD Strategy 2030 (hereinafter referred to as the ČD Strategy), we have fully initiated the process of restructuring the repair and modernisation of the repair base of the ČD Group. The main objective of the restructuring is to maximize group synergies, rapidly increase the share of work with higher added value and use assets more efficiently. Other objectives pursued are:

1) increased labour productivity;
2) speeding up the repair of the passenger rail vehicles;
3) increasing the quality of repairs;
4) reducing the failure rate of passenger rail vehicles;
5) refinement of spare parts procurement;
6) the creation of a network of competence centres (KC) for prospective passenger rail vehicles.

A number of projects will lead to the achievement of these objectives, some of which have already been implemented in 2022, while others have been launched. Among those implemented are the MTZ Centralization project and the Activation of the Exchange System for identical components (spare parts) project.

One of the strategic directions in the field of service is the wider implementation of IT technologies, which mean to bring efficiency in the field of work organization, capacity planning, and increasing the performance of the service activity itself. Nowadays, the implementation of IT technologies is an absolutely necessary way to achieve substantial savings in the field of railway rolling stock management.

The current use of IT technologies in the railcar servicing section is based solely on the basis of data recording with simple statistical use. Our new view is primarily focused on those areas that can generate substantial cost savings after implementation and routine deployment of IT technologies.

This basic task stems from the approved ČD Strategy, which defines a total of 9 strategic initiatives for the service area, the implementation of which should bring significant savings to the Company by 2030. For the period 2021-2022, we have identified key programme themes, without the implementation of which the strategic initiatives, as defined, cannot be implemented and the expected savings or gains realised.

The core program themes we have identified are:

- Digitalisation of labor consumption reporting for maintenance/repair of ČD vehicles;
- Self-diagnosis of vehicle fault conditions;
- Electronisation of drawing and technical documentation of passenger rail vehicles;
- Electronic system for acceptance of vehicles to/from repair;
- Digitalisation of stock management related to ordering and dispensing of materials for vehicle maintenance and repair;
- Preventive maintenance and a repair planning system.

These individual programme initiatives, although different in content, form a single functional tool for the efficient management, planning and organisation of repair capacities. The main objective of all these topics is to identify lost time in maintenance and to identify those that can be managed. We want to manage the lost times that can be managed efficiently and eliminate them over time. In 2021 and 2022, we have initiated a number of steps, in the form of sub-projects (e.g. labor consumption measurement) to fulfill the named program themes.

An important area falling under the restructuring of the repair industry is the modernisation of selected maintenance sites and the development of competence centres. A modern repair infrastructure is one of the key prerequisites for the successful implementation of the whole restructuring. In 2022, we managed to complete another modern hall dedicated to the maintenance of units and trains. It is a 4-track hall in Pilsen. It will serve mainly for the maintenance of RegioPanter and RegioShark units. The hall is equipped with, e.g. a gantry crane, assembly gangways, column channels and provides state-of-the-art facilities for quality maintenance.

In addition, we have completed an extension to our existing hall in Trutnov, which now provides us with facilities for the maintenance of up to three train sets. We have also started construction of a new set and car wash facility in Havlíčkův Brod.

In 2022, we continued design work on standardised halls in Cheb and České Budějovice. Construction proceedings are underway for these projects and we will complete the design work in 2023. We have also completed design work on the extension of the hall in Šumperk and on a new double-track hall in Havlíčkův Brod. Design work is also continuing on our other projects, such as modifications to Hall B in Olomouc, construction of the THU in Olomouc, modernisation of halls in Česká Třebová, Prague Vršovice, modernisation of the car wash in Prague South, modernisation of the car wash and sidings in Pilsen and further design work on the double-tracking of the departure and construction of sidings in Prague South. We have also completed the implementation of the public contract for the construction of the departure, middle and entrance groups of the Prague-South track. An important step in the restructuring of the entire repair industry is the establishment of a network of competence centres, the aim of which is to pool staff, technology and know-how to provide comprehensive, first-class and highly specialised service for selected lines of railway vehicles. The KC are being built for the maintenance and servicing of prospective long-life passenger rail vehicles series so that they can collaborate with vehicle manufacturers and provide certification to perform more complex, comprehensive The first three KC became fully operational in 2022, KC Liberec, specialising in the maintenance and servicing of Stadlers, KC Praha Vršovice, where we maintain and service Vectrons, and KC Česká Třebová, specialising in the maintenance and servicing of the 471, 162/3 and 362 series of traction vehicles.

Also during 2023, we will intensively pursue the implementation of the project initiated for the complete restructuring of the repair department and the services provided by it in order to meet the objectives set by the ČD Strategy and other sub-objectives set by individual projects.

Freight Transport

Mission, Vision and Objectives of the Company

ČD Cargo is a modern, dynamic company that is building its future on four pillars. We are aware that we cannot do this without modern vehicles, which is why one of the pillars is interoperability. A sufficient number of interoperable locomotives is a prerequisite for achieving the objectives of the next pillar, which is expansion abroad. We hold all the necessary authorisations to operate rail freight transport in a number of countries - in Austria and Germany through our subsidiaries, in Poland, Slovakia, Hungary and Croatia through our subsidiaries as well. The third pillar of our long-term strategy is intermodality. We are partners with all major intermodal operators. We own a share of in the terminals in Lovosice and Brno and, through our subsidiary ČD Cargo Logistics, in the new terminal in Mošnov. We are also preparing other similar projects. We continue to expand our transport portfolio using modern Innofreight technology. We are socially responsible and consider CSR as the fourth pillar of our business. We are the proud founders of the ČD Group Endowment Fund – RAILWAY FROM THE HEART. We also provide transport of humanitarian goods. We are committed to reducing the energy consumption of our operations and developing our safety system.

Freight Transport

Despite all adverse circumstances, ČD Cargo, a.s. transported about 61 million tonnes of goods, within the Czech Republic, which is about half a million more than in 2021. The largest contributor to this year-on-year increase was the increased interest in transporting lignite as well as strategic liquid fuels. Among the unfavourable circumstances, we must mention in particular the war conflict in Ukraine, the energy crisis and the rocketing prices of almost all input cost s. However, the rising costs have an impact not only on ČD Cargo, a.s, but of course also on customers, as it fundamentally affects production volumes.

Revenues from freight transport reached CZK 12.1 billion in 2022, which is CZK 1.3 billion more than in 2021. The biggest year-on-year increases by type were attained in commodities such as lignite, wood and paper products, chemical products and liquid fuels and combined transport. In contrast, the automotive commodity saw the largest year-on-year decline in sales. In 2022, the ČD Cargo Group transported a total of 64.2 million tonnes of goods (this statistic represents a consolidated view of transport volume, i.e. tonnes transported by Group companies on interstate routes are counted only once).

In 2022, we transported more than 10.5 million tonnes of lignite, which is approximately 3 million tonnes more than in 2021 and 2020. In the context of high natural gas prices, a number of heating plants have returned to burning lignite (for example, the Tábor heating plant), and the Czech population has also increasingly turned to traditional energy sources. This is confirmed by the interest perhaps most of all in coal stockpiles. Among the interesting transports, we can mention, for example, the transport of coal to Straškov, where regular freight trains had not been running for many years. The increased demand for lignite transport has necessitated the adoption of a number of measures for its successful implementation.

In contrast, we transported less hard coal and coke than in 2021, namely less than 5 million tonnes. Transport volumes were adversely affected by the ban on the import and transit of Russian coal via Poland as well as by restrictions on imports via Belarusian crossings. Imports of steam coal from Poland were also significantly reduced, as Polish shafts clearly preferred Polish customers in the context of the energy crisis and only a minimal part of production was destined for export. Domestic smelters and coking plants thus began to look for alternative sources of this fuel. Since January, we have been transporting hard coal from Australia - in one case even in combination with river transport on the Elbe River, and in the autumn we transported several complete coal trains from Amsterdam to Ostrava in cooperation with the German branch and the subsidiary ČD Cargo Poland.

Another sector closely related to solid fuels is metallurgy. While the beginning of the year was marked by a boom and increased interest in metallurgical products, the end of the year was not as fortunate. In the first months of 2022, the uncertainty regarding iron ore production in the war-affected areas of Ukraine caused considerable problems, but supplies were not interrupted and were realized to an even greater extent. However, in July, one of the two blast furnaces at Liberty was shut down, and in late September, a dumper failure occurred at Třinecké železárny. Scrap iron shipments maintained a stable level almost throughout the year. The commodity also managed to realize a number of new shipments: pre-rolls from Koper to Ostrava, rails from Třinec to Rijeka, etc.

We transported 2.3 million tonnes of construction materials and the situation in this commodity was stable throughout the year. It was only towards the end of the year that the recession in construction production started to show slightly in cement shipments. In contrast, shipments of desulphurised limestone to power stations increased. Despite the crisis in the glass industry, we managed to maintain shipments of glass sands to Poland.

ČD Cargo, a.s. also actively participated in transports for closures, including a major closure on the corridor line near Velim. Also new were the transports of waste soil from Přerov and Choceň for disposal at the landfill in Mydlovary, carried out in the second half of the year.

In 2022, we transported almost 5 million tonnes of wood and paper products. As in previous years, we participated in the removal of wood from calamity-affected forests. Large volumes of timber were transported from the Podkrkonoší region, the Pošumaví region, the Bohemian Forest and the Ore Mountains. The Chomutov - Vejprty mountain line, for example, was revived for freight transport. Due to overcrowding on the siding track at Lenzing Paskov, a loading ban had to be declared in the autumn.

Last year, we also transported 100,000 tonnes more of chemical products and liquid fuels in particular than in 2021. Fuel imports were on schedule, but the insufficient capacity of the line in the Elbe valley to Dresden and the higher rate of disrepair of the tank wagons caused major problems. The transport of aviation fuel to Prague airport was also stable. There were also a number of new transports, for example of biosolids from Germany to Most. We have regained gas transports from Austria to Poland in transit through the Czech Republic.

At the beginning of the year, trade in grain was carried out only to a limited extent. Further market developments were awaited. This was naturally reflected in the results in the food and agricultural products commodity. Spot shipments of sugar, exports of beet seed from various stations in the Czech Republic and other business cases were carried out. A major challenge was to ensure the transport of grain from Ukraine in completely new routes and using new technologies, such as tipping containers, big bags, etc. In September, the traditional transport of sugar beet to Hrušovany nad Jevišovkou was started, including deliveries from Slovakia by ČD Cargo Slovakia, but unfortunately the harvest was not very good. In the competitive battle we unfortunately lost the transport of beverages from Prague to Hungary.

Combined transport in 2022 was affected by the waning pandemic of Covid-19. Prolonged restrictions at Chinese ports, the gradual cooling of trade relations with the Republic of China, changes in commodity flows - all had an impact on container volumes. We deepened our relations with the Metrans operator and started running part of the trains from Prague or Česká Třebová to Hamburg along the entire route using a ČD Cargo locomotive and drivers from our German branch. In August, the first MSC intermodal train arrived at the new terminal in Mošnov. These transports were previously carried out via the PKP CI terminal in Paskov, including the carriage.

Last year was not easy for the automotive industry either. Closely related to the war conflict was the termination of shipments of dismantled cars in containers from Mladá Boleslav to assembly plants in Russia and the reduction of shipments to Solomonov in Ukraine. Performance in the automotive commodity was also affected by the fire in Mladá Boleslav and the shortage of some production components. Škoda cars were shipped from production plants to external warehouses throughout the Czech Republic. One major problem was the previously mentioned lack of capacity on the border line through the Elbe valley via Děčín to Germany. The associated poor quality was the reason for the rerouting of some shipments from Slovakia to Germany via Austria and also the reason for the loss of some shipments.

In other commodites, military transports, whether related to the war conflict in Ukraine, transports for military exercises in the Baltic States or domestic movements of soldiers and military equipment, there was a significant increase in cargo. On the other hand, mail shipments fell slightly, affected during the year by the extensive lockout at Bezpraví. We shipped several transformers and spent nuclear fuel containers. Among the most interesting transports was the transport of new units of the Warsaw Metro, carried out in cooperation with the carrier of ČD Cargo Poland.

Vehicle Fleet/ Vehicle Management

To ensure the operation of freight trains, as of 31 December 2022, ČD Cargo, a.s. had 745 traction vehicles in its inventory, including 63 locomotives acquired under financial leasing. 697 locomotives were used for transport operations, while the fleet of freight wagons consisted of a total of 19,277 of its own freight wagons of various types, as of 31 December 2022. Of the total fleet, 15,719 wagons were in average running condition. The fleet was reinforced as needed by a group of leased wagons averaging 4,302 wagons and up to 12 interoperable locomotives.

During 2022, 35 wagons were scrapped due to physical wear and tear, moral obsolescence and poor technical condition. In addition, 313 wagons were sold. During 2022, 30 locomotives were physically scrapped and 3 machines were sold. Suitable parts from the scrapped vehicles were recovered for use in the repair of other vehicles.

Maintenance and repairs of rolling stock were carried out mainly in the company's own rolling stock repair shops and also in external contracted capacities. In 2022, a total of 4,025 vehicles underwent periodic repairs (2,671 maintenance repairs and 1,354 technical inspections).

ČD Cargo, a.s.'s rolling stock repair centres were involved in the installation of power metering equipment on electric locomotives, the installation of radio stations (GSM-R) and OSH measures on traction vehicles. For the Eas 52 and 53 series freight wagons, used for transporting wood, scrap or coal, this involved the continuation of the reconstruction of the combined wooden floor with a full metal floor.

In 2022, the fleet of ČD Cargo, a.s. traction vehicles was expanded by 5 interoperable locomotives of class 388. 17 modernised locomotives of the 742.71 series (a modernised version of the 742 series locomotive) were delivered, thus completing the part of the contract relating to the comprehensive modernisation of a total of 50 diesel locomotives, which also includes equipping the locomotives with the European Train Control System (ETCS). The part of the project relating to equipping the 742.71 series locomotives with the mobile part of the ETCS system is co-financed by the Connecting Europe Facility of the European Union. In addition, the fleet of traction units has been reinforced with one locomotive of the 753.7 series.

In 2022, an additional implementation of ETCS (retrofitting) was carried out on locomotives of class 130, 753.7 and locomotives 163, 363, with physical retrofitting achieved on all 78 vehicles for this project. As in the case of the 742.71 locomotives, this project is also co-financed by the Connecting Europe Facility of the European Union. As part of the implementation of ETCS in locomotives 130 and 753.7, ČD Cargo, a.s. draws financial support from the Operational Programme Transport, i.e. the projects are co-financed by the European Union (Cohesion Fund).

In 2022, the conversion of 163 to 363 series locomotives was completed (18 locomotives in total are being converted). This is a conversion of 163 series locomotives to extend operation also on the 25 kV / 50 Hz network. The project is co-financed by the European Union (Cohesion Fund), under the Operational Programme Transport.

In terms of long-term leases of interoperable locomotives, two 186 series locomotives and one each of 189 and 193 series locomotives have been added to the fleet of ČD Cargo, a.s. traction vehicles. The total number of long-term leases of interoperable locomotives thus amounted to 10 locomotives at the end of 2022. The long-term leases are further supplemented by short-term (ad hoc leases) leases of this category of locomotives according to operational needs.

The adaptation of the fleet of rail freight wagons to the needs of the transport market has continued to ensure greater operability of the wagons in international traffic. 60 Zacns tank wagons were purchased for the ČD Cargo, a.s. fleet.

In order to comply with European legislation on the use of so-called „silent wagons", ČD Cargo, a.s. continued to convert the wagons in its possession to composite locks. At the end of 2022, ČD Cargo, a.s. had a total of 16,161 wagons compliant with „silent" operation (fitted with composite brakes), of which 13,328 are owned by ČD Cargo, a.s. The replacement of brake shoes was co-financed by the European Union (Cohesion Fund) under the Operational Programme Transport, and 11,566 freight wagons had their shoes replaced during the specified implementation period.

Regarding freight wagon management in 2022, great attention was paid to the planning and use of wagon capacity, with the aim of minimising inefficiencies in transport and wagon management.

As part of the company's reporting, a regular assessment of wagon capacity utilisation is carried out, including the identification of key issues by each truck trade group. Any surplus vehicle capacity is utilised within the rest of the business for rental purposes to ensure that the management of the available fleet is as efficient as possible and provides additional resources to ensure its operational viability.

Rolling Stock Lease

One of the significant business activities within the other business is the leasing of rolling stock on a long and short-term basis. In the form of long-term lease, our partners lease traction vehicles adapted for operation on a specific territory, outside the Czech Republic. In the case of short-term lease of traction vehicles, it is about deploying them for specific piecemean tasks performances outside our infrastructure according to the business case, and thus it is mainly about interoperable locomotives. Primarily, the traction vehicles are leased within the ČD Cargo Group, where they are mainly of the 130, 163, 181, 363, 363.5, 742 and 753.7 series.

In the segment of rail freight wagon rentals, we offer our customers both long-term rentals as well as short-term or recurring wagon rentals to identify spot and one-off deals. Wagons released from the total unbundled capacity are used for these purposes. We offer rentals of most vehicle lines, including tankers, and we also seek to collaborate on projects involving the use of non-operating vehicles. This involves various forms of ensuring the commissioning of idled wagons and their subsequent operation. In 2022, 4,412 wagons were leased (under short-term and long-term leases).

Increasingly, spare rolling stock capacities are being used in the execution of business cases in cooperation with our subsidiaries as part of joint expansion in foreign markets.

Expected Developments, Goals and Objectives

The Czech economy will slow down in 2023 and the global development is also not clearly predictable. Not only from the perspective of ČD Cargo, a.s., the key issue will be to secure sufficient energy volumes at economically viable prices. The high production costs will certainly affect the metallurgical, chemical, and glassworks industries, as well as the manufacture of automobiles, and other industrial segments. Another factor affecting the combined transport segment in particular is the complexity and ambiguity of trade relations between China, Europe and the USA, as well as the persistence of the Covid-19 pandemic in China. The volume of rail shipments in 2023 will continue to be influenced by the abundance of transhipment capacityat all seaports, as well as by large-scale investment in European infrastructure. The associated constraints may in many cases mean the end of rail transport altogether.

In spite of all the above-mentioned influences, ČD Cargo, a.s. expects a stabilisation of transport performance on the domestic market and a further increase in performance on foreign markets. One of the priorities will be to secure the transport of strategic raw materials - solid and liquid fuels. The company will continue to implement measures to increase the efficiency of internal processes and the use of its capacities and assets. Regarding investments, ČD Cargo, a.s. will continue to modernise and renew its locomotive and rolling stock fleet. In the latter case, the company will focus mainly on wagons for the transport of commodities for which a recession is not expected (intermodal transport, fuel). Projects to implement the mobile parts of the ETCS will continue.

The company's economic objectives include, above all, maintaining a stable level of cash flow based, on the one hand, on securing the planned level of revenue from our own transport and, on the other hand, on the efficient use of cost items and ensuring sufficient liquidity for the company in the medium term and long term. An important objective is to stabilise the profitability of the core business and the other businesses.

Asset Management

Number of all buildings owned by ČD as of 1 January 2022	3,462
of which registered in the Cadastre	*2,872*
Number of all buildings owned by ČD as of 31 December2022	3,337
of which registered in the Cadastre	*2,756*
Number of land plots owned by ČD as of 1 January 2022	15,448
Number of land plots owned by ČD as of 31 December 2022	15,206
Area of land owned by ČD (m^2) as of 1 January 2022	60,960,490
Area of land owned by ČD (m^2) as of 31 December 2022	60,269,421

In 2022, the trend of increasing the number of plots registered in the Cadastre of Real Estate (KN) will not continue as in previous years. This trend was caused by the project of the ÚMVŽST with SŽ, where the existing ČD land was divided into smaller plots. The reduction in the number of plots was due to the ongoing sale of surplus property.

In total, the number of ČD buildings registered in the KN decreased from 2,872 to 2,756, i.e. by 116 buildings. The number of buildings registered in the KN decreased by approximately 4 %.

Number of flats in buildings owned by ČD as of 1 January 2022	551
- of which 331 were tenant occupied	
Number of flats in buildings owned by ČD as of 31 December 2022	530
- of which 332 were tenant occupied	
Number of external lease contracts for premises and land owned by ČD	7,804
- of which the resulting number of leasehold buildings in ČD's records	*19,334*
Number of internal lease agreements for premises and land owned by ČD	702
- of which the resulting number of lease objects in ČD's records	*10,922*
Revenue from external lease contracts for buildings, land and flats (in CZK million)	287
Revenue from internal lease contracts for buildings, land and flats (in CZK million)	83
Total external income from rental and operation of buildings (in CZK million)	342
Proceeds from sale of assets (in CZK million)	288

The most significant property sales in 2022 took place in the Prague districts of Žižkov and Újezd nad Lesy (land plots), as well as in the towns of Beroun, Záboří nad Labem and Česká Třebová (commercial buildings) and Nymburk (a complete complex).

In 2022, repairs and investments to improve the working environment continued both on the premises where ČD employees are based and on premises that are leased to external entities. Capital expenditure was incurred on roof repairs in Ostrava (commercial district) and an office building in Tišnov. We have completed construction works on an office building in Olomouc and in Bohumín. In 2022, construction work continued and is being completed on the Masaryk Building in Prague - Building B and on an office building in Brno (Kulkova Street). We also started extensive reconstruction of the water supply line in Česká Třebová. In 2022, we also submitted an application for a subsidy for an office building in Hradec Králové. Construction work is expected to start in 2023.

In 2022, an expert opinion was prepared for the valuation of the subject of the transfer of ČD's property to SŽ as part of the transaction of Phase 2 of the ÚMVŽST project, including the valuation of compensation for the use of ČD's property under the tracks and related infrastructure managed by SŽ. The necessary re-specification of the ČD property under the railway line, intended to be transferred to SŽ, was carried out in the railway station locations affected by the investment actions of the municipalities. In parallel, a series of supplementary questions from the European Commission were dealt with in cooperation with SŽ in the framework of the pre-notification procedure involving the Office for the Protection of Competition and the Ministry of Transport.

In 2022, we continued to provide assistance to the developer in the preparation of further stages of the real estate project in the Prague-Smíchov railway station area.

Related to the further use of the Žižkov Freight Station site, in 2022, we established intensive cooperation with the Prague City Council, the Ministry of Culture and other entities involved in the Prague City Council Commission for the Use of the Žižkov Freight Station in preparing the sale of the listed building and related land. At the same time, we provided assistance to the development company in preparing the area for sale. We will continue these activities in 2023.

During 2022, we negotiated with SŽ the sale of the land with the A1+A2 wing of the passenger building at the Prague Masarykovo nádraží. At the same time, we have completed not only the reconstruction of building B, but also the preparatory work for the start of the reconstruction of corridor E+F of the passenger building, which will be implemented in 2023.

As part of the revitalisation of the Brno Main Station passenger building, a substantial part of Phase 3 in the left wing of the passenger building was completed during 2022, including the reconstruction of the former Art Nouveau restaurant. At the same time, stage 4 of the revitalisation of the right wing of the station building was started in 2022.

Information and Communication Technology Services

The ČD Group provides for its ICT needs through its specialist IT and telecommunications departments in individual companies as well as through its subsidiaries **ČD - Informační Systémy, a.s.** (hereinafter referred to as ČD-IS) and **ČD - Telematika a.s.** (hereinafter referred to as ČD-T).

In 2022, the subsidiary ČD-IS strengthened its role as a key provider of comprehensive information technology services for the ČD Group. ČD-IS has expertise in modern technologies, both in the development of software to support a wide range of passenger and freight transport activities and in the operation of complex information systems. ČD-IS also offers and provides IT services outside the ČD Group: to regional transport service organisers, cities and other transport partners. The expected development of the public transport sector offers great opportunities for ČD-IS to apply its expertise in the development and implementation of information systems and their operation, including integration into existing environments. All this is done with the aim of gaining and maintaining the position of the main supplier and guarantor of ICT solutions for the entire transport sector.

The subsidiary, ČD-T, focuses on providing key technology and telecommunications services, both to the ČD Group and to other major customers in the transport sector. ČD-T's main business verticals include the implementation of ETCS systems in railway vehicles and their further upgrades, as well as the operation, service, monitoring and development of telecommunications networks, the provision of data and telecommunications services, as well as a range of IT services such as data centre services and system integration. ČD-T delivers its services to customers in the public administration and railway transport segments, as well as to large international companies and local internet connectivity providers.

In 2022, ICT projects in the ČD Group took place mainly in the following areas:

Passenger Transport

- Completion of the third stage and continuation of the implementation of the fourth stage of the strategic programme - the Passenger Transport Information Systems Modernisation Project (MISOP). The programme will continue with some parts overlapping into 2023.
- Development of functionalities for the Single Tariff System (hereinafter referred to as SJT or OneTicket), in particular the preparation of reservation functionality in graphical form, optimisation of the reconstruction algorithm and inclusion of additional products and services in SJT.
- Modernisation of the ČD eShop sales service.
- Unification of the mobile and desktop versions of the www.cd.cz website and deployment of responsive design on a significant part of the Company's website.

Freight transport

- At ČD Cargo, we have continued the modernisation of shift planning systems, attendance records and for conducting carriages.
- We have implemented a new application, Navigation, for drivers and continued to develop other applications for the driver's workplace to simplify and centralise their work.
- We have implemented a new business and customer relationship management system. Customers can easily find out the location and status of their shipments, both through the customer portal and the brand new ČDCgo mobile app.

Cybersecurity and Data Protection

- ČD has been the operator of the basic service, Operation of Rail Transport, since 2021 by decision of the NÚKIB. The strategic objective is therefore to protect all of the Company's key assets.
- One of the key cybersecurity projects we implemented in 2022 was the Privileged Account Management (PAM) project.
- In addition, along with CD-IS, we have carried out a verification of the aims of the concept of Identity Management (IDM). The IDM project will become one of the key cybersecurity solutions.
- ČD-IS has also established cooperation with AFCEA and has become a partner of the Czech Republic's national cybersecurity competition for high school and university students.

Digitalisation of Processes

- In 2022, the continuous development of automated supplier invoice processing (VIM) continued, including implementation in the ČD Group.
- The development of additional functionalities was also carried out in the Approval of Electronic Documents (hereinafter referred to as SED) project.
- In 2022, we launched a programme to digitalise repair processes, specifically a project to identify railway rolling stock using QR codes.
- Regarding freight transport economics, the implementation of tools for planning, optimization and material inventory management, and functionalities were implemented to optimise the processing of incoming tax documents.

ETCS

- In cooperation with ČD-T, we continued the implementation of the European Train Control System (ETCS) on additional train sets.
- ČD-T completed the first delivery of ETCS technology to the complete series of locomotives 163 and 363 for ČD Cargo and concluded new contracts for the implementation of ETCS in other trainsets for both ČD and ČD Cargo.
- SŽ and ČD-T have signed a significant contract for the modernisation of the SŽ technology network. ČD-T has also extended the provision of telecommunications services to additional customers.

Research and Development

In 2022, the subsidiary Výzkumný Ústav Železniční, a.s. (hereinafter referred to as VUZ) carried out innovation and research activities both nationally and internationally.

Major international innovative projects include the **CARBODIN Car Body Shells, Doors and Interiors** project supported by Shift2Rail. This project was completed in April 2022. The project focused on the implementation of composite materials in railway vehicles. The results of the project are applied to various manufacturing techniques, automation concepts, the introduction of co-cured and co-bonded composite parts. The result of the VUZ was the document, Analysis, of relevant TSI standards and related EN standards to assess the technical design of the project, which are necessary for the successful transfer of the new product from the development phase to the test phase or to the start of serial production. **All results of the project are published at https://carbodin.eu/**.

The second international research activity is the cooperation on the project **RegioHyt - Regional hydrogen trains on ČD**. VUZ has been working on this project in 2022 in cooperation with ÚJV Řež, a.s., the University of Chemical Technology in Prague, and the Czech Hydrogen Technology Platform.The project is supported under the 1st European Hydrogen Technology Programme and the company of SINTEF AS. The aim of the project is to analyse ČD lines and to locate the area where hydrogen trains would be a technical, economic and environmental solution compared to other technologies. VUZ, as the organisation responsible for the selection of lines, prepared draft parameters of the evaluation matrix for the selection of lines and subsequently, based on the input parameters, a proposal was prepared for a total of 16 railway lines in the Czech Republic, where operation for hydrogen propulsion can be expected. The line of Ústí nad Labem - Děčín - Česká Lípa – Liberec, with a length of 113 km, was selected for the pilot analysis carried out in 2022 by the Norwegian partner SINTEF. According to the pilot technical assessment and economic suitability of hydrogen trains, the parameters of the line selection will be revised.

In April 2022, a research project developing GNSS technology was completed: **TIRSMD707. Proposal and verification of conditions for deployment of safe train locators based on GNSS systems on the ČD network**. This project was supported by the Technology Agency of the Czech Republic - BETA2 programme, for the end user the Ministry of Transport of the Czech Republic (research needs sponsor). The result of the project from the side of VUZ is the document Methodology of measurement and verification of parameters of GNSS application for the purpose of railway signalling equipment.

In 2022, VUZ was involved in the preparation of a successful application for funding from the TACR programme DOPRAVA2020+, the 4th public tender for the project of **Research on Operational Aspects of the Intelligent Side of Trains**. Research team: VUZ, Czech Technical University in Prague, ČD Cargo, a.s., TRS s.r.o. The main objective of the project is the development and operational verification of a functional sample of the „Intelligent side of a train“ device. In particular, its transmission, measuring, control and power supply system will be implemented. The whole system will be verified in the operating conditions of rail freight transport. The final working sample should contain components and functional algorithms enabling the completion of a prototype and subsequent mass production of a commercial product to be introduced as an interoperable element on EU railways. The duration of the research project is expected to be 2 years.

In 2022, VUZ was involved in the preparation of an application for funding from TACR: the 2nd public competition of the Programme for Support of Applied Research, Experimental Development and Innovation of National Centres of Competence. As part of a consortium of more than 30 entities, VUZ has prepared the project **National Centre of Competence Railway 2030 (NCK Ž 2030)**. The NCK Ž 2030 was aimed at developing effective cooperation between research organisations, universities and companies in order to increase technological competence in railway infrastructure and interfaces in the implementation of the principles of environmental impact reduction - The European Green Deal. The aim of the development of new technologies was to optimise the railway infrastructure while maintaining the requirements for transport capacity, reliability and safety and reducing environmental impacts. The means were (i) the introduction of digitalisation, simulation and virtualisation of all associated processes to minimise adverse impacts on the availability of the transport route; (ii) intelligent management and maintenance of railway infrastructure using artificial intelligence technologies; (iii) the introduction of advanced circular economy technologies. **The project: TN02000081 National Centre of Competence Rail 2030 was included in the category of projects recommended for support, but will not be funded due to the size of the allocation for this call for tenders**.

People

People are one of the key pillars of the ČD 2030 Strategy.

Stabilizing staff, educating the next generation and changing corporate culture to promote greater efficiency and customer orientation are steps that should continuously contribute to the successful implementation of the strategy.

Regarding recruitment and personnel marketing, we have established long-term cooperation with the Bohumín Secondary School in the Railwayman apprenticeship course, with the Secondary Industrial School of Electrical Engineering in Olomouc and with the Technical Secondary School - Academy of Crafts ´Zelený pruh´ in Prague in the area of work experience for retrainees of the NSK Electrician course and regarding the authorization of the NSK Railcar Mechanic course. An extensive part of this area is the professional work experience of pupils from fields of study focused on transport, vehicle operation and maintenance. In 2022, more than 500 work experience placements for 400 students were carried out at workplaces across the country. We are stepping up our promotion not only in schools but also through excursions, lectures and consultations on student work.

Given the state of the labour market and the long-term shortage of candidates in technical and agricultural professions, we support recruitment with a broad mix of communication and marketing activities. We focus on online banner and PPC ads, ČD media spaces, but also use internal referral and mentoring programs that aim of reducing the intergenerational gap, promote the engagement of long-serving employees and improve the quality of the adaptation period of newcomers.

Another key strategic objective is the continuous development of the company's training. In accordance with European legislation and its requirements for ECM certification, ČD's training and testing regulations have been updated and the content of training for maintenance staff at all levels is currently being prepared.
For the purpose of the ETCS system, which is part of the national implementation plan for ERTMS setting the parameters for uniform, improved and safer railway transport security, a training module for drivers is being used. It contributes to the fastest possible adaptation to the new system and serves as a complement to the ETCS module already implemented on the simulators.

ČD devotes great attention and effort to the training of drivers. More than 200 new candidates for this position are trained each year, and 2022 was no exception. We use modern technology in the training of new drivers and in the training of existing drivers. We are developing e-learning training modules, being the first carrier in the Czech Republic to introduce training on a simulator for train drivers, and having fundamentally innovated the test questions for the examinations.

In order to modernise the methods and tools of passenger transport education and to further enhance safety, next year we will launch a virtual reality project, which contributes significantly to an experiential and more effective learning system. A pilot training module is being prepared, which focuses on the process of putting a train into service. In the passenger transport sector, training courses for new train staff are also being adapted.

Within the ECM (maintenance system), new examinations and courses for maintenance staff are gradually being introduced.

- A course for new employees involved in the maintenance of railway vehicles.
- E-learning for senior maintenance staff.
- Preparation of documents for the verification of the Professional Competence of employees in vehicle maintenance.
- Compulsory school for maintenance staff.

An important strategic step was, above all, the change in the organisational structure to ensure effective management in the area of human resources, centralisation of activities for more efficient management, as well as strengthening communication and cooperation across the company. Centralization was also a key pillar of the organizational change in the management and coordination of inventory in the repair business of the Supply Center.

International Relations

Also this year, ČD has had an active representation in Brussels, through which it helps to co-shape the European railway area. It is positive that the European Commission is interested in cross-border transport, in which ČD has historically played an important role. This is the case, for example, with the announcement of the Pilot Projects initiative aimed at developing new services in interstate transport, which is part of the European Commission's wider agenda to promote long-distance and international rail transport.

At the very beginning of 2022, the news of the Russian invasion of Ukraine hit the world. During this unfortunate conflict, rail transport has demonstrated from the outset its key role in ensuring transport, supply and national defence. Almost immediately after the conflict broke out, ČD sent 9 direct evacuation trains to Poland and Ukraine to pick up Ukrainian refugees and deliver humanitarian aid. ČD also organised a material collection of humanitarian aid and was the first ever European carrier to respond to the situation and decided to offer free tickets to all Ukrainian citizens in need.

The second half of 2022 was marked by the Czech Presidency of the European Council. The presidency's priorities in the field of transport were building transport infrastructure, developing clean and shared mobility, reducing emissions, digitalisation, developing high-speed transport and facilitating multimodal transport. During the Presidency, the ČD focused, for example, on the revision of the TEN-T regulation, which should lead to an increase in rail capacity in the future. This is particularly important in view of the critical lack of capacity on the backbone network and the limited possibilities for developing new transport services. Another important theme was the improvement of cross-border transport in particular in the area of ticketing and customer service. ČD (along with CER and UIC) organised an international high-level meeting of European rail operators on this topic during the Presidency, bringing together top representatives of rail companies with representatives of the European Commission, consumer organisations and other associations. The railway companies have committed themselves to common, specific objectives set out in the Ticketing Roadmap. This is to ensure more reliable timetable information, more advance ticketing, improved passenger rights, customer information during travel and support during emergencies and delays.

During the year, ČD responded to several public consultations and calls from the European Commission. The main ones include multimodal digital mobility services, multimodal passenger rights, the train drivers directive, and the regulation on the deployment of alternative fuel infrastructure, which may affect our operations in the future.

Throughout 2022, the Department of International Relations published the EU Newsletter, which serves as an information channel between ČD and EU institutions, including Members of the European Parliament.

Environmental Protection

On the basis of inter-company agreements signed in December 2021, the national carrier, České dráhy, a.s. (hereinafter referred to as ČD), has transferred all real estate to the Property Management department. The central methodological management is maintained in the area of environmental protection even after the transfer of assets in 2022.

To ensure the day-to-day operation of ČD as well as the sustainability of responsible behaviour in relation to the environment, society and risk management, central reporting on „Environmental, Social and Corporate Governance" (hereinafter ESG) has been introduced.

Regarding environmental protection, monitoring focuses mainly on the following areas: waste management, water management, air protection, nature and landscape protection, chemicals and chemical mixtures, incidents involving the release of hazardous substances, soil remediation and groundwater remediation.

In addition, the Registry of Legal and other Requirements is updated quarterly in cooperation with the Legal department and communicated to the ČD organisational units without delay. Related to the fulfilment of legislative obligations, relevant training is provided for selected areas, along with the implementation of legislative changes in ČD's internal regulations. The result of this procedure is to ensure a uniform interpretation of the legislation. Compliance with legislative obligations is continuously monitored by the Asset Management and Development department in accordance with internal regulations (internal control system of the department).

Main Areas of Environmental Protection Coordinated by the DG Asset Management and Development Department:

- **Waste management** - the transfer of waste for recovery or disposal is always carried out in accordance with the legislation in force. The transfer of waste to an authorised facility is subject to registration, monitoring of the production of hazardous and non-hazardous waste and take-back.
- **Water management** - in accordance with legislation and the drinking water monitoring contract, while wastewater monitoring is carried out on an ongoing basis to monitor compliance with the limits set by the state administration. In addition, monitoring of the authorised water consumption and discharged quantities is carried out on an ongoing basis. Emergency plans are kept up to date at sites where hazardous substances are handled.
- **Air protection** - on the basis of a framework contract for the provision of services - measurement of emissions, boiler efficiency and control of flue gas ducts, compliance with legislative obligations is ensured. In view of the ever-tightening air pollution limits, out-dated sources of air pollution are continuously upgraded within ČD.
- **Protection of nature and landscape** - maintenance of trees is ensured in accordance with legislation with a focus on traffic safety and the travelling public. Mechanical weed control is preferred to chemical weed control on ČD land.
- **Chemical substances and chemical mixtures** - the handling of these substances and preparations is governed by the procedures laid down in the safety data sheets in accordance with fire protection requirements.
- **Spillages of harmful substances** - spillages of hazardous harmful substances into the environment shall be dealt with by the DG ČD emergency manager in cooperation with the relevant ČD organisational unit, in accordance with the regulation on the protection of the environment against pollution by hazardous substances. Remediation of the consequences of a release of hazardous, harmful substances into the environment is always carried out in accordance with the requirements of the state administration authority, whose decisions are binding.
- **Remediation of soil and groundwater** - in the event that the consequences of an accidental spill could not be eliminated as part of the initial intervention, a binding decision on remedial action (remediation) is taken by the public authority after a risk analysis has been carried out. The control and effectiveness of the implementation of the remediation works is ensured by the supervision, which evaluates the results of the remediation on quarterly inspection days. The progress of the remediation is further reviewed semi-annually and discussed with the public authorities.

Subsequent Events

At the end of March 2023, the Group drew a long-term investment loan from Eurofima in the amount of CZK 6,903 million (drawn from long-term credit lines disclosed in Note 36.9.2.) due on 30 March 2033 with a fixed interest rate.

Jiří Minka was dismissed from the Supervisory Board of the Parent company, effective from 31 December 2022, and Michal Vozobule was elected as a new member of the Supervisory Board on 1 January 2023.

In ČD - Informační Systémy, a.s. Aleš Bartůněk, the member and the chairman of the Board of Directors, was dismissed as of 28 February 2023. Aleš Jelínek was elected as a member and the chairman of the Board of Directors and Lukasz Kryński was elected as a member of the Board of Directors, effective from 1 March 2023. Further, Jiří Ješeta was dismissed from the position of the member of the Supervisory Board as of 31 March 2023 and Jan Vobora was elected as a member of the Supervisory Board, effective from 1 April 2023.

In Dopravní vzdělávací institut, a.s. Lenka Vajsarová was elected as a member of the Board of Directors, effective from 16 January 2023.

In DPOV, a.s. Martin Krejčík was elected as a member of the Board of Directors, effective from 1 April 2023.

After the balance sheet date, no other events occurred that would have material impact on the Annual report for the year 2022.

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 2022, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2022 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 2022, and of the Company's separate financial performance and separate cash flows for the year ended 31 December 2022 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 2022;
- the consolidated statement of profit and loss for the year ended 31 December 2022;
- the consolidated statement of comprehensive income for the year ended 31 December 2022;
- the consolidated statement of changes in equity for the year ended 31 December 2022;
- the consolidated cash flow statement for the year ended 31 December 2022; 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 2022;
- the separate statement of profit and loss for the year ended 31 December 2022;
- the separate statement of comprehensive income for the year ended 31 December 2022;
- the separate statement of changes in equity for the year ended 31 December 2022;
- the separate cash flow statement for the year ended 31 December 2022; and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

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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.

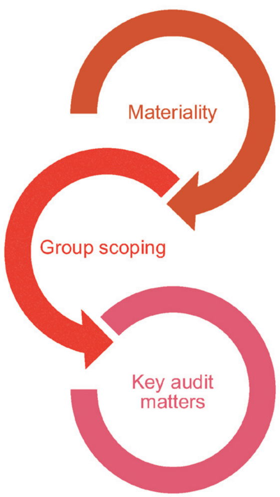
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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



Materiality for the Group and the Company was determined as 1% of total revenues.

Overall materiality for the Group: CZK 440 million

Overall materiality for the Company: CZK 277 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 PwC network in Poland, Slovakia and Germany. The audited entities represent approximately 99% of Group revenues for 2022.

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 440 million
Overall Company materiality	CZK 277 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 other information 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 September 2022, the EC decided on termination of proceedings. Based on this decision, the Group's management decided to release the entire provision of CZK 700 million as at 31 December 2022.	In connection with the verification of the provision for litigation, we performed the following procedures: We obtained the overview of significant legal disputes. 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 whether the disclosures in the financial statements related to the provision for legal disputes met the disclosure requirements of the relevant standards (IAS 37 and IAS 1).

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. 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 recognised in 2021. In 2022, 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. The provision of CZK 1,000 million as at 31 December 2022 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 26.1 of the separate financial statements and Note 28.1 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 and impact of the energy crisis, 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. 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 an expert opinion. As at 31 December 2022, accumulated impairment losses for these locomotives amount to CZK 1,594 million.

In connection with the assessment 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 2022 with the previous year's budget in order to evaluate the accuracy of the forecasts prepared by the Company'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 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.

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 whether the disclosures in the financial statements related to the possible impairment of assets met the disclosure requirements of the relevant standards (IAS 36 and IAS 1).

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

We have read the expert opinion.

We evaluated adequacy of the input data and the assumptions used by the external expert to estimate the market value of the assets.

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

We assessed whether the disclosures in the financial statements related to the possible impairment of assets met 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 ČD Cargo subgroup. The audit scope was driven by criteria such as the size and complexity of the group entities as well as the assessed level of audit risk.

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 issued by the group audit team. We have established an adequate level of communication with the component auditors, which provided us adequate basis for our opinion on the Group as a whole. This communication included regular exchange of information obtained during the audit and discussions of the key audit procedures.

The scope of work described above covers 99% of the Group's revenues, 86% of the Group's profit before tax and 99% of the Group's total assets. We consider the remaining entities as not being significant to the Group.

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 6 April 2023 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 general meeting of shareholders of the Company on 27 March 2019. Our uninterrupted engagement as auditors of the Group and the Company has lasted for 7 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 2022 to 31 December 2022 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 Petra Jirková Bočáková.

18 April 2023

PricewaterhouseCoopers Audit, s.r.o.
represented by

Václav Prýmek

Petra Jirková Bočáková
Statutory Auditor, Licence No. 2253

Consolidated Financial Statements for the year ended 31 December 2022 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 for the year 2022 prepared in accordance with IFRS as adopted by the EU:

Consolidated Statements of Profit and Loss

Consolidated Statements of Comprehensive Income

Consolidated Statements of Financial Position

Consolidated Statements of Changes in Equity

Consolidated Cash Flow Statement

Notes to the Consolidated Financial Statements

Consolidated Financial Statements were authorised for issue on 18 April 2023.
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.

Consolidated Statement of Profit and Loss for the Year Ended 31 December 2022

		Year ended 31 Dec 2022 in CZK million	Year ended 31 Dec 2021 *) in CZK million
CONTINUING OPERATIONS			
Revenues	6	44,222	38,534
Other operating income	7	2,027	1,822
Cost of services, raw materials and energy	8	(17,949)	(15,474)
Employee benefit costs	9	(16,156)	(14,933)
Depreciation, amortisation and impairment	10	(9,194)	(9,487)
Other operating expenses	11	(1,048)	(1,847)
Profit/ (Loss) from operating activities		**1,902**	**(1,385)**
Finance costs	12	(2,192)	(1,349)
Finance income	13	670	705
Share of the profit of associates and joint ventures	20	16	17
Profit/ (Loss) before tax		**396**	**(2,012)**
Income tax	14	(535)	208
Loss for the period from continuing operations		**(139)**	**(1,804)**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	15	-	202
Loss for the period		**(139)**	**(1,602)**
Attributable to the owners of the Company		(138)	(1,621)
Attributable to the non-controlling interests		(1)	19

*) Restated, refer to Note 2.3.

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

		Year ended 31 Dec 2022 in CZK million	Year ended 31 Dec 2021 *) in CZK million
Loss for the period		**(139)**	**(1,602)**
Actuarial premeasurements of employee defined benefit obligations		48	49
Revaluation of investments in equity instruments at fair value through other comprehensive income		(73)	1
Related income tax		14	-
Other comprehensive income for the period (items that are not subsequently reclassified to profit or loss)		**(11)**	**50**
Foreign exchange gains less losses from translation of foreign operations		(37)	(40)
Change in cash flow hedging reserve	26.2.3	(1,445)	2,091
Change in cost of hedging reserve	26.2.4	(7)	35
Related income tax		275	(405)
Other comprehensive income/ (loss) for the period (items that may be reclassified to profit or loss in subsequent periods)		**(1,214)**	**1,681**
Other comprehensive income/ (loss) for the period after tax		**(1,225)**	**1,731**
Total comprehensive income/ (loss) for the period		**(1,364)**	**129**
Attributable to the owners of the Company		(1,363)	110
Attributable to the non-controlling interests		(1)	19

*) Restated, refer to Note 2.3.

Consolidated Statement of Financial Position as at 31 December 2022

		31 Dec 2022 in CZK million	31 Dec 2021 *) in CZK million
Property, plant and equipment	16	91,236	81,029
Investment property	17	938	475
Goodwill	18	141	141
Intangible assets	18	1,103	1,109
Right-of-use assets	19	5,760	4,957
Investments in joint ventures and associates	20	203	209
Deferred tax asset	14	14	14
Trade receivables	22	545	-
Other financial assets	23	933	2,301
Other assets	24	36	28
Total non-current assets		**100,909**	**90,263**
Inventories	21	2,824	2,231
Trade receivables	22	4,243	4,004
Prepaid income tax		25	69
Other financial assets	23	936	439
Other assets	24	2,710	2,746
Cash and cash equivalents	25	8,761	3,434
Non-current assets and disposal groups held for sale	15	-	338
Total current assets		**19,499**	**13,261**
TOTAL ASSETS		**120,408**	**103,524**
Share capital	26	20,000	20,000
Other capital reserves	26	17,885	19,143
Accumulated losses		(2,812)	(2,653)
Equity attributable to the owners of the Company		**35,073**	**36,490**
Non-controlling interests	1.3.2	50	51
Total equity		**35,123**	**36,541**
Loans, borrowings and lease liabilities	27	53,344	44,635
Deferred tax liability	14	1,759	1,746
Provisions	28	590	472
Other financial liabilities	29	1,116	213
Other liabilities	30	102	117
Total non-current liabilities		**56,911**	**47,183**
Trade payables	16	6,765	9,498
Loans, borrowings and lease liabilities	27	15,061	3,664
Current income tax payable		65	48
Provisions	28	2,233	2,784
Other financial liabilities	29	777	675
Other liabilities and contract liabilities	30	3,473	3,033
Liabilities related to non-current assets and disposal groups held for sale	15	-	98
Total current liabilities		**28,374**	**19,800**
TOTAL LIABILITIES AND EQUITY		**120,408**	**103,524**

*) Restated, refer to Note 2.3.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital in CZK million	Share premium in CZK million	Other capital reserves: Cash flow hedging reserve in CZK million	Other capital reserves: Other reserves *) 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 2021	**20,000**	**16,440**	**552**	**462**	**(757)**	**36,697**	**628**	**37,325**
Comprehensive income/ (loss)								
Loss for the period **)	-	-	-	-	(1,621)	(1,621)	19	(1,602)
Other comprehensive income for period **)	-	-	1,693	38	-	1,731	-	1,731
Total comprehensive income/ (loss) for the period **)	**-**	**-**	**1,693**	**38**	**(1,621)**	**110**	**19**	**129**
Transactions with the owners								
Allocation to reserve fund	-	-	-	14	(14)	-	-	-
Purchase of non-controlling interest	-	-	-	10	(261)	(251)	(596)	(847)
Other	-	-	-	(66)	-	(66)	-	(66)
Total transactions with the owners for the period	**-**	**-**	**-**	**(42)**	**(275)**	**(317)**	**(596)**	**(913)**
Balance as at 31 December 2021 **)	**20,000**	**16,440**	**2,245**	**458**	**(2,653)**	**36,490**	**51**	**36,541**
Comprehensive income/ (loss)								
Loss for the period	-	-	-	-	(138)	(138)	(1)	(139)
Other comprehensive loss for period	-	-	(1,171)	(54)	-	(1,225)	-	(1,225)
Total comprehensive loss for the period	**-**	**-**	**(1,171)**	**(54)**	**(138)**	**(1,363)**	**(1)**	**(1,364)**
Transactions with the owners								
Allocation to reserve fund	-	-	-	21	(21)	-	-	-
Other	-	-	-	(54)	-	(54)	-	(54)
Total transactions with the owners for the period	**-**	**-**	**-**	**(33)**	**(21)**	**(54)**	**-**	**(54)**
Balance as at 31 December 2022	**20,000**	**16,440**	**1,074**	**371**	**(2,812)**	**35,073**	**50**	**35,123**

*) Other reserves are described in Note 26.2.
**) Restated, refer to Note 2.3.

Consolidated Cash Flow Statement for the Year Ended 31 December 2022

		Year ended 31 Dec 2022 in CZK million	Year ended 31 Dec 2021 *) in CZK million
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(139)**	**(1,602)**
Income tax	14	535	(160)
Dividend income	7	(2)	(2)
Finance costs – interest expense	12	1,879	1,112
Gain on the sale and disposal of non-current assets	7	(229)	(216)
Depreciation and amortisation of non-current assets	10	8,910	8,171
Impairment losses	7, 10, 11	225	1,233
Change in provisions	28	(433)	875
Foreign exchange gains		(355)	(540)
Share of the profit of joint ventures and associates	20	(16)	(17)
Other		19	125
Cash flows from operating activities before changes in working capital		**10,394**	**8,979**
Increase in trade receivables	22	(807)	(999)
Increase in inventories	21	(698)	(95)
Increase in other assets	23, 24	(425)	(356)
Increase/ (Decrease) in trade payables		(845)	503
Increase/ (Decrease) in other payables and contract liabilities	29, 30	796	(270)
Total changes in working capital		**(1,979)**	**(1,217)**
Cash flows from operating activities before interest, dividends and tax		**8,415**	**7,762**
Interest paid	12	(1,710)	(1,090)
Income tax paid	14	(199)	(209)
Dividends received	7	26	7
Net cash flows from operating activities		**6,532**	**6,470**

Consolidated Cash Flow Statement for the Year Ended 31 December 2022

		Year ended 31 Dec 2022 in CZK million	Year ended 31 Dec 2021 *) in CZK million
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment	16	(20,329)	(10,833)
Proceeds from disposal of property, plant and equipment	7	294	261
Payments for investment property	17	(3)	(3)
Payments for intangible assets	18	(362)	(218)
Acquisitions of subsidiaries, net of purchased funds	1.3.2	(47)	-
Acquisition of joint ventures	1.3.2	(7)	-
Received interest income	13	87	30
Net cash flows used in investment activities		**(20,367)**	**(10,763)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of loans and borrowings	31	28,369	5,518
Repayments of loans and borrowings	31	(8,003)	(1,356)
Repayment of principal of lease liabilities	31	(1,211)	(1,129)
Transactions with non-controlling interests	1.3.2	-	(847)
Net cash flows from financing activities		**19,155**	**2,186**
Net increase/ (decrease) in cash and cash equivalents		**5,320**	**(2,107)**
Cash and cash equivalents at the beginning of the period		3,572	5,751
Effects of changes in foreign exchange rates		(131)	(72)
Cash and cash equivalents at the end of the period	25	**8,761**	**3,572**

*) Restated, refer to Note 2.3.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

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 organisation, 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 2022. The reporting period is the calendar year, i.e., from 1 January 2022 to 31 December 2022.

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

			Ownership percentage *)		
Company name	**Registered office**	**Corporate ID**	**31 Dec 2022**	**31 Dec 2021**	**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	100	Control
Výzkumný Ústav Železniční, a.s.	Prague 4, Novodvorská 1698	27257258	100	100	Control
DPOV, a.s.	Přerov, Husova 635/1b	27786331	100	100	Control
ČD Cargo, a.s.	Prague 7, Jankovcova 1569/2c	28196678	100	100	Control
ČD - Informační Systémy, a.s.	Prague 3, Pernerova 2819/2a	24829871	100	100	Control
Dopravní vzdělávací institut, a.s.	Prague 8, Prvního pluku 621/8a	27378225	100	100	Control
ČD travel, s.r.o.	Prague 1, 28. října 372/5	27364976	51.72	51.72	Control
CD Cargo Germany GmbH	Germany – Frankfurt am Main, Niddastrasse 98-102	HRB 73576	100	100	Control
CD Cargo Austria GmbH	Austria – Wien, Rotenturmstraße 22/24	FN 291407s	100	100	Control
CD Cargo Poland Sp. z o.o.	Poland – Warsaw, Grzybowska 4/3	140769114	100	100	Control
CD Cargo Slovakia, s.r.o.	Slovakia - Bratislava, Seberíniho 1	44349793	100	100	Control
CD Cargo Hungary Korlátolt Felelősségű Társaság	Hungary - 4150 Püspökladány, Keleti sor utca 26-4	09-09-031990	100	100	Control
ČD Cargo Adria d.o.o.	Croatia - Zagreb, Savska cesta 32	081371623	100	100	Control
ČD Cargo Logistics, a.s.	Prague 1, Opletalova 1284/37	27906931	100	100	Control
Terminal Brno, a.s.	Brno, K terminálu 614/11	28295374	66.93	66.93	Control
ČD-DUSS Terminál, a.s.	Lovosice, Lukavecká 1189	27316106	51	51	Control
RailReal a.s.	Prague 1, Na Florenci 2116/15	26416581	66	66	Control
ODP-software, spol.s r.o.	Prague 3, Pernerova 2819/2a	61683809	100	100	Control
ČD relax s.r.o.	Prague 1, 28. října 372/5	05783623	51.72	51.72	Control
CHAPS spol. s r.o.	Brno, Bráfova 1617/21	47547022	100	100	Control
ČSAD SVT Praha, s.r.o.	Prague 8, Křižíkova 4-6	45805202	100	100	Control
SVT Slovakia s.r.o.	Banská Bystrica, Partizánska cesta 97	36620602	80	80	Control
INPROP, s.r.o.	Žilina, Rosinská cesta 12	31609066	100	100	Control
Tramex Rail s.r.o.	Blansko, Brněnská 1748/21b	26246422	100	100	Control
VUZ Slovakia, s.r.o.	Slovakia - Bratislava, Seberíniho 1	53156587	100	100	Control
ČD Bus a.s.	Olomouc, Jeremenkova 231/9	17377404	100	-	Control

*) Ownership percentage is the same as the voting rights percentage.

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

			Ownership percentage *)		
Company name	Registered office	Corporate ID	31 Dec 2022	31 Dec 2021	Degree of influence
Smíchov Station Development, a.s.	Prague 8, U Sluncové 666/12a	27244164	51 **)	51 **)	Joint control
Žižkov Station Development, a.s.	Prague 8, U Sluncové 666/12a	28209915	51 **)	51 **)	Joint control
Masaryk Station Development, a.s.	Prague 1, Na Florenci 2116/15	27185842	34	34	Significant influence
JLV, a.s.	Prague 4, Chodovská 228/3	45272298	38.79	38.79	Significant influence
RAILLEX, a.s.	Prague 2, Belgická 196/38	27560589	50	50	Joint control
BOHEMIAKOMBI, spol. s r.o.	Prague 1, Opletalova 921/6	45270589	30	30	Significant influence
Ostravská dopravní společnost, a.s.	Ostrava, U Tiskárny 616/9	60793171	50	50	Joint control
Ostravská dopravní společnost - Cargo, a.s.	Ostrava, U Tiskárny 616/9	05663041	20	20	Significant influence
CR-City a.s.	Prague 1, Na Florenci 2116/15	26705427	34	34	Significant influence
Terminál Mošnov, a.s.	Prague 1, Na Florenci 1332/23	14198240	25	-	Significant influence
Smart Ticketing s.r.o.	Prague 3, Pernerova 2819/2a	02033011	50	50	Joint control

*) Ownership percentage is the same as the voting rights percentage.
**) 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.

Company name	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 brokerage of raw materials and fuel, 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
RailReal a.s.	Engineering in investment construction
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
Ostravská dopravní společnost - Cargo, a.s.	Operation of railway transportation and lease of railway vehicles and railway wagons
CR-City a.s.	Real estate activities
Terminál Mošnov, a.s.	Operation of a combined transport terminal
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
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
ČD Bus a.s.	Operation of bus transport

Entities included in the consolidation 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 31 March 2022, the Company acquired a 100 % share in VYDOS BUS a.s., a company engaged in bus transport services, and became its sole shareholder. The acquisition price of this share was CZK 58 million.

Fair value of identifiable assets acquired and liabilities assumed are shown in the following table:

(CZK million)	
Property, plant and equipment	78
Inventory	1
Trade receivables	12
Cash and cash equivalents	11
Other assets	11
Loans, borrowings and lease liabilities	37
Trade payables	11
Other liabilities	6
Deferred tax liability	1
Total net identifiable assets acquired	**58**

(CZK million)	
Purchase consideration:	
Cash paid	58
Total purchase consideration	**58**

(CZK million)	
Net cash outflow on acquisition:	**47**
Outflow of cash	58
Cash and cash equivalents acquired	(11)

On 1 August 2022, the companies VYDOS Bus a.s. and ČD Reality a.s. were transformed (both companies hereinafter referred to as the „Dissolved Companies") on the basis of amalgamation project. As a result of this amalgamation, the Dissolved Companies have dissolved, and their assets have been transferred to the successor company ČD Bus a.s. which has overtaken the legal status of the Dissolved Companies.

In December 2022, ČD Cargo, a.s., through its subsidiary ČD Cargo Logistics, a.s., acquired a 25 % share in Terminál Mošnov, a.s., which operates a combined transport terminal in the Mošnov industrial zone near Ostrava Airport.

On June 24, 2021, with the purchase of a minority share (29.04 %), České dráhy, a.s. became the sole shareholder of ČD - Telematika a.s.

1.4. Impact of Covid-19 on the consolidated financial statements as at 31 December 2022

At the beginning of 2022, the negative impact of the Covid-19 pandemic on revenue from passenger transport continued. However, since the beginning of the second quarter of 2022, there has been a permanent recovery in passenger demand that resulted in increase in selected revenues almost to the pre-pandemic values. In 2022, revenue from passenger transport reached 94 % of revenue before the Covid-19 pandemic.

In 2022, in connection with the Covid-19 pandemic, the Group received a grant of CZK 2 million (2021: CZK 599 million) from the Ministry of Transport (hereinafter "MT"). This grant reported in Other operating income (Note 7.). The Group also received a government grant within the Antivirus program in the amount of CZK 15 million (2021: CZK 80 million) that was reported as decrease of Payroll costs (Note 9.).

During 2022 there was no significant impact of Covid-19 pandemic on the freight transport segment.

1.5. Impact of the war in Ukraine on the consolidated financial statements as at 31 December 2022

In late February 2022, continuing political tensions between Russia and Ukraine escalated into the conflict with a Russian military invasion of Ukraine. Immediately after the outbreak of the conflict, the Company provided free transportation of refugees between Ukraine and the Czech Republic and dispatched humanitarian trains with material aid to people in Ukraine.

The worldwide response to Russia's violation of international law and aggression against Ukraine was the imposition of extensive sanctions and restrictions on business activities. The subsequent increase in the input costs was evident also in passenger rail transport. There has been a dramatic increase in prices, especially of energy and fuel, financial costs through rising interest rates, but also delayed deliveries of material, spare parts and extending the duration of vehicle repairs. In many cases, the Company managed to compensate for these increased costs through negotiations with public service orderers.

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.

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 consolidated 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 Group

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 consolidated 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. Correction of prior period errors

Correction of recognised deferred tax asset and liability

The Group's management identified that in the consolidated financial statements for the year 2021 the deferred tax liability from hedging derivatives and revaluation of investments to securities measured at fair value through other comprehensive income was incorrectly recognised in the loss for the period instead of other comprehensive income. At the same time, the deferred tax asset from non-current assets at the amount of the deferred tax liability was correctly recognized in the loss for the period since according to the management's opinion, it was probable that taxable profit from the deferred tax liability will be available against which the deferred tax assets will be utilized. The resulting impact of the net deferred tax recognized in this way to the consolidated statement of financial position as at 31 December 2021 was nil. As a result, Other capital reserves were overstated and Accumulated losses were understated in the consolidated statement of financial position as at 31 December 2021. This had no material impact on the consolidated statement of financial position as at 1 January 2021.

Correction of the provision for onerous contracts

The Group's management identified that in the consolidated financial statements for the year 2021 not all facts known at the time were taken into account when calculating the provision for onerous contracts, hence the provision as at 31 December 2021 was understated. This had no impact on the consolidated statement of financial position as at 1 January 2021.

Correction of classification of expenses from spare parts

The Group's management identified inconsistencies in reporting and depreciating spare parts that meet definition of property, plant and equipment in accordance with IAS 16. Some spare parts were charged to expenses for consumed material upon installing on the rolling stock instead of capitalising them on the balance sheet and depreciating. On the contrary, other spare parts that were correctly capitalised on the balance sheet were not depreciated despite being available for use. As a result, depreciation charge of spare parts was understated and consumed material expenses were overstated in the consolidated statement of profit and loss for the year ended 31 December 2021. At the same time, cost and accumulated depreciation of these spare parts reported in the Property, plant and equipment note were understated. This had no material impact on the net book value of fixed assets nor the consolidated statement of financial position as at 31 December and 1 January 2021.

Corrections described above were reflected in the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit and loss, the consolidated statement of comprehensive income and the consolidated cash flow statement for the year ended 31 December 2021 as follows:

Corrections of the consolidated statement of financial position as at 31 December 2021

(CZK million)	31 Dec 2021 original	Correction of deferred tax	Correction of provision for onerous contracts	Correction of spare parts	31 Dec 2021 restated
Equity					
Share capital	20,000	-	-	-	20,000
Other capital reserves	19,506	(363)	-	-	19,143
Accumulated losses	(2,687)	363	(329)	-	(2,653)
Equity attributable to the owners of the Company	**36,819**	**-**	**(329)**	**-**	**36,490**
Non-controlling interest	51	-	-	-	51
Total equity	**36,870**	**-**	**(329)**	**-**	**36,541**
Non-current liabilities					
Loans, borrowings and lease liabilities	44,635	-	-	-	44,635
Deferred tax liability	1,746	-	-	-	1,746
Provisions	211	-	261	-	472
Other financial liabilities	213	-	-	-	213
Other liabilities	117	-	-	-	117
Total non-current liabilities	**46,922**	**-**	**261**	**-**	**47,183**
Current liabilities					
Trade payables	9,498	-	-	-	9,498
Loans, borrowings and lease liabilities	3,664	-	-	-	3,664
Current income tax payable	48	-	-	-	48
Provisions	2,716	-	68	-	2,784
Other financial liabilities	675	-	-	-	675
Other liabilities and contract liabilities	3,033	-	-	-	3,033
Liabilities related to non-current assets and disposal groups held for sale	98	-	-	-	98
Total current liabilities	**19,732**	**-**	**68**	**-**	**19,800**

Corrections of the consolidated statement of profit and loss for the year ended 31 December 2021

(CZK million)	2021 original	Correction of deferred tax	Correction of provision for onerous contracts	Correction of spare parts	2021 restated
Revenue	38,534	-	-	-	38,534
Other operating expenses	1,822	-	-	-	1,822
Cost of services, raw materials and energy	(15,708)	-	(134)	368	(15,474)
Employee benefit costs	(14,808)	-	(125)	-	(14,933)
Depreciation and amortisation	(9,049)	-	(70)	(368)	(9,487)
Other operating costs	(1,847)	-	-	-	(1,847)
Loss from operating activities	**(1,056)**	**-**	**(329)**	**-**	**(1,385)**
Finance costs	(1,349)	-	-	-	(1,349)
Finance income	705	-	-	-	705
Share of the profit of associates and joint ventures	17	-	-	-	17
Loss before tax	**(1,683)**	**-**	**(329)**	**-**	**(2,012)**
Income tax	(155)	363	-	-	208
Loss for the period from continuing operations	**(1,838)**	**363**	**(329)**	**-**	**(1,804)**
Profit from discontinued operations	202	-	-	-	202
Loss for the period	**(1,636)**	**363**	**(329)**	**-**	**(1,602)**
Attributable to the owners of the Company	(1,655)	363	(329)	-	(1,621)
Attributable to the non-controlling interests	19	-	-	-	19

Corrections of the consolidated statement of comprehensive income for the year ended 31 December 2021

(CZK million)	2021 original	Correction of deferred tax	Correction of provision for onerous contracts	Correction of spare parts	2021 restated
Loss for the period	**(1,636)**	**363**	**(329)**	**-**	**(1,602)**
Actuarial remeasurements of employee defined benefit obligations	49	-	-	-	49
Revaluation of investments in equity instruments at fair value through other comprehensive income	1	-	-	-	1
Foreign exchange gains less losses from translation of foreign operations	(40)	-	-	-	(40)
Change in cash flow hedging reserve	2,091	-	-	-	2,091
Change in cost of hedging reserve	35	-	-	-	35
Related income tax credit/ (expense)	(42)	(363)	-	-	(405)
Other comprehensive income for the period after tax	**2,094**	**(363)**	**-**	**-**	**1,731**
Total comprehensive income for the period	**458**	**-**	**(329)**	**-**	**129**
Attributable to the owners of the Company	439	-	(329)	-	110
Attributable to the non-controlling interests	19	-	-	-	19

Corrections of the consolidated cash flow statement for the year ended 31 December 2021

(CZK million)	2021 original	Correction of deferred tax	Correction of provision for onerous contracts	Correction of spare parts	2021 restated
Loss for the year	**(1,636)**	**363**	**(329)**	**-**	**(1,602)**
Income tax expense	203	(363)	-	-	(160)
Dividend income	(2)	-	-	-	(2)
Finance costs – interest expense	1,112	-	-	-	1,112
Gain on the sale and disposal of non-current assets	(216)	-	-	-	(216)
Depreciation and amortisation	7,803	-	-	368	8,171
Impairment losses	1,233	-	-	-	1,233
Change in provisions	546	-	329	-	875
Foreign exchange gains	(540)	-	-	-	(540)
Share of the profit of joint ventures and associates	(17)	-	-	-	(17)
Other items	125	-	-	-	125
Cash flows from operating activities before changes in working capital	**8,611**	**-**	**-**	**368**	**8,979**
Total changes in working capital	**(1,217)**	**-**	**-**	**-**	**(1,217)**
Cash flows from operating activities before interest, dividends and tax	**7,394**	**-**	**-**	**368**	**7,762**
Interest paid	(1,090)	-	-	-	(1,090)
Income tax paid	(209)	-	-	-	(209)
Dividends received	7	-	-	-	7
Net cash flows from operating activities	**6,102**	**-**	**-**	**368**	**6,470**
Payments for property, plant and equipment	(10,465)	-	-	(368)	(10,833)
Proceeds from disposal of property, plant and equipment	261	-	-	-	261
Payments for investment property	(3)	-	-	-	(3)
Payments for intangible assets	(218)	-	-	-	(218)
Received interest income	30	-	-	-	30
Net cash flows used in investment activities	**(10,395)**	**-**	**-**	**(368)**	**(10,763)**
Net cash flows from financing activities	**2,186**	**-**	**-**	**-**	**2,186**
Net decrease in cash and cash equivalents	**(2,107)**	**-**	**-**	**-**	**(2,107)**

2.4. 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.

2.5. 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in profit or loss. Amounts related to holding shares in the acquiree before the acquisition date that have previously been recognised 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.

2.6. Revenue recognition

2.6.1. 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 recognises 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 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 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). Revenue from domestic and international freight transport is recognised when a service is provided with respect to a stage of completion of individual transactions determined by the actual day/kilometres of transport performed in the referred period to the total number of day/kilometres 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 a 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 (hereinafter referred to as 'MT') and the regions are key revenues and are included in the Passenger transport segment.

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

2.6.2. Other income

Dividend income is recognised 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).

2.7. Lease

2.7.1. 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 a 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 recognises 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 is 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.

Lease liabilities are presented in Loans, borrowings and lease liabilities in the consolidated statement of financial position.

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 consolidated 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 recognises any identified impairment losses in accordance with the rules described in Note 2.13. 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 recognised 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.

2.7.2. 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 recognised 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 recognises an allowance for expected credit losses from lease receivables, in accordance with the accounting policies for financial assets carried at amortised 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.

2.8. 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 translated to 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).

2.9. 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 are incurred.

2.10. 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 fixed assets, are recognised as a reduction of cost of those fixed 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.

2.11. 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.

2.12. Taxation

The income tax includes current tax and deferred tax.

2.12.1. 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 enacted or substantively enacted by the end of the reporting period.

2.12.2. 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.

Deferred income tax assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

2.12.3. 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.

2.13. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated impairment losses and, in case of buildings and equipment, less 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 recognised 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 this freight rolling stock 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*
Optical fibres	25 and 50
Equipment and other	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. Freight rolling stock depreciates using output component method based on mileage.

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 in the Components.

2.14. 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 Constructions category (see Note 2.13.).

2.15. 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
Trademarks	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.

2.16. 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.

2.17. 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 recognised immediately in profit or loss.

2.18. 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.

2.19. 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 2.13.).

2.20. 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 recognised 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 recognised 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.

2.21. Effective interest rate method

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.

2.21.1. 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.

2.21.2. 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 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 Group has a right to receive dividends.

2.21.3. 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.

2.21.4. Financial assets at fair value through profit or loss

Financial assets which are not measured at amortised 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 recognised 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.

2.21.5. 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 the amount of expected credit losses is always updated as at the date of the financial statements.

General approach (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 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 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 approach 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 reasonable and supportable information to demonstrate that the delay in payments is not sufficient criterion for default determination.

2.21.6. 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 amortised cost, the difference between the asset‘s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. Upon derecognition of an investment in an equity instrument, that the Group recognises 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.

2.21.7. 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 recognised 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.

2.21.8. 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 recognised at fair value less transaction costs. In subsequent periods, loans are carried at amortised cost using the effective interest rate method.

2.21.9. 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.

2.21.10. 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.

2.21.11. 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 existence of an economic relationship, 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 and the forward element from foreign currency swaps through other comprehensive income and are accumulated in the costs of hedging reserve. If the hedged item is time related, the amount accumulated in the costs of hedging reserve is reclassified to profit or loss through amortisation on a systematic and rational basis.

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.

2.21.12. 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. Termination of hedge accounting is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedging reserve at that time remains in equity until a forecast transaction occurs. 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.

2.21.13. 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 recognised 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 amortised to profit or loss from the date of the adjustment.

2.21.14. 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 2022

During the year ended 31 December 2022, 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 3 – Amendments to IFRS 3 - Reference to the Conceptual Framework	1 January 2022
IAS 16 – Amendments to IAS 16 - Proceeds before Intended Use	1 January 2022
IAS 37 – Amendments to IAS 37 - Cost of Fulfilling a Contract	1 January 2022
Various standards - Annual Improvements to IFRS Standards – 2018-2020 Cycle	1 January 2022

The Group has applied the Amendment to IAS 37 - Cost of Fulfilling a Contract before its effective date for the provision for onerous contracts. The amendment to IAS 37 was initially applied in the consolidated financial statements for the year 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.

3.2. Standards and interpretations applied before to the effective date

The Group has not applied any standard or interpretation that has been issued but is not yet effective.

3.3. Standards and interpretations issued but not yet applied

As at the date of the consolidated 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 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
IFRS 16 – Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024 *)
IAS 1 - Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024 *)
IAS 1 – Amendment to IAS 1 – Non-current Liabilities with Covenants	1 January 2024 *)
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

*) 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's consolidated financial statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In 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 and goodwill, 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

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 is 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 for buildings and 3 years for freight railway vehicles, 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 budget of the Ministry of Transport for railway transport as the provision of public services. The Group also receives payments from the budget of the Ministry of Transport for the provision of transport services at discounted prices for selected population groups (students, pensioners, individuals with reduced mobility). 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 grant 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, which is the Board of Directors of the Company, in order to allocate resources to appropriate segments and to assess their performance. 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

A major customer with whom the Group has more than 10 % of transaction revenues is the Ministry of Transport. These revenues are reported in the Passenger transport segment. See Note 32.5.

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.

2022

(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	**26,771**	**14,238**	**145**	**685**	**41,839**	**1,710**	**-**	**43,549**
Revenue from passenger transport	9,758	-	-	-	9,758	-	-	9,758
Revenue from freight transport	-	13,299	-	-	13,299	-	-	13,299
Revenue from the orderers	16,839	-	-	-	16,839	-	-	16,839
Revenue from other services	174	939	145	685	1,943	1,710	-	3,653
out of which revenues in the Group	**224**	**69**	**-**	**5**	**298**	**3,951**	**(4,249)**	**-**
Revenue from passenger transport	7	-	-	-	7	-	(7)	-
Revenue from other services	217	69	-	5	291	3,951	(4,242)	-
Total revenue from contacts with customers	**26,995**	**14,307**	**145**	**690**	**42,137**	**5,661**	**(4,249)**	**43,549**
Rental income outside the Group	39	351	281	2	673	-	-	673
Rental income in the Group	11	9	37	-	57	2	(59)	-
Total rental income	**50**	**360**	**318**	**2**	**730**	**2**	**(59)**	**673**
Total revenue	**27,045**	**14,667**	**463**	**692**	**42,867**	**5,663**	**(4,308)**	**44,222**
Traction costs	(4,173)	(1,751)	-	-	(5,924)	-	10	(5,914)
Payment for the use of the railway infrastructure and allocated infrastructure capacity	(1,812)	(1,138)	-	-	(2,950)	-	1	(2,949)
Other services, consumption of materials and energy	(4,908)	(3,586)	(540)	(173)	(9,207)	(3,627)	3,748	(9,086)
Total purchased consumables and services	**(10,893)**	**(6,475)**	**(540)**	**(173)**	**(18,081)**	**(3,627)**	**3,759**	**(17,949)**
Employee benefit costs	(9,824)	(4,892)	(265)	(149)	(15,130)	(1,427)	401	(16,156)
Depreciation and amortisation	(6,021)	(2,555)	(190)	(72)	(8,838)	(346)	140	(9,044)
Impairment ***)	(180)	48	-	-	(132)	(18)	-	(150)
Other operating income	1,281	373	301	5	1,960	642	(575)	2,027
Other operating expenses	(380)	(499)	(38)	(20)	(937)	(189)	78	(1,048)
Profit/ (Loss) on operating activities	**1,028**	**667**	**(269)**	**283**	**1,709**	**698**	**(505)**	**1,902**
Finance costs	(1,756)	(430)	4	(1)	(2,183)	(61)	52	(2,192)
Finance income	600	73	23	14	710	36	(60)	686
Profit/ (Loss) before tax	**(128)**	**310**	**(242)**	**296**	**236**	**673**	**(513)**	**396**
Income tax expense	(317)	(101)	-	(57)	(475)	(62)	2	(535)
Profit/ (Loss) for the period from continuing operations	**(445)**	**209**	**(242)**	**239**	**(239)**	**611**	**(511)**	**(139)**
Profit/ (Loss) for the period	**(445)**	**209**	**(242)**	**239**	**(239)**	**611**	**(511)**	**(139)**

*) 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 on Property, plant and equipment and investment property.

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**	**-**	**698**	**36,402**	**1,405**	**-**	**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	-	698	1,762	1,405	-	3,167
out of which revenues in the Group	**202**	**82**	**-**	**15**	**299**	**3,496**	**(3,795)**	**-**
Revenue from passenger transport	5	-	-	-	5	-	(5)	-
Revenue from other services	197	82	-	15	294	3,496	(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	(2,633)	(1,043)	-	-	(3,676)	-	7	(3,669)
Payment for the use of the railway infrastructure	(1,787)	(880)	-	-	(2,667)	-	1	(2,666)
Other services, raw materials and energy	(4,870)	(3,624)	(325)	(161)	(8,980)	(3,455)	3,296	(9,139)
Total purchased consumables and services	**(9,290)**	**(5,547)**	**(325)**	**(161)**	**(15,323)**	**(3,455)**	**3,304**	**(15,474)**
Employee benefit costs	(9,316)	(4,524)	(214)	(131)	(14,185)	(1,181)	433	(14,933)
Depreciation and amortisation	(5,637)	(2,246)	(105)	(62)	(8,050)	(309)	118	(8,241)
Impairment ****)	(1,200)	(17)	(16)	-	(1,233)	(12)	12	(1,233)
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	**(2,211)**	**633**	**(11)**	**353**	**(1,236)**	**384**	**(533)**	**(1,385)**
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	**(2,580)**	**388**	**5**	**354**	**(1,833)**	**347**	**(526)**	**(2,012)**
Income tax expense	363	(99)	-	(68)	196	7	5	208
Profit/ (Loss) for the period from continuing operations	**(2,217)**	**289**	**5**	**286**	**(1,637)**	**354**	**(521)**	**(1,804)**
Profit/ (Loss) from discontinued operations	-	-	-	-	-	202	-	202
Profit/ (Loss) for the period	**(2,217)**	**289**	**5**	**286**	**(1,637)**	**556**	**(521)**	**(1,602)**

*) Restated, refer to Note 2.3.
**) 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 on Property, plant and equipment and investment property, expected credit losses on receivables and write-off of inventories to the net realizable value.

6. Revenues

6.1. Breakdown of revenue

(CZK million)	**2022**	**2021**
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Passenger transport segment	**26,771**	**23,303**
Revenue from passenger transport - fare	9,758	6,593
Domestic passenger transport	*6,868*	*4,816*
*International passenger transport *)*	*2,890*	*1,777*
Revenue from passenger transport - payments from public service orderers	16,839	16,529
Payment from the state budget	*4,534*	*4,362*
Payment from the regional budgets	*12,305*	*12,167*
Revenue from other services **)	174	181
Freight transport segment	**14,238**	**12,401**
Revenue from freight transport	13,299	11,518
Revenue from domestic freight transport	*5,153*	*4,029*
Revenue from foreign freight transport	*8,146*	*7,489*
Revenue from freight transport - Germany	*2,411*	*2,190*
Revenue from freight transport - Austria	*1,113*	*1,063*
Revenue from freight transport - Slovakia	*1,034*	*990*
Revenue from freight transport - Poland	*1,507*	*1,184*
Revenue from freight transport – other countries	*2,081*	*2,062*
Other revenue from freight transport ***)	734	659
Other revenue from domestic freight transport	*463*	*452*
Other revenue from foreign freight transport	*271*	*207*
Other transport related services	205	224
Property management segment	**145**	**-**
Revenue from other services	145	-
Certification and testing segment	**685**	**698**
Revenue from other services	685	698
Not assigned to segments	**1,710**	**1,405**
Sale of other services	*1,710*	*1,405*
Sale of other services recognised over time	*1,710*	*1,405*
Sales of telematics services	*1,189*	*984*
Sales of other own services	*521*	*421*
Total revenue from contacts with customers	**43,549**	**37,807**
RENTAL INCOME		
Property management segment	281	363
Freight transport segment	351	364
Passenger transport segment	39	-
Certification and testing segment	2	-
Total rental income	**673**	**727**
Total revenue	**44,222**	**38,534**

*) Includes sales for the use of passenger cars in the RIC (Regolamento Internazionale delle Carrozze) regime and performance of wagons and personnel in cross-border transport in the amount of CZK 1,174 million for 2022 (2021: CZK 1,211 million).
**) Revenues from special trains are newly presented in Revenues from other services within Revenue from contracts with customers (2021: presented in Other operating revenues).
***) Other revenue from freight transport includes mainly revenues from services performed in railway stations, additional and siding services.

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

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 the regional authorities.

In 2022, 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 2021/22 timetable, the Group has operated a total of 21 long-distance transport lines on the basis of 7 public service contracts, which represents 81 % of services ordered as a public service by the Ministry of Transport of the Czech Republic.

In 2022, regional transport was operated on the basis of 36 concluded contracts, most of which are valid from 2020. 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.

The overall range of regional and long-distance transport has been stable for a long time. The primary goal after the pandemic situation was to restore the confidence of the traveling public in the safety and comfort of public railway transport and to minimise the effects of the socio-economic situation caused by the war conflict in Ukraine. In December 2022, the contract with the Liberec Region for the L2 Liberec – Děčín line ended and, on the contrary, a newly concluded contract with the Ústí nad Labem Region for the operation of the U11+U6 lines entered into force. At the same time, ČD managed to defend its performances in the Zlín, Ústí nad Labem, Moravian-Silesian, Liberec and Pilsen Regions. The result is a new contract for the operation of Ostrava, Zlín A+C, Pilsen and Český les and a new contract for the provision of lines U11+U6 in the Ústí nad Labem Region.

The overall scope of freight transport has been stable for a long time. The growth and modernization of the Group's fleet leads to expansion of both domestic and foreign freight transport. The war conflict in Ukraine caused a significant decrease in volume of services in Russia and Kazakhstan only. Invoiced services to other countries, including domestic, are growing.

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 2022	31 Dec 2021
Contract liabilities related to revenue from contracts with customers		
Prepaid products – i.e., kilometric bank, annual ticket	169	139
Prepayments received	303	48
Revenues from domestic passenger transport over time	3	-
Contract liabilities from telecommunication services	142	148
Other contract liabilities	17	13
Total contract liabilities	**634**	**348**

(CZK million)	31 Dec 2022	31 Dec 2021
Refund liabilities		
Liabilities from rebates and claims	51	29
Other refund liabilities	89	206
Total refund liabilities	**140**	**235**

6.2.1. Revenues from contract liabilities

(CZK million)	2022	2021
Revenues included in the opening balance of contract liabilities		
Revenue from passenger transport - fare	129	130
Sale of other services	209	295
Total	**338**	**425**

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 recognised. As at 31 December 2022, 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 recognised 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 recognised. 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)	2022	2021
Gain from disposal of property, plant and equipment and investment property	229	216
Gain on disposal of redundant assets	129	204
Compensations for shortage and damage	286	100
Contractual penalties and default interest	67	118
Dividends received	2	2
Foreign exchange gains - operational	231	235
Release of provisions (Note 28.)	802	116
Release of allowance for expected credit losses on trade receivable	-	27
Income from grants	41	609
Income from energy recovery *)	78	-
Sales from special trains **)	-	35
Other	162	160
Total other operating income	**2,027**	**1,822**

*) Income from energy recovery is now presented in Other operating income. In 2021, this income in the amount of CZK 23 million was presented in Revenue from contracts with customers.
**) Sales from special trains are newly presented in Revenue from other services within Revenue from contract with customers.

Income from grants mainly represent grants from the Ministry of Transport as compensation of losses incurred in the Covid-19 pandemic that hit railway operations. In 2021 includes also the grant of CZK 40 million from the Covid – Uncovered Costs program.

8. Cost of Services, Raw Materials and Energy

(CZK million)	**2022**	**2021 *)**
Traction costs	(5,914)	(3,669)
Traction fuel (diesel)	*(1,992)*	*(1,446)*
Traction electricity	*(3,922)*	*(2,223)*
Payment for the use of railroads	(2,855)	(2,666)
Infrastructure capacity allocation	(94)	(110)
Other services, raw materials and energy	(9,086)	(9,029)
Consumed material	*(905)*	*(1,435)*
Consumed other energy	*(551)*	*(422)*
Consumed fuel	*(112)*	*(65)*
Repairs and maintenance	*(830)*	*(779)*
Travel costs	*(252)*	*(191)*
Low value rent or short-term rent	*(327)*	*(366)*
*RIC vehicle charges **)*	*(390)*	*(304)*
*RIV vehicle charges **)*	*(279)*	*(324)*
Transportation charges	*(1,779)*	*(1,640)*
Substitute bus service	*(161)*	*(207)*
Services of dining and sleeping carriages	*(192)*	*(131)*
Services associated with the use of buildings	*(301)*	*(298)*
Operational cleaning of rolling stock	*(573)*	*(505)*
Border area services	*(573)*	*(563)*
Advertising and promotion costs	*(111)*	*(90)*
Commission for the sale fares paid to other carriers, resellers	*(154)*	*(53)*
*Operation, maintenance and other IT-related services ***)*	*(475)*	*(546)*
Services in the field of ecology	*(33)*	*(36)*
Consulting, expert and auditing services	*(211)*	*(179)*
Complex convalescent stays for employees	*(14)*	*(23)*
Catering	*(55)*	*(28)*
Recreational services	*(169)*	*(99)*
Other services	*(639)*	*(745)*
Total cost of services, raw materials and energy	**(17,949)**	**(15,474)**

*) Restated, refer to Note 2.3.
**) 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 (RIC) and Freight Wagons (RIV) in the international transport.
***) Costs on the line Operation, maintenance and other services related to ICT were reported in 2021 on the lines Telecommunication, data and postal services, Operation, maintenance and other services related to IT, Purchase of services in the field of telematics and Other services.

As a result of the armed conflict in Ukraine and the subsequent energy crisis, there was a significant increase in the prices of traction costs in 2022 compared to 2021, by 38 % for the price of diesel traction and 60 % for electric traction energy. On the basis of the government regulation regarding the reduction of POZE (supported renewable energy sources), in 2022 the Group recognises support in the amount of CZK 387 million and support for freight railway transport in electric traction (ROCET) for 2022 in the amount of CZK 133 million. Both are presented as a decrease of the electric traction energy costs.

Other services include the cost of craft work, the cost of investigating extraordinary events or, the cost of operating lodgings and further consist of other individually insignificant items.

Consulting, expert and auditing services also include audit and non-audit services provided by PwC network companies. Total remuneration for these services is presented below:

(CZK million)	2022	2021
Statutory audit of annual financial statements	(6)	(5)
Other non-audit services	(9)	(4)
Total	**(15)**	**(9)**

9. Employee Benefit Costs

(CZK million)	2022	2021 *)
Payroll costs and severance pays	(11,694)	(10,832)
Statutory social security and health insurance	(1,386)	(1,069)
Contributions to post-employment benefits	(2,786)	(2,843)
Other employee benefits costs	(290)	(189)
Total staff costs	**(16,156)**	**(14,933)**

*) Restated, refer to Note 2.3.

Other employee benefits costs mainly include allowances for meals, allowances for convalescent stays, allowances for endowment life insurance and remuneration of members of statutory bodies.

In 2022, Payroll costs and severance pays were reduced by the government grant within the Antivirus program in the amount of CZK 16 million (2021: CZK 80 million).

10. Depreciation, Amortisation and Impairment

(CZK million)	2022	2021 *)
Depreciation of property, plant and equipment	(7,494)	(6,945)
Depreciation of investment property	(35)	(20)
Depreciation of right-of-use assets	(1,191)	(987)
Amortisation of intangible assets	(324)	(289)
Impairment losses on property, plant and equipment, investment property and assets held for sale (Note 16., 17.)	(150)	(1,246)
Total depreciation, amortisation and impairment	**(9,194)**	**(9,487)**

*) Restarted, refer to Note 2.3.

In 2022, Depreciation of property plant and equipment, was increased by CZK 134 million (2021: increased by CZK 49 million), which relates to the allocation of costs of creation and use of the provision for onerous contracts. (Note 28.3.).

11. Other Operating Expenses

(CZK million)	2022	2021
Expected credit loss on receivables (Note 22. and 23.)	(52)	-
Write-off of inventories to net realisable value	(23)	(14)
Costs of contractual fines and default interest	(12)	(5)
Taxes and fees	(26)	(17)
Insurance	(211)	(199)
Foreign exchange losses - operational	(267)	(239)
Shortages and damages compensation *)	(176)	(136)
Expenses for uniforms and personal protective equipment	(45)	(48)
Provision for legal disputes relating to other operating expenses (Note 28.1.)	-	(1,000)
Reimbursement of employee expenses	(17)	(16)
Fines and penalties	(11)	(29)
Other expenses	(208)	(144)
Total other operating expenses	**(1,048)**	**(1,847)**

*) In 2021, Shortages and damages were reported as Shortages and damages and Damage compensation.

12. Finance Costs

(CZK million)	2022	2021
Interest on bank overdrafts and loans	(730)	(99)
Interest on issued bonds	(868)	(743)
Interest on lease liabilities	(101)	(80)
Interest on secured loans	(61)	(44)
Other interest expense	(264)	(215)
Less: amounts included in the cost of qualifying assets	162	79
Unwinding of the discount of provisions for liabilities and charges	(17)	(10)
Expenses from derivative operations	(31)	(53)
Foreign exchange losses on loans, borrowings and lease liabilities	(222)	(107)
Bank charges	(13)	(11)
Other finance costs	(47)	(66)
Total finance costs	**(2,192)**	**(1,349)**

Other interest expense represents cash flow hedge expenses reclassified from other comprehensive income during the period.

The capitalisation rate of interest costs in 2022 is 0.14 % p. a. (2021: 2.02 % p. a.).

13. Finance Income

(CZK million)	2022	2021
Foreign exchange gains on loans, borrowings and lease liabilities	577	674
Interest received	92	31
Other finance income	1	-
Total finance income	**670**	**705**

14. Income Tax

14.1. Income tax recognised in profit or loss

(CZK million)	2022	2021 *)
Tax for the current year recognised in the statement of profit and loss	(213)	(147)
Deferred tax recognised in the statement of profit and loss	(300)	357
Current income tax related to previous periods	(22)	(2)
Total income tax credit/ (expense) related to continuing operations	**(535)**	**208**

*) Restated, refer to Note 2.3.

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

(CZK million)	2022	2021 *)
Profit/ (Loss) for the period before tax	**396**	**(2,012)**
Statutory tax rate on corporate income in the Czech Republic	19 %	19 %
Expected tax credit/ (expense)	**(75)**	**382**
Adjustments:		
Effect of the unrecognised deferred tax asset	(342)	82
Impact of different tax rates in other countries	(7)	(20)
Non-taxable income – release of provision for penalties	146	30
Other non-taxable income	16	18
Tax deductible research and development expenses not included in the deferred tax	-	3
Tax non-deductible expenses - shortages and damages	(17)	(22)
Tax non-deductible payroll expenses	(32)	(37)
Tax non-deductible expenses – fines	-	(190)
Borrowing costs	(2)	-
Other tax non-deductible expenses	(187)	(36)
Dissolution/drawdown of reserves and adjustment items	(15)	-
Difference between tax and accounting depreciation	2	-
Current income tax related to previous periods	(22)	(2)
Income tax recognised in profit or loss	**(535)**	**208**

*) Restated, refer to Note 2.3.

14.2. Income tax recognised in other comprehensive income

(CZK million)	2022	2021 *)
Change in cash flow hedging reserve	274	(398)
Change in cost of hedging reserve	1	(7)
Change in the revaluation reserve of investments in equity instruments at fair value through other comprehensive income	14	-
Total income tax recognised in other comprehensive income	**289**	**(405)**

*) Restated, refer to Note 2.3.

14.3. Deferred tax

Recognised deferred tax assets and liabilities are calculated as follows:

(CZK million)	31 Dec 2022	31 Dec 2021
Deferred tax assets		
Non-current assets	755	2,421
Provisions	394	616
Receivables	83	31
Borrowing costs	72	48
Liabilities to employees	168	-
Refund Obligations	16	-
Other	69	23
Basis for calculation of deferred tax	**1,557**	**3,139**
Corporate income tax rate	19 %	19 %
Total deferred tax assets – recognised	296	596
Set-off of deferred tax liabilities pursuant to set-off provisions	(282)	(582)
Net deferred tax assets – recognised	**14**	**14**
Deferred tax liabilities		
Non-current assets	(9,854)	(9,772)
Derivatives	(853)	(2,374)
Financial assets in fair value through other comprehensive income	(36)	(109)
Basis for calculation of deferred tax	**(10,743)**	**(12,255)**
Corporate income tax rate	19 %	19 %
Total deferred tax liabilities – recognised	**(2,041)**	**(2,328)**
Set-off of deferred tax liabilities pursuant to set-off provisions	282	582
Net deferred tax liabilities - recognised	**(1,759)**	**(1,746)**

Due to low expected future taxable profits, the utilisation of deferred tax asset of the Parent Company is uncertain. The unrecognised deferred tax asset as at 31 December 2022 and 31 December 2021 was calculated as follows:

(CZK million)	31 Dec 2022	31 Dec 2021 *)
Deferred tax asset		
Non-current assets	1,836	1,478
Compensation for unjust enrichment (Note 22.)	2,999	2,408
Provisions	875	586
Receivables	76	61
Borrowing costs	1,160	592
Contractual penalties	35	38
Inventories	66	41
Payables to employees	141	135
Basis for calculation of deferred tax	**7,188**	**5,339**
Corporate income tax rate	19 %	19 %
Deferred tax asset – unrecognised	**1,366**	**1,014**

*) Restated, refer to Note 2.3.

Borrowing costs include interest and other costs (in particular exchange rate differences) associated with financial drawn funds that meet the requirements of the tax law. It is possible to apply them in the next years.

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

(CZK million)	1 Jan 2022	Deferred tax recognised in profit or loss	Deferred tax recognised in other comprehensive income	Reclassification to discontinued operations	Acquisition	31 Dec 2022
Deferred tax assets						
Non-current assets	460	(318)	-	-	-	142
Provisions	117	(52)	-	10	-	75
Receivables	6	10	-	-	-	16
Borrowing costs	9	5	-	-	-	14
Liabilities to employees	-	32	-	-	-	32
Refund Obligations	-	3	-	-	-	3
Other	4	10	-	-	-	14
Total deferred tax assets - recognised	**596**	**(310)**	**-**	**10**	**-**	**296**
Deferred tax liabilities						
Non-current assets	(1,856)	13	(17)	(2)	(10)	(1,872)
Derivatives	(451)	(3)	292	-	-	(162)
Financial assets in fair value through other comprehensive income	(21)	-	14	-	-	(7)
Total deferred tax liabilities - recognised	**(2,328)**	**10**	**289**	**(2)**	**(10)**	**(2,041)**

	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	98	362	-	-	460
Provisions	166	(39)	-	(10)	117
Receivables	19	(13)	-	-	6
Borrowing costs	15	(6)	-	-	9
Other	5	(1)	-	-	4
Total deferred tax assets - recognised	**303**	**303**	**-**	**(10)**	**596**
Deferred tax liabilities					
Non-current assets	(1,878)	53	(33)	2	(1,856)
Derivatives	(80)	1	(372)	-	(451)
Financial assets in fair value through other comprehensive income	(21)	-	-	-	(21)
Total deferred tax liabilities - recognised	**(1,979)**	**54**	**(405)**	**2**	**(2,328)**

15. Discontinued Operations and Non-current Assets and Disposal Groups Held for Sale

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

In 2021, the Group reported the planned sale of part of the business of the subsidiary ČD-Telematika as a discontinued operation. During 2022, there was a change of intention and a sale as planned in 2021 is no longer highly probable. As at 31 December 2022, the Group no longer reports this part of the business as a discontinued operation.

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
Revenues	541
Costs and expense	(291)
Net profit before taxation	250
Income tax expense	(48)
Total profit from discontinued operations	**202**

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

15.3. Non-current assets and disposal groups held for sale

The following table shows the amount of disposal group of assets and liabilities 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 leased out	Components **)	Assets under construction	Prepay-ments	Total
Cost									
Balance as at 1 Jan 2021 *)**	**5,654**	**15,070**	**5,015**	**96,730**	**3,251**	**28,247**	**2,474**	**1,689**	**158,130**
Additions	10	138	115	5,740	-	4,692	1,514	3,059	15,268
Disposals	(27)	(68)	(137)	(868)	-	(5,662)	(235)	(346)	(7,343)
Reclassification ****)	(25)	862	201	342	210	428	(1,493)	(271)	254
Reclassification to non-current assets and disposal groups held for sale	(12)	(62)	(86)	(5)	-	-	(28)	-	(193)
Balance at 31 Dec 2021 *)**	**5,600**	**15,940**	**5,108**	**101,939**	**3,461**	**27,705**	**2,232**	**4,131**	**166,116**
Acquisition *****)	-	-	-	260	-	-	-	-	260
Balance as at 1 Jan 2022	**5,600**	**15,940**	**5,108**	**102,199**	**3,461**	**27,705**	**2,232**	**4,131**	**166,376**
Additions	-	193	157	4,973	-	5,424	1,814	5,826	18,387
Disposals	(64)	(109)	(162)	(662)	-	(3,032)	(17)	-	(4,046)
Reclassification ****)	(110)	(446)	139	(1,158)	1,141	479	(1,364)	(8)	(1,327)
Reclassification to non-current assets and disposal groups held for sale	12	62	86	5	-	-	28	-	193
Balance at 31 Dec 2022	**5,438**	**15,640**	**5,328**	**105,357**	**4,602**	**30,576**	**2,693**	**9,949**	**179,583**
Accumulated depreciation and impairment									
Balance as at 1 Jan 2021 *)**	**71**	**8,588**	**3,705**	**54,746**	**1,637**	**14,222**	**386**	**-**	**83,355**
Depreciation	-	303	271	2,949	266	3,106	1	-	6,896
Impairment loss	8	4	7	1,728	-	4	-	-	1,751
Reversal of impairment	-	-	(7)	(497)	-	-	(1)	-	(505)
Disposals	-	(55)	(136)	(792)	-	(5,481)	(1)	-	(6,465)
Reclassification ****)	-	145	18	163	(307)	171	(43)	-	147
Reclassification to non-current assets and disposal groups held for sale	-	(12)	(75)	(5)	-	-	-	-	(92)
Balance at 31 Dec 2021 *)**	**79**	**8,973**	**3,783**	**58,292**	**1,596**	**12,022**	**342**	**-**	**85,087**
Acquisition *****)	-	-	-	202	-	-	-	-	202
Balance as at 1 Jan 2022	**79**	**8,973**	**3,783**	**58,494**	**1,596**	**12,022**	**342**	**-**	**85,289**
Depreciation	-	319	278	3,336	113	3,313	1	-	7,360
Impairment loss	-	-	23	719	-	-	-	-	742
Reversal of impairment	(8)	(26)	(7)	(546)	-	(18)	-	-	(605)
Disposals	-	(92)	(161)	(528)	-	(3,025)	(1)	-	(3,807)
Reclassification ****)	-	(488)	13	(550)	439	198	(336)	-	(724)
Reclassification to non-current assets and disposal groups held for sale	-	12	75	5	-	-	-	-	92
Balance at 31 Dec 2022	**71**	**8,698**	**4,004**	**60,930**	**2,148**	**12,490**	**6**	**-**	**88,347**
Net book value									
Balance as at 1 Jan 2021 ***)	5,583	6,482	1,310	41,984	1,614	14,025	2,088	1,689	74,775
Balance at 31 Dec 2021 ***)	5,521	6,967	1,325	43,647	1,865	15,683	1,890	4,131	81,029
Balance as at 1 Jan 2022	5,521	6,967	1,325	43,705	1,865	15,683	1,890	4,131	81,087
Balance at 31 Dec 2022	5,367	6,942	1,324	44,427	2,454	18,086	2,687	9,949	91,236

*) Means of transport purchased for secured loans are reported in the financial statements under the item „Means of transport". Their residual value is CZK 4,020 million as of 12/31/2022 and CZK 3,738 million as of 12/31/2021.
**) In the consolidated financial statements for the year 2021, spare parts that meet the conditions for classification according to IAS 16 were presented in the Work in progress category. In 2022, the Group's management decided to report these spare parts in the Components category in order to improve a true and fair view. This reclassification was also carried out in the comparable period.
***) Revised see Note 2.3.
****) Reclassifications mainly represent transfers of asset items between individual groups (IAS 16 and IAS 40) and the transfer (activation) of items from unfinished assets to individual items of tangible assets (Land, Buildings, Machinery, equipment and others, Means of transport).
*****) The acquisition includes the assets of the new subsidiary ČD Bus a.s. (Note 1.3.2.).

Strategic spare parts (exchangeable units) with acquisition cost of CZK 172 million and net book value of CZK 35 million as at 31 December 2022 are reported in the Vehicles (31 December 2021: acquisition cost of CZK 155 million and net book value of CZK 59 million). Other spare parts with net book value of CZK 580 million as at 31 December 2022 are reported in the Components (31 December 2021: CZK 863 million).

The most significant additions include the acquisition and modernisation of rolling stock as part of the renewal of the Parent Company's fleet in the amount of CZK 3,683 million in 2022 (2021: CZK 3,854 million). 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 2,998 million as at 31 December 2022 (31 December 2021: CZK 5,307 million). Significant year-on-year decrease in these payables connects to significant purchases of rolling stock at the end of 2021 and the invoices not due until 2022.

Additions in the area of freight transport are disclosed in the following table:

(CZK million)	**2022**	**2021**
Technical improvement of traction vehicles	607	607
Overhaul repairs (components) of freight wagons	841	526
Railway traction vehicles Vectron	364	-
Repairs of R and D type (components) of traction vehicles	296	575
Car body components to freight wagons	203	44
Wheelsets (components) for freight wagons	186	95
Freight wagons of the Zacns series	172	-
Reconstruction of railway traction vehicles of 163 series to 363 series	133	-
Technical inspections (components) for freight wagons	101	89
Technical improvement of freight wagons	99	-
Traction vehicles of the TRAXX 388 series	31	459
Traction vehicles of the 744 series	-	217
Freight wagons of the Eanos series	-	193
Freight wagons of the Sgnss series	-	186
Other	145	90
Total	**3,178**	**3,081**

Significant additions in the area of telematics include the activation of geometric plans after registration in the Land Registry and the construction of new optical routes or their extensions within the entire Czech Republic in a total amount of CZK 160 million. Furthermore, the construction of new CWDM and DWDM circuits with a total amount of CZK 47 million.

In 2022, the Group provided advances of CZK 3,011 million for the supply of passenger cars, CZK 2,000 million for the supply of electric trains, CZK 1,480 million for the supply of locomotives, CZK 600 million for the supply of diesel trains and CZK 400 million for the equipment by mobile part of ETCS. In 2021, the Group 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 10 DMU120 diesel trains for regional transport and CZK 181 million for the equipment of electric locomotives by mobile part of ETCS.

As at 31 December 2022, the Group recognises grant promises in the amount of CZK 1,084 million (31 December 2021: CZK 673 million), which are reported in Other assets (Note 24.). As at 31 December 2022, the most significant promises are for the renewal of the vehicle fleet in the Moravian-Silesian Region and for ETCS. As of 31 December 2022 The Group records liabilities from investment grants in the amount of CZK 246 million (31 December 2021: CZK 52 million), which are reported in Other liabilities and contract liabilities (Note 30.).

During 2022, the ČD Cargo Group partially used the grant advance received for the implementation of the European Train Control System (ETCS) for locomotives. Locomotives of 742, 363 and 753 series have been equipped with ETCS system and the development of 130 series is carried out. The total value of the asset was CZK 427 million. Further, the ČD Cargo Group received a grant for modernisation of locomotives of 163 series into 363 series in the amount of CZK 154 million, for implementation of consumption measurement in the amount of CZK 12 million and for equipment of cars by „LL car blocks" (so-called silent brake blocks) in the amount of CZK 10 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 consolidated 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 and impacts of the energy crisis, 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 standalone 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 six years. The six-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 seven-year period with sufficient reliability. Cash flows beyond the seven-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 2023-2028. 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 and compensating the energy increase. Operating expenses are estimated based on the current structure of the Group and are adjusted for expected development and impact of 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 the level 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 9.29 % (2021: 7.25 %).

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 % (2021: 3 %) was used to calculate the recoverable amount.

The analysis performed as at 31 December 2022 confirmed that the recoverable amount of the cash-generating unit exceeds its carrying amount by CZK 3,903 million (2021: CZK 5,423 million).

Sensitivity analysis of impairment tests

When testing the recoverable amount of the cash-generating unit, a sensitivity analysis of the test results to changes in following 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.

31 December 2022	Operating cash flows for perpetuity		Estimated capital expenditures for perpetuity		Discount rate		Growth rate	
Parameter value	CZK 7,276 million		CZK 9,236 million		9.29 %		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	8,198	(8,198)	8,440	(8,909)	8,134	(7,130)	16,144	(11,423)
Impairment Yes/No	No	Yes	No	Yes	No	Yes	No	Yes
Value of impairment	-	(4,295)	-	(5,006)	-	(3,227)	-	(7,520)

As at 31 Dec 2021	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:

As at 31 Dec 2022	Operating cash flows for perpetuity	Estimated capital expenditures for perpetuity	Discount rate	Growth rate
Parameter value	CZK 7,276 million	CZK 9,236 million	9.29 %	3 %
Parameter value where recoverable amount would equal carrying value	CZK 6,930 million	CZK 9,583 million	9.56 %	2.69 %

As at 31 Dec 2021	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 %

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 recognised 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 2022, accumulated impairment losses for these trains due to damage of one set from the fleet of 680 series in 2022 amounted to CZK 560 million (31 December 2021: CZK 387 million). Movement in accumulated impairment losses in 2022 by CZK 172 million was caused particularly by impairment loss of one damadged unit. There was a reversal of impairment losses of CZK 27 million in 2021.

In April 2022, the Group's management decided on decommissioning the series 380 locomotives from the fleet after 2025. The fair value of the series 380 locomotives as at 31 December 2022 was determined on the basis of expert opinion. The fair value of the series 380 locomotives as at 31 December 2021 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. As at 31 December 2022, the accumulated impairment loss for these locomotives amounted to CZK 1,594 million (31 December 2021: CZK 1,609 million).

Another significant impairment loss item is the „Returned ROP grants“ title. The accumulated impairment loss for this title is determined in the amount of CZK 353 million as at 31 December 2021 (31 December 2021: CZK 377 million). The asset belongs to the cash-generating unit Passenger transport.

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

16.2. Pledged assets

The Group has borrowings that are collateralised with the assets with the net book value of CZK 4,020 million as at 31 December 2022 and CZK 3,738 million as at 31 December 2021.

17. Investment Property

The value of investment property:

(CZK million)	2022	2021
Balance at the beginning of the year	**475**	**621**
Additions from subsequent capitalised expenses	3	3
Depreciation	(35)	(20)
Disposals	(1)	(2)
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	606	105
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	(97)	(222)
Increase/ (Decrease) in impairment loss	(13)	(10)
Balance at the end of the year	**938**	**475**

(CZK million)	Balance as at 31 Dec 2022	Balance as at 31 Dec 2021	Balance as at 1 Jan 2021
Cost	**2,139**	**1,142**	**1,409**
Accumulated depreciation and impairment	(1,201)	(667)	(788)
Net book value	**938**	**475**	**621**

The Group includes the percentage value of the residual price of the leased part of the property, where at least 1 % of its useful area is leased to an external lessee, as an investment in real estate.

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 costs incurred on the building during the year and divided by the capitalisation 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 2022 and 31 December 2021, 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 an expert based on the latest land price maps.

The estimated Investment property fair value amounted to CZK 7,882 million as at 31 December 2022 (31 December 2021: CZK 6,130 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 2021	3,042	849	165	189	11	4,256
Additions	100	3	195	-	-	298
Disposals	(88)	(3)	10	-	-	(81)
Reclassification	117	9	(126)	-	-	-
Reclassification to non-current assets and disposal groups held for sale	(6)	-	-	-	-	(6)
Balance as at 31 Dec 2021	**3,165**	**858**	**244**	**189**	**11**	**4,467**
Additions	168	20	129	-	-	317
Disposals	-	(20)	(6)	-	-	(26)
Reclassification	248	39	(239)	-	-	48
Reclassification to non-current assets and disposal groups held for sale	6	-	-	-	-	6
Balance as at 31 Dec 2022	**3,587**	**897**	**128**	**189**	**11**	**4,812**
Accumulated depreciation						
Balance as at 1 Jan 2021	2,271	763	-	117	5	3,156
Amortisation	228	21	-	39	1	289
Disposals	(80)	(1)	-	-	-	(81)
Reclassification to non-current assets and disposal groups held for sale	(6)	-	-	-	-	(6)
Balance as at 31 Dec 2021	**2,413**	**783**	**-**	**156**	**6**	**3,358**
Amortisation	266	24	-	33	1	324
Disposals	-	(20)	-	-	-	(20)
Reclassification	17	24	-	-	-	41
Reclassification to non-current assets and disposal groups held for sale	6	-	-	-	-	6
Balance as at 31 Dec 2022	**2,702**	**811**	**-**	**189**	**7**	**3,709**
Net book value						
Balance as at 1 Jan 2021	771	86	165	72	6	1,100
Balance as at 31 Dec 2021	752	75	244	33	5	1,109
Balance as at 31 Dec 2022	885	86	128	-	4	1,103

The amortisation costs were reported in Depreciation, amortisation and impairment 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, the Altworx software used to monitor and evaluate the use of the Company's basic capacities (operating personnel, traction vehicles and freight wagons), the IT security system and other software used in the company ČD Cargo, a.s. Additions to software in 2022 mainly consist of modifications and upgrades of existing systems: Dispatching information system under the Integrated Trains project, development of the Operational Information System PRIS and Altworx software.

The value of goodwill:

(CZK million)	Goodwill	Total
Balance as at 1 Jan 2021	141	141
Balance as at 31 Dec 2021	141	141
Balance as at 31 Dec 2022	141	141

Goodwill impairment analysis
The Group recognises goodwill from acquisition of interest in the CHAPS group by the 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 2023-2027. 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 12.34 % (2021: 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 % (2021: 3 %) was used to calculate the recoverable amount.

The analysis performed as at 31 December 2022 confirmed that the recoverable amount of CHAPS and its subsidiaries exceeds its carrying value (net assets and goodwill value) by CZK 388 million (2021: 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 the following 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 94 million (2021: CZK 93 million). A change in the discount rate by 1 % with other parameters remain unchanged would lead to a chang e in the recoverable amount by CZK 45 million (2021: 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 45 million (2021: 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 2021	2	354	1,230	625	1,010	1,721	994	5,936
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)	22	(23)	-
Balance as at 31 Dec 2021	**3**	**369**	**1,145**	**922**	**1,580**	**2,164**	**1,017**	**7,200**
Acquisition **)	-	-	7	-	-	-	-	7
Balance as at 1 Jan 2022	**3**	**369**	**1,152**	**922**	**1,580**	**2,164**	**1,017**	**7,207**
Additions	-	-	130	133	978	490	420	2,151
Disposals	-	(51)	(240)	(13)	14	(438)	(64)	(792)
Change in estimates *)	-	37	59	14	40	179	-	329
Reclassification	-	-	(1)	-	(18)	-	-	(19)
Balance as at 31 Dec 2022	**3**	**355**	**1,100**	**1,056**	**2,594**	**2,395**	**1,373**	**8,876**
Accumulated depreciation and impairment								
Balance as at 1 Jan 2021	1	168	288	100	301	504	94	1,456
Depreciation	-	37	183	136	190	372	69	987
Disposals	-	-	(68)	-	-	(82)	(65)	(215)
Reclassification	-	-	6	6	2	1	-	15
Balance as at 31 Dec 2021	**1**	**205**	**409**	**242**	**493**	**795**	**98**	**2,243**
Acquisition **)	-	-	1	-	-	-	-	1
Balance as at 1 Jan 2022	**1**	**205**	**410**	**242**	**493**	**795**	**98**	**2,244**
Depreciation	1	32	143	160	333	448	74	1,191
Disposals	-	(25)	(65)	(2)	-	(191)	(31)	(314)
Reclassification	-	-	-	-	(5)	-	-	(5)
Balance as at 31 Dec 2022	**2**	**212**	**488**	**400**	**821**	**1,052**	**141**	**3,116**
Net book value								
Balance as at 1 Jan 2021	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
Balance as at 1 Jan 2022 **)	2	164	742	680	1,087	1,369	919	4,963
Balance as at 31 Dec 2022	1	143	612	656	1,773	1,343	1,232	5,760

*) Change in estimate is a change in the estimated lease term of the assets.
**) The acquisition includes the assets of the new subsidiary ČD Bus a.s. (Note 1.3.2.).

2022 additions in the Locomotive category consist mainly of 10 newly leased Vectron locomotives (2021: 6 newly leased Vectron locomotives). Another increase in the Group is the rental of driving vehicles in the amount of CZK 350 million and the rental of wagons in the amount of CZK 840 million.

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 was 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 2022, this right-of-use asset was recognised at net book value of CZK 10 million (31 December 2021: CZK 13 million).

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

(CZK million)	**2022**	**2021**
Depreciation of right-of-use assets	(1,191)	(987)
Interest expense on lease liabilities	(101)	(80)
Expense related to short-term leases	(308)	(341)
Expense related to low-value assets leases	(19)	(25)
Expense related to variable lease payments not included in the measurement of the lease obligation	(32)	(18)

Lease liabilities are disclosed in Note 27.2.

Sensitivity analysis of right-of-use assets and lease liabilities

When calculating the value of right-of-use assets and lease liability for lease contracts with indefinite lease term, a sensitivity analysis to changes in estimated lease term was performed.

For buildings, a change in estimated lease term by one year with other parameters unchanged would lead to a change in the value of right-of-use assets and lease liabilities by CZK 96 million (2021: CZK 66 million).

For locomotives and freight wagons, a change in estimated lease term by one year with other parameters unchanged would lead to a change in the value of right-of-use assets and lease liabilities by CZK 219 million (2021: CZK 178 million).

20. Investments in Joint Ventures and Associates

(CZK million)

Entity		Carrying value of investment as at 31 Dec 2022	Ownership percentage as at 31 Dec 2022	Carrying value of investment at 31 Dec 2021	Ownership percentage at 31 Dec 2021
RAILLEX, a.s.	Associate	11	50 %	9	50 %
BOHEMIAKOMBI, spol. s r.o.	Associate	-	30 %	-	30 %
Ostravská dopravní společnost, a.s.	Associate	18	50 %	15	50 %
Ostravská dopravní společnost - Cargo, a.s.	Associate	34	20 %	44	20 %
Terminál Mošnov, a.s.	Associate	2	25 %	-	- %
JLV, a.s.	Associate	135	38.79 %	138	38.79 %
Masaryk Station Development, a.s.	Associate	3	34 %	3	34 %
Total – associates		**203**		**209**	
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		**203**		**209**	

Summary of financial information on associates:

(CZK million)	31 Dec 2022	31 Dec 2021
Total assets	1,080	999
Of which: non-current assets	*532*	*373*
current assets	*548*	*626*
Total liabilities	481	360
Of which: non-current liabilities	*175*	*72*
current liabilities	*306*	*288*
Net assets	599	639
Share of the Group in associates' net assets	**203**	**209**

(CZK million)	2022	2021
Total revenue	1,732	1,504
Profit for the period	45	57
Total comprehensive income for the period	45	57
Share of the Group in associates' profit for the period	**16**	**17**
Share of the Group in associates' total comprehensive income for the period	**16**	**17**

Summary of financial information on joint venture:

(CZK million)	31 Dec 2022	31 Dec 2021
Total assets	10	11
Of which: non-current assets	9	9
current assets	*1*	*2*
Total liabilities	14	13
Of which: non-current liabilities	*2*	*1*
current liabilities	*12*	*12*
Net liabilities	(4)	(2)
Share of the Group of net liabilities	**(2)**	**-**

In 2022 and 2021, the Group had immaterial share in the profit or loss and total comprehensive income of the joint ventures.

21. Inventories

(CZK million)	31 Dec 2022	31 Dec 2021
Spare parts for machinery and equipment	231	211
Spare parts for rolling stock and locomotives	2,376	1,747
Fuels, lubricants and other oil products	49	47
Work clothes, work shoes, protective devices	108	166
Other	183	160
Total cost	**2,947**	**2,331**
Impairment of inventories to their net realisable value *)	(123)	(100)
Total net book value	**2,824**	**2,231**

*) Amount of the inventories for which the allowance was accounted for is CZK 253 million as at 31 December 2022 and CZK 210 million as at 31 December 2021.

The amount of inventories recognised as an expense in 2022 was CZK 3,009 million (2021: CZK 2,946 million).

22. Trade Receivables

(CZK million)

31 Dec 2022	Non-current	Current	Total
Trade receivables – gross	557	4,538	5,095
Expected credit loss allowance	(12)	(295)	(307)
Trade receivables – net	**545**	**4,243**	**4,788**

(CZK million)

31 Dec 2021	Non-current	Current	Total
Trade receivables – gross	-	4,239	4,239
Expected credit loss allowance	-	(235)	(235)
Trade receivables – net	**-**	**4,004**	**4,004**

Movements in the expected credit loss allowance:

(CZK million)	2022	2021
Allowance as at 1 January	235	298
Charge for the year– trade receivables	108	40
Use of allowance – trade receivables	(13)	(17)
Release of allowance – trade receivables	(23)	(86)
Allowance as at 31 December	**307**	**235**

The increase in receivables as at 31 December 2022 is attributable to an increase in receivables from the regions and the accounting of an estimated receivables for the reduction of traction energy in the amount of CZK 253 million (see Note 8.) and an increase in receivables in the area of freight transport in the amount of CZK 273 million, which is related to the increase in sales in the country and abroad.

In 2021, the Group billed to SŽ the compensation for unjust enrichment resulting from SŽ using the Group's property, mainly land plots under the railway infrastructure. The Group determined the compensation for 2017-2021 at the amount of CZK 3,544 million as at 31 December 2022 including VAT (as at 31 December 2021 for 2017-2021 in the amount of CZK 2,834 million including VAT) based on the expert's opinion. The counterparty acknowledged the substance of the Group's claim, but no agreement has been reached yet on the amount of the compensation, mainly due to a need to pre-notify the transaction by the European Commission. Due to this uncertainty the Group did not recognise a receivable from this claim. However, as at 31 December 2022 a receivable to the Company arises from its claim to either collect or get refunded the related VAT amounting to CZK 557 million that was presented in the non-current Trade receivables – gross (as at 31 December 2021: CZK 426 million presented in the current Trade receivables – gross).

Further information on trade receivables is provided in Note 36.8. Credit risk management.

23. Other Financial Assets

(CZK million)	31 Dec 2022	31 Dec 2021
Financial assets in fair value through other comprehensive income	341	397
Finance lease receivables	127	136
Hedging derivatives *)	119	1,234
Restricted cash	334	528
Other	12	6
Total non-current financial assets	**933**	**2,301**
Finance lease receivables	23	18
Hedging derivatives *)	341	270
Receivables from damages and losses	47	61
Restricted cash	262	66
Other	263	24
Total current financial assets	**936**	**439**
Total	**1,869**	**2,740**

*) 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 of 31 December 2022, financial assets at fair value reported in other comprehensive income include the parent company's equity stake in EUROFIMA with a book value of CZK 333 million (as of 31 December 2021: CZK 390 million), which is not publicly traded (Note 35.). The Group has designated this investment as a financial asset at fair value reported in other comprehensive income as the investment is expected to be held for strategic purposes rather than for profit from subsequent sale and there are no plans to sell this investment in the short or medium term. The fair value of this investment is described in Note 36.3.

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.

The Other item in the Current financial assets includes a receivable from Sberbank in the gross amount of CZK 274 million less an allowance of CZK 65 million. Sberbank was declared bankrupt in 2022, the Group filed the claim in due time in the insolvency proceedings and expects settlement during 2023.

Movements in the expected credit loss allowance:

(CZK million)	2022	2021
Provision as at 1 January	50	22
Creation of allowance – other financial assets	5	41
Release of allowance – other financial assets	(25)	(13)
Expected credit loss allowance as at 31 December	**30**	**50**

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 centre to Mondi Štětí a.s. in the form of a finance lease.

Maturity analysis of future lease payments:

(CZK million)	31 Dec 2022	31 Dec 2021
1st year	44	37
2nd year	44	37
3rd year	31	37
4th year	27	26
5th year	26	22
Over 5 years	401	406
Undiscounted lease payments	**573**	**565**
Less: unrealised financial income	(421)	(411)
Present value of lease payments	**152**	**154**
Expected credit loss allowance	(2)	-
Net investment in lease	**150**	**154**
In the consolidated statement of financial position as:		
Other current financial assets	*23*	*18*
Other non-current financial assets	*127*	*136*
Total	**150**	**154**

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

(CZK million)	2022	2021
Net income from finance lease investments	25	20

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

None of the finance lease receivable are past due at the end of the reporting periods 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 leases are denominated in CZK.

Further information on finance lease receivables is provided in Note 36.8. Credit risk management.

24. Other Assets

(CZK million)	31 Dec 2022	31 Dec 2021
Prepayments provided	7	6
Other	29	22
Total non-current	**36**	**28**
Prepayments provided	334	272
Tax receivables - VAT	659	1,223
Tax receivable – other (except for taxes on corporate income)	24	12
Prepaid expenses	273	198
Grants	1,084	673
Compensation from the insurance company (Note 28.)	297	300
Other	39	68
Total current	**2,710**	**2,746**
Total	**2,746**	**2,774**

The decrease in VAT receivables in 2022 was mainly due to a significant purchase of rolling stock at the end of 2021 and related VAT reported as at 31 December 2021.

The Grants item represents the investment grants. As at 31 December 2022, this mainly concerns a grant of CZK 551 million from the Ministry of Transport for the renewal of the vehicle fleet in the Moravian-Silesian Region. As at 31 December 2021, an investment grant in the amount of CZK 398 million from the Ministry of Transport for electrical trains for the connection between the Pilsen and Carlsbad regions was presented there. 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 in the amount of CZK 336 million as at 31 December 2022 (as at 31 December 2021: CZK 249 million).

25. Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost in the consolidated statement of financial position and reduced by the expected credit loss allowance 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 with a high investment credit rating with which the Group cooperates on the basis of long-term and stable relationships.

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

(CZK million)	31 Dec 2022	31 Dec 2021
Cash and cash in transit	51	40
Bank accounts *)	5,818	3,394
Depository bills	2,892	-
	8,761	**3,434**
Funds related to discontinued operations	-	138
Total	**8,761**	**3,572**

*) 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 2022 and as at 31 December 2021 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 2022.

The shareholder is entitled to attend and vote at the General Meeting. It has the right to request and receive explanations 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. When a shareholder is the state, it exercises the rights of the Company's shareholder in accordance with the law through the Steering committee.

26.2. Other capital reserves

(CZK million)	31 Dec 2022	31 Dec 2021 *)
Share premium	16,440	16,440
Reserve fund	468	502
Cash flow hedging reserve	1,074	2,245
Costs of hedging reserve	(172)	(166)
Revaluation of investments in equity instruments at fair value through other comprehensive income	50	109
Actuarial remeasurements of defined benefit obligations	104	55
Foreign currency translation reserve	(96)	(59)
Other	17	17
Total	**17,885**	**19,143**

*) Restated, refer to Note 2.3.

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 2022 and 31 December 2021.

26.2.2. Reserve fund

(CZK million)	2022	2021
Balance at the beginning of the year	502	540
Allocation to the reserve fund	20	28
Transfer from the reserve fund	(54)	(66)
Balance at the year-end	**468**	**502**

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 hedging reserve

(CZK million)	2022	2021 *)
Balance at the beginning of the year	2,245	552
Revaluation gain/ (loss)	(1,684)	2,022
Reclassification to profit or loss	239	69
Total change in the cash flow hedging reserve	**(1,445)**	**2,091**
Income tax	274	(398)
Balance at the year-end	**1,074**	**2,245**

*) Restated, refer to Note 2.3.

The cash flow hedging 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 affects 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 hedging 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	2022	2021
Balance at the beginning of the year	2,070	583
Change in fair value of hedging derivatives	(1,845)	1,761
Reclassification to profit or loss	127	75
Related income tax - change	326	(349)
Balance at the year-end	**678**	**2,070**

(CZK million)

Currency forwards and swaps – hedging of future revenue in foreign currencies	2022	2021
Balance at the beginning of the year	46	40
Change in fair value of hedging derivatives	(14)	32
Reclassification to profit or loss	69	(25)
Related income tax - change	(10)	(1)
Balance at the year-end	**91**	**46**

(CZK million)

Interest rate swaps – hedging of bonds and lease contracts with a variable rate	2022	2021
Balance at the beginning of the year	33	1
Change in fair value of hedging derivatives	138	37
Reclassification to profit or loss	(9)	3
Related income tax – change	(25)	(8)
Balance at the year-end	**137**	**33**

(CZK million)

Commodity forwards – securing prices for the purchase of diesel and traction electricity	2022	2021
Balance at the beginning of the year	21	(12)
Change in fair value of hedging derivatives	(50)	25
Reclassification to profit or loss	21	16
Related income tax – change	6	(8)
Balance at the year-end	**(2)**	**21**

(CZK million)

Lease - securing foreign currency liabilities from IFRS 16	2022	2021
Balance at the beginning of the year	75	(60)
Change in fair value of lease liability	62	167
Reclassification to profit or loss	31	-
Related income tax - change	(18)	(32)
Balance at the year-end	**150**	**75**

(CZK million)

Loans and bonds - revaluation	2022	2021
Balance at the beginning of the year	-	-
Change in fair value of revaluation of loans and bonds	25	-
Related income tax - change	(5)	-
Balance at the year-end	**20**	**-**

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 and forward components of currency swaps.

The Group has assessed that the separate currency base margin relates to a period of time, not to a specific transaction. Therefore, the Group systematically amortises costs of hedging through profit or loss over the duration of the hedging relationship to the extent they are associated with the hedged item.

(CZK million)	**2022**	**2021 *)**
Balance at the beginning of the year	(166)	(194)
Reclassification to profit or loss	(25)	18
Change of fair value in costs of hedging	18	17
Income tax	1	(7)
Balance at the year-end	**(172)**	**(166)**

*) Restated, refer to Note 2.3.

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

26.2.5. Foreign currency translation reserve

(CZK million)	**2022**	**2021**
Balance at the beginning of the year	(59)	(19)
Foreign exchange rate gains or losses arising from translation of foreign operations	(37)	(40)
Balance at the year-end	**(96)**	**(59)**

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)	**2022**	**2021 *)**
Balance at the beginning of the year	109	108
Revaluation	(58)	1
Expected credit losses	(15)	-
Income tax	14	-
Balance at the year-end	**50**	**109**

*) Restated, refer to Note 2.3.

27. Loans, Borrowings and Lease Liabilities

(CZK million)	31 Dec 2022	31 Dec 2021
Bank loans	1,738	769
Lease liabilities	1,365	1,086
Secured loans	426	431
Overdraft accounts	897	80
Issued bonds	10,591	1,262
Other received short-term loans and borrowings	44	36
Total short-term	**15,061**	**3,664**
Bank loans	11,636	5,877
Lease liabilities	4,421	4,060
Secured loans	2,425	1,821
Bonds issued	34,826	32,837
Other received long-term loans and borrowings	36	40
Total long-term	**53,344**	**44,635**
Total	**68,405**	**48,299**

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

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

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 2022 nor 2021.

27.1. Debentures and bonds issued

Issue date	Nominal value	Due date	Publicly traded	Coupon	Carrying value as at 31 Dec 2022 in CZK million	Carrying value as at 31 Dec 2021 in CZK million
5 November 2014	EUR 30 million	5 Nov 2024	No	2.875 %	724	746
5 November 2014	EUR 150 million	5 Nov 2029	No	3.50 %	3,617	3,726
3 June 2015	EUR 37.7 million	3 Jun 2022	No	1.89 %	-	948
3 June 2015	EUR 77.5 million	3 Jun 2035	No	3.00 %	1,895	1,954
25 May 2016	EUR 400 million	25 May 2023	Yes	1.875 %	9,742	10,026
23 May 2019	EUR 500 million	23 May 2026	Yes	1.50 %	12,070	12,416
12 October 2022	EUR 500 million	12 Oct 2027	Yes	5.625 %	12,118	-
29 December 2016	CZK 500 million	29 Dec 2023	Yes	1.26 %	500	499
20 July 2018	CZK 1,000 million	20 Jul 2025	Yes	2.55 %	1,010	1,010
17 July 2019	CZK 1,000 million	17 Jul 2026	No	2.17 %	1,009	1,008
18 November 2019	CZK 770 million	18 Nov 2026	No	2.09 %	771	771
31 July 2020	CZK 1,000 million	31 Jul 2027	No	1.65 %	997	995
20 April 2022	EUR 40 million	20 Apr 2029	No	1.26 %	964	-
Total					**45,417**	**34,099**
- of which short-term					*10,591*	*1,262*
- of which long-term					*34,826*	*32,837*

The Group did not breach any terms or conditions valid for the issued bonds in 2022 and 2021.

Bondholders could request early repayment of bonds within 90 days once the state's share in the issuer (ČD) falls below 75 % or the issuer's share in the segments of passenger or freight transport falls under 50 % and, at the same time, the issuer's rating falls below the investment grade.

27.2. Lease liabilities

The Group recognised lease liabilities as follows:

(CZK million)	As at 31 Dec 2022	As at 31 Dec 2021
Short-term lease liabilities	1,365	1,086
Long-term lease liabilities	4,421	4,060
Total lease liabilities	**5,786**	**5,146**

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

Total cash outflows related to leases amounted to CZK 1,671 million in 2022 and CZK 2,068 million in 2021.

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 2022 (CZK million)	Carrying value as at 31 Dec 2021 (CZK million)
UniCredit Bank	CZK 1,000 million	29 March 2029	variable	948	1,004
Raiffeisenbank	CZK 500 million	29 December 2028	variable	429	504
Všeobecná úverová banka	CZK 500 million	29 December 2028	variable	462	500
UniCredit Bank	CZK 1,000 million	29 March 2029	fixed	1,000	-
UniCredit Bank	CZK 1,000 million	29 March 2029	variable	1,000	-
UniCredit Bank	CZK 1,000 million	29 March 2029	variable	948	-
Raiffeisenbank	CZK 1,000 million	29 December 2028	variable	858	-
Raiffeisenbank	CZK 1,100 million	29 December 2028	variable	943	-
Všeobecná úverová banka	CZK 500 million	29 June 2029	variable	464	-
Všeobecná úverová banka	CZK 900 million	29 June 2029	variable	836	-
UniCredit Bank	CZK 1,000 million	29 March 2030	fixed	725	825
UniCredit Bank	CZK 1,000 million	31 December 2027	fixed	714	857
ING Bank	CZK 1,000 million	31 August 2027	fixed	769	923
ING Bank	CZK 500 million	30 June 2028	fixed	423	500
Raiffeisenbank	CZK 1,000 million	30 June 2031	fixed	900	1,000
Credit EIB - 1. tranche	CZK 500 million	2 July 2031	fixed	500	500
Tatrabanka	EUR 1.2 million	31 August 2023	fixed	4	11
Tatrabanka	EUR 1 million	31 July 2027	variable	18	22
Tatrabanka	EUR 1.5 million	29 February 2028	variable	33	-
Raiffeisenbank	EUR 40 million	30 June 2032	fixed	917	-
ING Bank	EUR 40 million	31 March 2028	fixed	483	-
Total				**13,374**	**6,646**
- of which short-term				*1,738*	*769*
- of which long-term				*11,636*	*5,877*

Bank loans have not been secured.

28. Provisions

(CZK million)	Balance as at 1 Jan 2021	Creation	Use	Release of unused part	Balance at 31 Dec 2021 *)	Creation	Use	Release of unused part	Balance at 31 Dec 2022
Provision for legal disputes	765	1,001	30	28	1,708	-	-	702	1,006
of which: long-term part	*4*				*4*				*2*
Provision for post-employment benefits	101	13	16	-	98	-	33	-	65
of which: long-term part	*84*				*74*				*52*
Provision for other long-term employee benefits	336	102	156	8	274	163	152	1	284
of which: long-term part	*167*				*133*				*110*
Provisions for business risks	19	17	-	2	34	6	-	12	28
of which: long-term part	*-*				*-*				*-*
Provision for restructuring	72	-	53	19	-	-	-	-	-
of which: long-term part	*-*				*-*				*-*
Provision for onerous contracts	293	479	291	-	481	580	219	-	842
of which: long-term part	*-*				*261*				*427*
Provision for penalties	227	-	4	155	68	-	-	68	-
of which: long-term part	*-*				*-*				*-*
Provision for damage	500	-	-	-	500	-	-	49	451
of which: long-term part	*-*				*-*				*-*
Other provisions	76	95	56	22	93	135	66	15	147
of which: long-term part	*-*				*-*				*-*
Total provisions	**2,389**	**1,707**	**606**	**234**	**3,256**	**884**	**470**	**847**	**2,823**
Long-term	*255*				*472*				*590*
Short-term	*2,134*				*2,784*				*2,233*

*) Restated, refer to Note 2.3.

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").

The Group's management has assessed the provision for legal disputes, including the assessment of the probable outcome, which is based on a number of estimates and assumptions and was therefore subject to substantial uncertainty. As at 31 December 2020, the provision of CZK 700 million was recognised based on the amount of revenues to which the potential infringement was related, 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 Group's management best estimate of the liability as at 31 December 2021.

On 30 September 2022, the ČD received from the EC the decision on suspension of the proceedings, the EC proceedings have been ended. Based on this decision, the entire provision of CZK 700 million was released as at 31 December 2022.

Following suspension of the EC proceedings, the OPC reopens the administrative proceedings at national level. However, taking into account the outcome of the EC investigation it is assumed that national proceedings will also be suspended (Note 35.1.).

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 (The Austrian Federal Railways) and possibly also ZSSK (The Railway Company of Slovakia) have concluded a prohibited agreement to limit sales of disposed rolling stock to restrict entrance of new carriers to the market (against to Article 101 of the Treaty on the Functioning of the European Union (the "TFEU")). ČD denies that it entered into a cartel agreement.

On 10 June 2022, ČD and ÖBB received a statement of objections from the EC regarding the alleged cartel agreement for the sale of disposed rolling stock. The statement of objections is a formal step in the ongoing proceedings, which does not prejudge the final conclusions and decisions of the EC on this case. ČD prepared and sent a reply to this statement of objections and subsequently presented its arguments at an oral hearing on 13 and 14 December 2022.

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 of 31 December 2021, which corresponds to the estimated costs to settle the fine for the alleged infringement and related expenses. The provision recognised in this way represents the ČD's management best estimate of the liability as at 31 December 2022 and 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 the Group'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 2022 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 the Group'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 available information, there is a relatively high probability that the results in the next accounting period will be different from the assumptions used by the Group's management and the provision for legal disputes will require a significant adjustment. 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 53 million. Should the duration of the potential infringement be shorter (longer) by one year, the provision for legal disputes would decrease (increase) by CZK 213 million.

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 consolidated statement of comprehensive income. The change in the provision for other benefits is recognised in the consolidated 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. Provision for onerous contracts

As at 31 December 2022, the Group created a provision for onerous contracts in the amount of CZK 842 million (31 December 2021: CZK 481 million). The provision was recognised 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 recognised 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 paid and filed administrative claims. As at 31 December 2022 and 31 December 2021, the total amount of final and non-final payment orders was CZK 379 million. In 2022, grants in the amount of CZK 68 million (2021: CZK 268 million) were returned on the basis of payment orders.

At the same time, 100 % penalty has been applied to the selected projects. 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 2022, based on the decision of the administrative authorities, the remaining provision for possible penalties in the amount of CZK 68 million was released.

Information on other litigations is provided in Note 35.1.

28.5. Provision for damage

Provision for compensation of damage caused by a fire of cables at the Bohumín train station, which 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 297 million as at 31 December 2022 (as at 31 December 2022: CZK 300 million). Expected compensation is reported in the Other assets (Note 24.).

29. Other Financial Liabilities

(CZK million)	31 Dec 2022	31 Dec 2021
Financial derivatives *)	944	52
Other	172	161
Total long-term	**1,116**	**213**
Financial derivatives *)	592	510
Liability from ceased lease agreements	121	121
Other	64	44
Total short-term	**777**	**675**
Total	**1,893**	**888**

*) Financial derivatives are stated at fair value, other financial liabilities are stated at amortised cost.

Other long-term financial liabilities represent liabilities to the lessees of property at the Masaryk and Brno train stations in connection with technical appreciation of leased property performed by lessees.

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 in 2019 has withdrawn from these agreements in line with its terms and, at the same time, paid remaining lease payments of CZK 146 million (including VAT). 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 of 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 2022, the carrying value of these vehicles was CZK 733 million, as at 31 December 2021 the carrying value was CZK 641 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 the Group 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 2022	31 Dec 2021
Grants received	87	110
Other	15	7
Total non-current	**102**	**117**
Advances received	6	3
Payables to employees	1,698	1,607
Liabilities for social security and health insurance	506	484
Tax liabilities - tax withheld from employees	96	101
Tax liabilities - VAT	45	65
Repayment of the grants under ROP projects (Note 16.1.)	-	68
Contract liabilities (Note 6.2.)	634	348
Refund liabilities	140	235
Grants received	246	52
Other	102	70
Total current	**3,473**	**3,033**
Total	**3,575**	**3,150**

The current Grants received include the investment grant in the total amount of CZK 215 million as at 31 December 2022 (in 2021: CZK 50 million).

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-terms	Overdraft Accounts *)	Exchange bill	Other	Total
Note	27	27	27	27	27	27	27	27	27	27	27	27
Liabilities from financingas at 1 Jan 2021	**297**	**2,461**	**952**	**3,965**	**480**	**1,020**	**835**	**35,385**	**110**	**-**	**43**	**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*
Repayments of loans and borrowings	*(320)*	*-*	*-*	*-*	*(503)*	*-*	*(500)*	*-*	*(30)*	*-*	*(3)*	*(1,356)*
Repayment of 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)	-	-	-	-
Lease additions and change in estimates	-	-	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)
Capitalised interest paid (cash flows from investment activities)	-	-	-	-	-	-	-	(33)	-	-	-	(33)
Other non-cash movements	-	-	-	-	-	-	-	6	-	-	(4)	2
Liabilities from financing as at 31 Dec 2021	**769**	**5,877**	**1,086**	**4,060**	**431**	**1,821**	**1,262**	**32,837**	**80**	**-**	**76**	**48,299**
Cash flows from financing	**(182)**	**6,885**	**(1,211)**	**-**	**(455)**	**1,082**	**(933)**	**13,145**	**817**	**-**	**7**	**19,155**
Drawing of loans and borrowings	*2,607*	*6,885*	*-*	*-*	*-*	*1,082*	*-*	*13,145*	*866*	*3,777*	*7*	*28,369*
Repayments of loans and borrowings	*(2,789)*	*-*	*-*	*-*	*(455)*	*-*	*(933)*	*-*	*(49)*	*(3,777)*	*-*	*(8,003)*
Repayment of principal of lease liabilities	*-*	*-*	*(1,211)*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(1,211)*
Effect of exchange rate changes	(1)	-	(80)	(32)	(26)	-	(305)	(787)	-	-	-	(1,231)
Reclassification *)	1,125	(1,125)	1,458	(1,458)	470	(470)	10,442	(10,442)	-	-	-	-
Lease additions and change in estimates	-	-	117	1,849	-	-	-	-	-	-	-	1,966
Accrued interest	427	240	76	25	61	-	416	452	63	99	-	1,859
Interest paid (cash flows from operating activities **)	(396)	(241)	(81)	(25)	(55)	-	(209)	(369)	(63)	(99)	-	(1,538)
Capitalised interest paid (cash flows from investment activities)	-	-	-	-	-	-	(103)	(13)	-	-	-	(116)
Other non-cash movements	(4)	-	-	2	-	(8)	21	3	-	-	(3)	11
Liabilities from financing as at 31 Dec 2022	**1,738**	**11,636**	**1,365**	**4,421**	**426**	**2,425**	**10,591**	**34,826**	**897**	**-**	**80**	**68,405**

*) Loans and borrowings classified in the previous period as long-term, which became short-term in the period under review.
**) Interest paid line in the consolidated statement of cash flows for the year 2022 also includes cash flows from securing interest payments in the amount of CZK 172 mil (2021: CZK 206 mil).

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. Revenue from related parties

(CZK million)		Sales of services 2022	Sales of services 2021
JLV, a.s.	Associate	2	2
BOHEMIAKOMBI, spol. s r.o.	Associate	15	10
Ostravská dopravní společnost - Cargo, a.s.	Associate	16	22
Total associates		**33**	**34**
RAILLEX, a.s.	Joint venture	14	15
Ostravská dopravní společnost, a.s.	Joint venture	54	63
Total joint ventures		**68**	**78**
Total related parties		**101**	**112**

32.2. Purchases from related parties

(CZK million)		Services 2022	Services 2021
JLV, a.s.	Associate	208	145
Ostravská dopravní společnost - Cargo, a.s.	Associate	63	72
Total associates		**271**	**217**
RAILLEX, a.s.	Joint venture	5	3
Total joint ventures		**5**	**3**
Total related parties		**276**	**220**

32.3. Outstanding balances with related parties at the end of the reporting period

(CZK million)

31 Dec 2022		Receivables	Payables
JLV, a.s.	Associate	-	42
BOHEMIAKOMBI, spol. s r.o.	Associate	2	-
Ostravská dopravní společnost - Cargo, a.s.	Associate	2	9
Total associates		**4**	**51**
RAILLEX, a.s.	Joint venture	2	1
Ostravská dopravní společnost, a.s.	Joint venture	16	-
Total joint ventures		**18**	**1**
Total related parties		**22**	**52**

(CZK million)

31 Dec 2021		Receivables	Payables
JLV, a.s.	Associate	-	38
BOHEMIAKOMBI, spol. s r.o.	Associate	1	-
Ostravská dopravní společnost - Cargo, a.s.	Associate	3	11
Total associates		**4**	**49**
RAILLEX, a.s.	Joint venture	3	-
Ostravská dopravní společnost, a.s.	Joint venture	15	-
Total joint ventures		**18**	**-**
Total related parties		**22**	**49**

Outstanding balances have not been 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 Company and its significant subsidiaries (ČD Cargo, a.s., ČD - Informační Systémy, a.s., ČD - Telematika a.s., DPOV, a.s. and Výzkumný Ústav Železniční, a.s.).

The following employee benefits were paid to key management members during the year:

(CZK million)

2022	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	65	10	-
Other short-term employee benefits	18	8	-
Post-employment benefits	7	-	-
Total	**90**	**18**	**-**
Number of key management members	**19**	**34**	**6**

(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**

32.5. Relationships with the 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 organisation SŽ and the ČEZ Group.

Public service obligation payments

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 ("MT") are in the net regime.

(CZK million)

Revenue and compensation	Counterparty	2022	2021
Rental income	SŽ	19	21
Payment for substitute bus service *)	SŽ	1,094	479
Payments from public service orderers – the state budget	the state – MT	4,534	4,362
Compensation of 50 % discount fares **)	the state – MT	1,616	1,464
Payments from public service orderers – the regional budgets - "gross" contracts	regions	4,487	4,437
Payments from public service orderers – the regional budgets - "net" contracts	regions	7,818	7,730
Fare compensation - Ukraine	the state	71	-
Revenues – telecommunication services	SŽ	711	635
Revenues from freight transportation	ČEZ	140	89
Operation and maintenance of SW	SŽ	72	24
Revenues from the sale of employee holidays	SŽ	90	-
Other revenue	SŽ	218	124

*) This compensation is offset with costs of substitute bus services. Substitute bus services in the Note 8. are presented net after this offset.
**) Since 1 April 2022, compensation of discount fares for children from 6 to 18 years, students up to 26 years and seniors over 65 years has been reduced from 75 % to 50 %.

(CZK million)

Expenses	Counterparty	2022	2021
Use of railroads and allocated railway capacity – passenger transport	SŽ	1,803	1,839
Use of railroads and allocated railway capacity – freight transport	SŽ	866	800
Consumption of electric traction energy - passenger transport	SŽ	2,623	1,523
Consumption of electric traction energy - freight transport	SŽ	1,106	626
Telecommunication services	SŽ	63	62
Heat energy	ČEZ	50	-
Other services	SŽ	299	253

(CZK million)

Receivables	Counterparty	31 Dec 2022	31 Dec 2021
Public service obligation	SŽ	66	-
Compensation of 50 % discount fares	the state – MT	100	116
Public service obligation	regions	356	276
Telecommunications services	SŽ	220	90
Advances provided	SŽ	69	5
Freight transport	ČEZ	23	22
Freight transport	SŽ	2	26
Support – supported renewable energy sources (POZE) (Note 8.)	SŽ	253	-
Compensation for unjust enrichment (Note 22.)	SŽ	557	426

(CZK million)

Liabilities	Counterparty	31 Dec 2022	31 Dec 2021
Use of railroads and allocated railway capacity – passenger transport	SŽ	417	184
Use of railroads and allocated capacity of the railway – freight transport	SŽ	170	175
Consumption of electric traction energy – passenger transport	SŽ	89	-
Lease liabilities	SŽ	170	189
Public service obligation	the state – MT	42	50
Public service obligation	regions	322	191
Consumption of electric traction energy – freight transport	SŽ	120	71

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 2022, in connection with the Covid-19 pandemic, the Group received the grant from the Ministry of Finance in the amount of CZK 2 million (2020: CZK 599 million). This grant was recognised in Other operating income (Note 7.). The Group also received the government grant under the Antivirus program in the amount of CZK 15 million (2021: CZK 80 million), which was reported as decrease of Personnel Costs (Note 9.).

In 2022, the Group reported the grant from the MT in the amount of CZK 1,406 million (2021: CZK 510 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 2022	31 Dec 2021
1st year	50	48
2nd year	52	49
3rd year	54	50
4th year	57	51
5th year	59	52
Over 5 years	-	54
Total	**272**	**304**

In 2022, income from operating leases recognised in profit or loss amounted to CZK 673 million (in 2021: CZK 727 million), out of which the income from investments property was at CZK 298 million in 2022 (in 2021: CZK 275 million).

Direct operating expenses related to investment properties were CZK 164 million in 2022 (in 2021: CZK 128 million).

34. Capital Commitments

As at the date of the consolidated financial statements, the Group concluded contracts for the purchase of land, buildings and equipment in the amount of CZK 53,004 million (2021: CZK 35,831 million), of which CZK 16,228 million had already been paid as at 31 December 2022 (as at 31 December 2021: CZK 8,268 million).

(CZK million)	31 Dec 2022	31 Dec 2021
Unpaid supplies agreed for the next year	3,903	5,100
Unpaid supplies agreed for the subsequent years	32,873	22,463
Total	**36,776**	**27,563**

Investments in rolling stock of CZK 42,837 million for 31 December 2022 (2021: CZK 26,904 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 2022 and 31 December 2021 was CHF 20.8 million (CZK 510 million as at 31 December 2022, CZK 501 million as at 31 December 2021). The management of the Group 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 2022.

The Group's aggregate clean-up costs were CZK 20 million in 2022 (2021: 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. The Group's management acting with due managerial care is not aware of any liability resulting from legislation requirements in respect of environmental burdens.

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. 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.

In 2022, the Municipal Court accepted the plaintiff's motion to replace the current plaintiff LEO Express Global a.s. with LEO Mobility s.r.o. (in the claim for payment of CZK 34 million) and Mr. L. Novotný (in the claim for payment of CZK 434 million). ČD filed an appeal against this decision. However, with regard to the closed proceedings before the EC, the possibility of ČD succeeding in the dispute has increased. ČD assumes that after the proceedings were closed by the European Commission, the national courts will reflect the closure of the proceedings by the EC in favour of ČD in the renewed proceedings. In the view of the Group's management, it is not probable that the Group would have to settle any liability in this respect, hence 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 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 28.1. With regard to the closed proceedings before the EC, the possibility of ČD succeeding in the dispute has increased. ČD assumes that after the proceedings were closed by the European Commission, the national courts will reflect the closure of the proceedings by the EC in favour of ČD in the renewed proceedings. In the view of the Group's management, it is not probable that the Group would have to settle any liability in this respect, hence no provision has been created.

35.1.3. RegioJet's action for the repayment of alleged unlawful state aid (defendants 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 and EZ holding against ČD

In a real estate project 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. The legal action against ČD was dismissed by the court of first instance. An appeal was filed against the decision by CB Station Development, a.s. 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 on 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. As a source of long-term financing, the Group mainly uses bond issues and long-term investment loans.

The capital structure of the Group consists of net debt (borrowings, including liabilities from leasing, less cash and cash equivalents) and the Group's equity (includes share capital, reserves and other funds and accumulated deficit).

(CZK million)		31 Dec 2022	31 Dec 2021 *)
Net debt			
Loans, borrowings and lease liabilities	27	68,405	48,299
Cash and cash equivalents	25	(8,761)	(3,434)
Total net debt		**59,644**	**44,865**
Equity			
Share capital	26	20,000	20,000
Capital contributions	26	17,885	19,143
Accumulated deficit	26	(2,812)	(2,653)
Total equity		**35,073**	**36,490**
Total managed capital		**94,717**	**81,355**

*) Restated, refer to Note 2.3.

The Group manages its capital to ensure that it will be able to continue to operate as a going concern while optimising 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 other 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	Class of financial assets		31 Dec 2022	31 Dec 2021
Financial assets measured at amortised cost	Trade receivables	22	4,788	4,004
	Cash and cash equivalents	25	8,761	3,434
	Finance lease receivables	23	150	154
	Other	23	918	685
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting *)	23	460	1,504
Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through other comprehensive income	23	341	397
	Total		**15,418**	**10,178**

(CZK million)

Classification of financial liabilities	Class of financial assets		31 Dec 2022	31 Dec 2021
Finanční závazky oceňované reálnou hodnotou do zisku nebo ztráty	Financial derivatives used in hedge accounting	29	1,536	509
	Other financial derivatives	29	-	53
Finanční závazky oceňované v naběhlé hodnotě	Loans, Borrowings and Lease Liabilities	27	68,405	48,299
	Trade payables		6,765	9,498
	Other	29	357	326
	Total		**77,063**	**58,685**

*) Provided that the hedge is effective, changes in the fair value of the hedging instrument are initially recognised in other comprehensive income (Note 26.2.3).

Income from individual classes of financial assets is as follows:

(CZK million)

Class of financial assets	2022	2021	Reported in the statement of profit and loss line
Interest on cash and cash equivalents	38	11	Finance Income
interest on the held-to-maturity investments (fixed deposit a bills of exchange)	29	-	Finance Income
Interest on finance lease receivables	25	19	Finance Income
Dividends from capital investments	2	2	Other operating Income
Total	**94**	**32**	

Expected credit losses on financial assets are disclosed in Note 22. Trade receivables and in Note 36.8. Credit risk management.

36.3. Fair value of financial instruments

(CZK million)

Financial assets	Level	Fair value as at 31 Dec 2022	Carrying value as at 31 Dec 2022	Fair value as at 31 Dec 2021	Carrying value as at 31 Dec 2021
Measured at fair value		**801**	**801**	**1,901**	**1,901**
Derivative instrumentsused in hedge accounting	Level 2	460	460	1,504	1,504
Financial assets at fair value through other comprehensive income	Level 3	341	341	397	397
Measured at amortised cost		**460**	**496**	**657**	**693**
Finance lease receivables	Level 2	150	150	154	154
Other financial assets – non-current	Level 2	310	346	503	539
Total		**1,261**	**1,297**	**2,558**	**2,594**

(CZK million)

Financial liabilities	Level	Fair value as at 31 Dec 2022	Carrying value as at 31 Dec 2022	Fair value as at 31 Dec 2021	Carrying value as at 31 Dec 2021
Measured at fair value	**Level 2**	**1,536**	**1,536**	**562**	**562**
Derivative instrumentsused in hedge accounting	Level 2	1,536	1,536	509	509
Other financial derivatives	Level 2	-	-	53	53
Measured at amortised cost	**Level 2**	**55,368**	**58,999**	**40,752**	**40,872**
Issued bonds	Level 2	8,622	9,977	11,914	11,656
Issued bonds (publicly traded)	Level 1	33,837	35,440	22,388	22,443
Loans *)	Level 2	12,741	13,374	6,321	6,613
Other financial liabilities and loans – non-current	Level 2	168	208	129	160
Total		**56,904**	**60,534**	**41,314**	**41,434**

*) The fair value of variable interest loans is approximately the same as the book value of these loans.

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 2021 and 2022, there were no transfers of financial instruments between levels.

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 investments in equity instruments at fair value through other comprehensive income was estimated using the asset-based approach. As at 31 December 2022 and 2021, the Group's management analysed the investee's audited financial statements and concluded that its fair value is approximately equal to the carrying value of its net assets.
- 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 consolidated 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).

Investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2022 and 31 December 2021 are included in level 3. All other financial instruments measured at fair value as at 31 December 2022 and 31 December 2021 are included in level 2.

36.3.3. Reconciliation of measurement of financial instruments at fair value at level 3

The following table shows the financial assets measured at fair value at level 3:

(CZK million)	**Investment in capital instruments**
Balance as at 1 January 2021	**414**
Total gains or losses:	(24)
recognised in profit or loss	*(25)*
in other comprehensive income	*1*
Balance as at 31 December 2021	**390**
Total gains or losses:	(49)
recognised in profit or loss	*25*
in other comprehensive income	*(74)*
Transfers from level 3 *)	(8)
Balance as at 31 December 2022	**333**

*) Transfer of the investment in the ČD Reality, a. s. to the consolidation group as part of the merger with ČD Bus a.s. (Note 1.3.2.).

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 proceeds 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 management's objective is to hedge at least 90 % of all long-term financing in foreign currency against currency risk.

The carrying amount of the Group's financial assets and financial liabilities denominated in foreign currency, for which exchange differences are charged to profit or loss at the end of the reporting period, is presented in the following table:

(CZK million)

31 Dec 2022	EUR	USD	Other	Total
Financial assets	9,672	20	2	9,694
Financial liabilities	(43,700)	(310)	(2)	(44,012)
Total	**(34,028)**	**(290)**	**-**	**(34,318)**

(CZK million)

31 Dec 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)**

The Group also has financial assets and financial liabilities that represent hedging instruments for cash flow hedging, for which exchange differences are reported in accordance with Note 2.20.12. (Cash flow hedging):

- currency derivatives;
- lease liabilities and secured loans denominated in EUR;
- issued bond denominated in EUR;
- received investment loans denominated in EUR.

Information on the nominal and book value of these hedging instruments is provided in the description of individual hedging relationships in chapters 36.5.2., 36.5.3., 36.5.4., 36.5.5. and 36.5.6.

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	
	2022	**2021**	**2022**	**2021**
Translation of items denominated in foreign currencies at the end of the period	1,411	1,162	(1,411)	(1,162)
Change in the fair value of derivatives at the end of the period	(790)	(904)	790	904
Total impact on the profit/ (loss) before tax	**621**	**258**	**(621)**	**(258)**
Change in tax effect recognised in profit or loss	(118)	(49)	118	49
Total impact on the profit/ (loss) after tax	**503**	**209**	**(503)**	**(209)**
Change in the fair value of derivatives at the end of the period *)	85	1	(85)	(1)
Change in the fair value of investment loans and bonds **)	98	-	(98)	-
Total impact on other comprehensive income before tax	**183**	**1**	**(183)**	**(1)**
Change in tax effect recognised in other comprehensive income	(35)	-	35	-
Total impact on other comprehensive income after tax	**148**	**1**	**(148)**	**(1)**

*) Financial derivatives used in hedge accounting.
**) Financial instruments used for hedge accounting at the end of the period.

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, par 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 par forward contract that reduces the currency risk resulting from the exchange rate fluctuation of the national currencies and from the planned proceeds in EUR, which the company generates. The hedging ratio is regularly monitored in the context of risk management objectives.

The effectiveness of hedging is regularly assessed by comparing critical terms. In the case of currency hedging, it is primarily a nominal value. Control against „over-hedging" of currency risk is monitored on the basis of the above-mentioned hedge report and is fulfilled thanks to the Financial Risk Management Strategy and the determination of the maximum volumes hedging of expected income.

The nominal value of currency forwards is lower than the future expected proceeds in EUR which means that the Group 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). As at 31 December 2022, the maximum hedging volumes are set in the Financial Risk Management Strategy of the ČD Group as follows:

– for 2023, a maximum of 25 % of proceeds in EUR;
– for 2024, a maximum of 20 % of proceeds in EUR;
– for 2025, a maximum of 15 % of proceeds 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, the Group's management 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 proceeds of the Group.

Potential root causes of possible ineffectiveness may relate to a basis spread. Another factor may be a time mismatch. The Group does not hedge specific transactions of ČD Cargo, a.s., but only the volume of the planned proceeds. 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 Dec 2022	26.928	EUR	1,616	115
31 Dec 2021	27.118	EUR	2,278	61

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument because the hedging relationships were fully effective.

The Group did not enter into foreign currency forwards or options on foreign currency purchase in 2022 nor 2021.

Expected realisation of hedged items by currency forwards
The following table presents expected hedged cash flows from future sales in EUR (in nominal value):

(CZK million)

31 Dec 2022	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	72	145	651	579	-	1,447

(CZK million)

31 Dec 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

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:

- significant reduction in own or counterparty's creditworthiness;
- timing of payments from the hedged item;
- termination of the cross-currency interest rate swap by the counterparty.

The Group has classified these swaps as fair value hedges.

In 2021, the Group has also entered into short-term foreign exchange swaps which were 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 periods:

31 Dec 2022	Average agreed exchange rate (CZK/EUR)	Principal amount	Fair value in CZK millions
Up to 1 year	26.41	EUR 30 million	(56)
Total			**(56)**

31 Dec 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)**

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

All hedging relationships were 100% effective at the end of 2022 and 2021.

Expected realisation 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 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:

- Nominal values of the swaps are the same as the face values of the relevant bond volume.
- Both transactions are contracted in the same currencies.
- 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;
- timing of payments from the hedged item;
- termination of the cross-currency interest rate swap by the counterparty.

The table shows the terms of contracts for cross-currency interest rate swaps that were opened at the end of the reporting periods.

31 Dec 2022	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	755	2.01 %	(19,927)	2.97 %	(361)
1 to 5 years	755	2.11 %	(18,304)	3.13 %	(743)
Over 5 years	166	3.45 %	(4,597)	3.63 %	(200)
Total					**(1,304)**

31 Dec 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**

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.

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

All hedging relationships were 100% effective at the end of 2022 and 2021.

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 Fixed interest rate instruments.

36.5.5. Lease liabilities and secured loans denominated in EUR

In line with the risk management strategy, the Group has decided to hedge the currency risk to which its expected future proceeds in foreign currency are exposed, using the hedging instrument specified below. The hedged risk is the risk of changes in the spot exchange rate CZK/EUR, which affects impact of sales denominated in foreign currency, EUR, on the Group's profit or loss.

Lease contracts in EUR negotiated after 1 January 2020 are considered hedging instruments as of the first day of the month following the commencement of the lease relationship.

The hedged item is highly probable expected revenues in EUR. From the managed risk point of view, the Group considers all sales in EUR to be homogeneous groups with the same currency risk.

Due to the nature of the hedging relationship (1 EUR used to repay the lease liability hedges 1 EUR of revenue), the hedge ratio is set at 1:1.

Due to the need a sufficiently precise identification of hedged sales, the Group has identified the following possible sources of inefficiency: a time shift between lease payments and hedged sales, as well as decrease in expected sales in EUR or changes in the repayment schedule of the hedging instrument. The Group considers the above-mentioned factors to be insignificant or highly improbable and therefore considers currency hedging to be effective.

The table shows lease liabilities and secured loans denominated in EUR as of:

(CZK million)

Start of collateral	The average exchange rate on the date of creation of the collateral	Foreign currency	Nominal value in million	Book value
31 Dec 2022	25.11	EUR	187	4,508
31 Dec 2021	25.59	EUR	129	3,211

The change in the value of the hedged item due to a change in the spot rate is equal to the exchange rate difference of the hedging instrument for purposes of determining effectiveness, since the hedging relationships were fully effective.

The following table shows the expected secured cash flows of future sales in EUR:

(CZK million)

31 Dec 2022	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Secured future sales in EUR	83	167	752	2,725	1,027	4,754

(CZK million)

31 Dec 2021	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Secured future sales in EUR	3	183	5,557	1,842	733	8,318

36.5.6. Financing in EUR

In line with the risk management strategy, the Group has decided to hedge the currency risk to which its expected future proceeds in foreign currency are exposed, using the hedging instrument specified below. The hedged risk is the risk of changes in the spot exchange rate CZK/EUR, which affects impact of sales denominated in EUR on the Group's profit or loss.

In 2022, the Group issued a bond with the total nominal value of EUR 40 million and drew two investment loans with the total nominal value of EUR 40 and 20 million.

The hedged item is highly probable expected revenues in EUR. From the managed risk point of view, the Group considers all sales in EUR to be homogeneous groups with the same currency risk.

Due to the nature of the hedging relationship (1 EUR used to repay the lease liability hedges 1 EUR of revenue), the hedge ratio is set as 1:1.

The Group hedges only the first part of the total planned cash flows in foreign currency in each hedged period. The unhedged part of the planned cash flows in foreign currency represents a so-called „haircut".

For the continuing hedging relationship, forward-looking assessment of the expected effectiveness is particularly relevant in the context of IFRS 9 requirements. The assessment of the expected effectiveness was carried out at the start of hedge accounting. Subsequently, it is carried out at least once a year and always at the date of the financial statements.

Given that the effectiveness of the hedging relationship was supported by a quantitative calculation of the sensitivity at the inception of the hedging relationship, in the subsequent periods the effectiveness is assessed mainly by evaluating whether there have been changes in the critical parameters of the hedging instrument or the hedged item.

Due to the need for a sufficiently precise identification of hedged sales, the Group has identified a time shift between the debt repayments and hedged sales as a possible source of inefficiency. This time mismatch may cause some degree of inefficiency due to the application of discounting in the calculation of inefficiency. Subsequently, a decrease in expected sales in EUR or changes in the repayment schedule of the hedging instrument. Further, a decrease in expected sales in EUR or changes in the repayment schedule of the hedging instrument.

The table provides information as of 31 December 2022:

(CZK million)	Start of collateral	Exchange rate on the date of creation of the collateral	Foreign currency	Nominal value in mil.	Book value
Bond	20 April 2022	24.415	EUR	40	964
Investment loan RB	29 April 2022	24.605	EUR	38	917
Investment loan ING	23 December 2022	24.245	EUR	20	483

For the purpose of determining effectiveness, the change in the value of the hedged item due to spot rate change is equal to the exchange difference of the hedging instrument, since the hedging relationships were fully effective.

The following table shows the expected secured cash inflows from future sales in EUR:

(CZK million)

31 Dec 2022	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
From bonds	2	3	14	75	983	1,077
From investment loans	-	34	160	917	506	1,617

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. The management's objective is to hedge at least 90 % of long-term financing with a floating interest rate against the interest rate risk.

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 leases 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	
	2022	**2021**	**2022**	**2021**
Interest from loans and leases with variable rate for the period	(68)	(20)	68	20
Total impact on the profit/ (loss) before tax	**(68)**	**(20)**	**68**	**20**
Change in tax effect recognised in profit/ (loss)	13	4	(13)	(4)
Total impact on the profit/ (loss) after tax	**(55)**	**(16)**	**55**	**16**
Change in the fair value of derivatives at the end of the period *)	127	(46)	(133)	50
Total impact on other comprehensive income before taxes	**127**	**(46)**	**(133)**	**50**
Change in tax effect recognised in other comprehensive income	(24)	9	25	(10)
Total impact on other comprehensive income after tax	**103**	**(37)**	**(108)**	**40**

*) Financial derivatives used in hedge accounting.

36.6.2. Interest rate swap contracts

In accordance with interest rate 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 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 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 loans or bonds;
- termination of the interest rate swap by the counterparty;
- significant decrease in the Group's or the counterparty's creditworthiness.

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The following table details the terms of interest rate swap contracts outstanding at the end of the reporting periods:

31 Dec 2022	Hedging of interest rate from	Average contracted fixed interest rate	Principal amount	Fair value in CZK million
Up to 1 year	loans	3.70 %	CZK 2,714 million	93
1 to 5 years	loans	3.69 %	CZK 2,418 million	75
more than 5 years	loans	3.65 %	CZK 1,256 million	8
Total				**176**

31 Dec 2021	Hedging of interest rate from	Average contracted fixed interest rate	Principal amount	Fair value in CZK million
Up to 1 year	loans	2.66 %	CZK 1,000 million	9
1 to 5 years	loans	2.66 %	CZK 857 million	30
more than 5 years	loans	2.66 %	CZK 286 million	(2)
Total				**37**

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 are part of Finance costs in the consolidated statement of profit and loss.

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

All hedging relationships were 100% effective at the end of 2022 and 2021.

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 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	
	2022	**2021**	**2022**	**2021**
Change in fair value of derivatives at the end of the period	-	-	-	-
Total impact on the profit/ (loss) before tax	**-**	**-**	**-**	**-**
Change in tax effect recognised in profit/ (loss)	-	-	-	-
Total impact on profit/ (loss) after tax	**-**	**-**	**-**	**-**
Change in the fair value of derivatives at the end of the period *)	9	7	(9)	(7)
Total impact on other comprehensive income before taxes	**9**	**7**	**(9)**	**(7)**
Change in tax effect recognised in other comprehensive income	(2)	(1)	2	1
Total impact on other comprehensive income after tax	**7**	**6**	**(7)**	**(6)**

*) 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., 1:1 in this case. 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. The Group 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 is regularly assessed by comparing critical terms. Given that the key characteristics of the hedging instrument fully correspond to the characteristics of the hedged item, the Group expects high hedging effectiveness. At the same time, a correlation test is performed, where the actual purchase prices of diesel per litre and the hedged price of the derivative (diesel) at settlement are compared. The correlation coefficient in 2022 was 98.21 % (2021: 98.08 %) and thus confirmed the high efficiency of the derivative.

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 as at 31 December 2022 are set by the Financial Risk Management Strategy as follows:

- for the year 2023, a maximum of 80 % of the underlying asset (expected volume of purchased diesel);
- for the year 2024, a maximum of 65 % of the underlying asset (expected volume of purchased diesel);
- for the year 2025, a maximum of 50 % of the underlying asset (expected volume of purchased diesel).

Commodity hedging is negotiated under market conditions (without 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 Dec 2022	20,926 CZK/MT	4,800	(8)
31 Dec 2021	10,214 CZK/MT	4,800	21

Expected realisation of hedged items of commodity derivatives
The following table shows the expected cash flows of the hedged purchases of diesel:

(CZK million)

31 Dec 2022	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Hedged future purchases of diesel	8	17	75	-	-	100

(CZK million)

31 Dec 2021	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Hedged future purchases of diesel	6	12	53	-	-	71

All hedging relationships were 100% effective at the end of 2022 and 2021.

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 standardised 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.

The Group tries to trade only with trusted contractors who are verified individually on an ongoing basis using publicly available data. At ČD Cargo, a.s. standard instruments (advances, payment terms, customer monitoring, internal tools, etc.) are used in various combinations. The Group applies continuous monitoring of receivables at ČD Cargo, a.s. 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.

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 recognised in profit or loss.

The concentration of credit risk is affected by a limited number of available counterparties (e.g., a limited number of banks on the Czech market, a limited number of public service orderers). In such cases, the company reduces credit risk by cooperating only with counterparties with high creditworthiness (reputable banks with investment ratings, orderers paying from the public budgets).

36.8.1. Non-current 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. On this basis, the Group evaluates the expected credit loss rates determined for receivables.

The expected credit loss rates are determined according to the payment profile and sales for the period of 3 years preceding 31 December 2022 or 31 December 2021 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 assesses customer creditworthiness individually. 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 2022 and 31 December 2021 below represent the Group's maximum exposure to credit risk on these assets:

(CZK million)

As at 31 Dec 2022	Before due date	Past due date (days) 1 - 30	31 - 90	91–180	181-365	Over 365	Total
Expected credit loss rate	2 %	1 %	3 %	33 %	75 %	100 %	
Finance lease receivables – gross	152	-	-	-	-	-	152
Current trade receivables – gross	4,126	179	32	12	16	173	4,538
Expected credit loss	**106**	**1**	**1**	**4**	**12**	**173**	**297**

(CZK million)

As at 31 Dec 2021	Before due date	Past due date (days) 1 - 30	31 - 90	91–180	181-365	Over 365	Total
Expected credit loss rate	1 %	1 %	3 %	6 %	67 %	100 %	
Finance lease receivables – gross	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**

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. Concentration of trade receivables from the customers controlled by the state (Ministry of Transport, the regions and SŽ) as at 31 December 2022 is 21 % (2021: 13 %). 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, other financial assets and non-current trade receivables

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	Bank balance as at 31 Dec 2022	Restricted cash as at 31 Dec 2022	Deposit bills as at 31 Dec 2022	Bank balance as at 31 Dec 2021	Restricted cash as at 31 Dec 2021	Deposit bills as at 31 Dec 2021
Komerční banka	Aa3	477	596	-	464	594	-
ČSOB	Aa3	1,139	-	2,892	880	-	-
Citibank	Aa3	11	-	-	250	-	-
ING bank	Aa3	76	-	-	162	-	-
Česká spořitelna	Aa3	2	-	-	26	-	-
Erste Steiermarkische Bank d.d. *)	A-	4	-	-	-	-	-
UniCredit Bank	A3	198	-	-	630	-	-
Raiffeisenbank	A2	108	-	-	183	-	-
PKO Bank	A2	9	-	-	-	-	-
Sberbank CZ		-	-	-	282	-	-
J&T Banka		-	-	-	157	-	-
Všeobecná úverová banka	A2	3,724	-	-	300	-	-
Allior *)	BB	-	-	-	1	-	-
Millenium bank	Baa3	8	-	-	3	-	-
Deutsche Bank	A1	13	-	-	15	-	-
Frankfurter Sparkasse *)	A-	5	-	-	1	-	-
Bank Austria	A3	10	-	-	2	-	-
Slovenská sporiteľňa	A2	-	-	-	7	-	-
Tatra banka	A2	34	-	-	31	-	-
Total		**5,818**	**596**	**2,892**	**3,394**	**594**	**-**

*) For these bank institutions the rating of Fitch Ratings was used, for all others the Moody's rating was used.

The application of the expected credit loss model has an immaterial impact on all Other financial assets.

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.

The following table provides an analysis of the credit risk of Other financial assets at amortised cost. The carrying values of assets as at 31 December 2022 and 31 December 2021 represent the Group's maximum exposure to credit risk from these assets:

(CZK million)

As at 31 Dec 2022	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Trade receivables - long-term	557	-	-	(12)	545
Restricted cash	596	-	-	-	596
Receivables from damages and losses	48	-	-	(1)	47
Other	275	71	-	(71)	275
Total	**1,476**	**71**	**-**	**(84)**	**1,463**

(CZK million)

As at 31 Dec 2021	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Restricted cash	594	-	-	-	594
Receivables from damages and losses	69	8	-	(16)	61
Other	30	6	-	(6)	30
Total	**693**	**14**	**-**	**(22)**	**685**

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 risk has not increased significantly since initial recognition. The carrying value of Other financial assets at fair value as at 31 December 2022 and 31 December 2021 represents Group's maximum credit exposure from these assets (Note 23.).

As at 31 December 2022 and 31 December 2021, 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 also 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 periods and may change, if interest rates differ from the determined estimates.

(CZK million)

31 Dec 2022	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	3,915	2,541	524	184	38	7,202
Commitment to increase capital of the Group's investee (Note 35.)	510	-	-	-	-	510
Derivatives	1	1	481	1,652	682	2,817
Incoming cash flows	*6*	*6*	*2,585*	*13,875*	*4,342*	*20,814*
Outgoing cash flows	*7*	*7*	*3,066*	*15,527*	*5,024*	*23,631*
Lease liabilities	127	232	1,135	4,054	730	6,278
Secured loans	44	88	355	1,449	1,193	3,129
Float interest rate instruments	871	251	1,305	5,324	3,423	11,174
Fixed interest rate instruments	10	185	12,180	36,625	8,614	57,614
Total	**5,478**	**3,298**	**15,980**	**49,288**	**14,680**	**88,724**

(CZK million)

31 Dec 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
Commitment to increase capital of the Group's investee (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**

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 Dec 2022	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	4,981	2,041	473	582	341	8,418
Derivatives *)	8	48	128	238	24	446
Incoming cash flows	*80*	*196*	*777*	*794*	*24*	*1,871*
Outgoing cash flows	*72*	*148*	*649*	*556*	*-*	*1,425*
Finance lease receivables	6	3	28	126	410	573
Fixed interest rate instruments	6,396	-	-	-	-	6,396
Total	**11,391**	**2,092**	**629**	**946**	**775**	**15,833**

(CZK million)

31 Dec 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**

*) Negative net undiscounted cash flow are arising on specific cross currency interest rate derivatives due to the significant interest rate differential between the functional and hedged currency.

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	PKO	SLPL	Total
Loan facility as at 1 Jan 2021	**1,110**	**200**	**200**	**700**	**1,500**	**300**	**149**	**13**	**-**	**13**	**4,185**
Unused amount as at 1 Jan 2021	**1,110**	**200**	**200**	**700**	**1,500**	**300**	**149**	**13**	**-**	**13**	**4,185**
Change of loan facility in 2021	-	-	-	-	-	6	37	-	-	-	43
Loan facility as at 31 Dec 2021	**1,110**	**200**	**200**	**700**	**1,500**	**306**	**186**	**13**	**-**	**13**	**4,228**
Unused amount as at 31 Dec 2021	**1,110**	**200**	**200**	**700**	**1,500**	**306**	**106**	**13**	**-**	**13**	**4,148**
Change of loan facility in 2021	-	-	-	-	-	-	3	-	10	-	13
The effect of currency translation	-	-	-	-	-	-	(8)	(1)	-	(1)	(10)
Loan facility as at 31 Dec 2022	**1,110**	**200**	**200**	**700**	**1,500**	**306**	**181**	**12**	**10**	**12**	**4,231**
Unused amount as at 31 Dec 2022	**1,097**	**47**	**29**	**480**	**1,500**	**7**	**150**	**12**	**10**	**2**	**3,334**

(CZK million)

Promissory note programme	ČSOB	ING	KB	Česká spořitelna	Total
Loan facility as at 1 Jan 2021	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Unused amount as at 1 Jan 2021	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Change of loan facility in 2021	-	-	-	-	-
Loan facility as at 31 Dec 2021	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Unused amount as at 31 Dec 2021	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Change of loan facility in 2022	-	-	-	-	-
Loan facility as at 31 Dec 2022	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Unused amount as at 31 Dec 2022	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**

(CZK million)

Revolving loan	Citibank	Total
Loan facility as at 1 Jan 2021	**1,500**	**1,500**
Unused amount as at 1 Jan 2021	**1,500**	**1,500**
Change of loan facility in 2021	-	-
Loan facility as at 31 Dec 2021	**1,500**	**1,500**
Unused amount as of 31 Dec 2021	**1,500**	**1,500**
Change of loan facility in 2022	-	-
Loan facility as at 31 Dec 2022	**1,500**	**1,500**
Unused amount as at 31 Dec 2022	**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	Eurofima	Tatrabanka	Total
Loan facility as at 1 Jan 2021	**-**	**2,000**	**-**	**1,000**	**3,412**	**-**	**32**	**6,444**
Unused amount as at 1 Jan 2021	**-**	**200**	**-**	**-**	**3,412**	**-**	**-**	**3,612**
Change of loan facility in 2021	3,600	4,000	1,900	500	-	-	26	10,026
The effect of currency translation	-	-	-	-	(180)	-	(1)	(181)
Loan facility as at 31 Dec 2021	**3,600**	**6,000**	**1,900**	**1,500**	**3,232**	**-**	**57**	**16,289**
Unused amount as of 31 Dec 2021	**2,100**	**3,000**	**1,400**	**-**	**2,732**	**-**	**-**	**9,232**
Change of loan facility in 2022	975	-	-	965	904	15,409	36	18,289
The effect of currency translation	(10)	-	-	-	(97)	-	(4)	(111)
Loan facility as at 31 Dec 2022	**4,565**	**6,000**	**1,900**	**2,465**	**4,039**	**15,409**	**89**	**34,467**
Unused amount as at 31 Dec 2022	**-**	**-**	**-**	**482**	**3,539**	**15,409**	**-**	**19,430**

In 2021, the parent company began working on loan documentation with Eurofima, in which it owns 1 % (Note 35.), to secure loans totalling EUR 639 million (CZK 15,409 million). In the second half of 2022 and the beginning of 2023, the necessary steps were taken to finalise the loan documentation. The first pledge agreement was signed on 24.02.2023, and further pledge agreements will be signed as the rolling stock will be taken over.

In July 2022, a loan agreement with the European Investment Bank in the amount of CZK 904 million was signed. These facilities will be used for the modernisation of the rolling stock, i.e., for equipping it with the ETCS safety system.

37. Post Balance Sheet Events

At the end of March 2023, the Group drew a long-term investment loan from Eurofima in the amount of CZK 6,903 million (drawn from long-term credit lines disclosed in Note 36.9.2.) due on 30 March 2033 with a fixed interest rate.

Jiří Minka was dismissed from the Supervisory Board of the Parent company, effective from 31 December 2022, and Michal Vozobule was elected as a new member of the Supervisory Board on 1 January 2023.

In ČD - Informační Systémy, a.s. Aleš Bartůněk, the member and the chairman of the Board of Directors, was dismissed as of 28.2.2023. Aleš Jelínek, was elected as a member and the chairman of the Board of Directors and Lukasz Kryński was elected as a member of the Board of Directors, effective from 1 March 2023. Further, Jiří Ješeta was dismissed from the position of the member of the Supervisory Board as of 31 March 2023 and Jan Vobora was elected as a member of the Supervisory Board, effective from 1 April 2023.

In Dopravní vzdělávací institut, a.s. Lenka Vajsarová was elected as a member of the Board of Directors, effective from 16 January 2023.

In DPOV, a.s. Martin Krejčík was elected as a member of the Board of Directors, effective from 1 April 2023.

There were no other significant events between the balance sheet date and the date of approval of the consolidated financial statements.

38. Approval of the Financial Statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 18 April 2023.

Separate Financial Statements for the year 2022 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 2022 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 18 April 2023.
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.

Separate Statement of Profit and Loss for the Year Ended 31 December 2022

		Year ended 31 Dec 2022 in CZK million	Year ended 31 Dec 2021 *) in CZK million
Revenues	5	27,511	23,927
Other operating income	6	1,966	1,795
Cost of services, raw materials and energy	7	(11,434)	(9,614)
Employee benefit costs	8	(10,089)	(9,532)
Depreciation, amortisation and impairment	9	(6,392)	(6,938)
Other operating expenses	10	(419)	(1,484)
Profit/ (Loss) from operating activities		**1,143**	**(1,846)**
Finance costs	11	(1,752)	(1,050)
Finance income	12	623	698
Profit/ (Loss) before tax		**14**	**(2,198)**
Income tax	13	(317)	363
Loss for the period		**(303)**	**(1,835)**

*) Restated, refer to Note 2.3.

Separate Statement of Comprehensive Income for the Year Ended 31 December 2022

		Year ended 31 Dec 2022 in CZK million	Year ended 31 Dec 2021 *) in CZK million
Loss for the period		**(303)**	**(1,835)**
Actuarial remeasurements of employee defined benefit obligations		53	34
Revaluation of investments in equity instruments at fair value through other comprehensive income	24.2.5	(73)	1
Income tax		14	-
Other comprehensive income for the period (items that are not subsequently reclassified to profit or loss)		**(6)**	**35**
Change in cash flow hedging reserve	24.2.3	(1,590)	1,873
Change in cost of hedging reserve	24.2.4	(7)	35
Income tax		303	(363)
Other comprehensive income/ (loss) for the period (items that may be reclassified to profit or loss in subsequent periods)		**(1,294)**	**1,545**
Other comprehensive income/ (loss) for the period after tax		**(1,300)**	**1,580**
Total comprehensive loss for the period		**(1,603)**	**(255)**

*) Restated, refer to Note 2.3.

Separate Statement of Financial Position as at 31 December 2022

		31 Dec 2022 in CZK million	31 Dec 2021 *) in CZK million
Property, plant and equipment	14	64,247	56,903
Investment property	15	938	475
Intangible assets	16	352	356
Right-of-use assets	17	1,487	1,152
Investments in subsidiaries, associates and joint ventures	18	11,818	11,760
Trade receivables	20	545	-
Other financial assets	21	927	2,461
Other assets	22	33	23
Total non-current assets		**80,347**	**73,130**
Inventories	19	2,098	1,641
Trade receivables	20	1,723	1,660
Other financial assets	21	818	513
Other assets	22	1,893	2,123
Cash and cash equivalents	23	6,711	1,666
Total current assets		**13,243**	**7,603**
TOTAL ASSETS		**93,590**	**80,733**
Share capital	24	20,000	20,000
Other capital reserves	24	17,341	18,641
Accumulated losses		(3,936)	(3,633)
Total equity		**33,405**	**35,008**
Loans, borrowings and lease liabilities	25	38,173	31,323
Provisions	26	497	373
Other financial liabilities	27	1,115	197
Other liabilities	28	87	110
Total non-current liabilities		**39,872**	**32,003**
Trade payables	14	3,884	6,647
Loans, borrowings and lease liabilities	25	11,596	2,014
Provisions	26	1,969	2,596
Other financial liabilities	27	623	538
Other liabilities and contract liabilities	28	2,241	1,927
Total current liabilities		**20,313**	**13,722**
Total liabilities		**60,185**	**45,725**
TOTAL LIABILITIES AND EQUITY		**93,590**	**80,733**

*) Restated, refer to Note 2.3.

Separate Statement of Changes in Equity for the Year Ended 31 December 2022

			Other capital reserves			
	Share capital in CZK million	**Share premium** in CZK million	**Cash flow hedging reserve** in CZK million	**Other reserves *)** in CZK million	**Accumulated losses** in CZK million	**Total equity** in CZK million
Balance as at 1 January 2021	**20,000**	**16,440**	**583**	**38**	**(1,798)**	**35,263**
Loss for the period **)	-	-	-	-	(1,835)	(1,835)
Other comprehensive income for the period **)	-	-	1,517	63	-	1,580
Total comprehensive income/ (loss) for the period **)	**-**	**-**	**1,517**	**63**	**(1,835)**	**(255)**
Balance as at 31 December 2021 **)	**20,000**	**16,440**	**2,100**	**101**	**(3,633)**	**35,008**
Loss for the period	-	-	-	-	(303)	(303)
Other comprehensive loss for the period	-	-	(1,288)	(12)	-	(1,300)
Total comprehensive loss for the period	**-**	**-**	**(1,288)**	**(12)**	**(303)**	**(1,603)**
Balance as at 31 December 2022	**20,000**	**16,440**	**812**	**89**	**(3,936)**	**33,405**

*) Other reserves are described in Note 24.2.
**) Restated, refer to Note 2.3.

Separate Cash Flow Statement for the Year Ended 31 December 2022

		Year ended 31 Dec 2022 in CZK million	Year ended 31 Dec2021 *) in CZK million
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		**(303)**	**(1,835)**
Income tax	13	317	(363)
Dividend income	6	(384)	(378)
Finance costs – interest expense	11	1,499	847
Gain on the sale and disposal of non-current assets	6	(232)	(246)
Depreciation and amortisation	9	6,078	5,672
Impairment losses of assets	6, 9, 10	194	1,215
Change in provisions	26	(503)	994
Foreign exchange gains		(349)	(567)
Other		93	80
Cash flows from operating activities before changes in working capital		**6,410**	**5,419**
Increase in trade receivables	20	(664)	(642)
Increase in inventories	19	(559)	(47)
Increase in other assets	21, 22	(364)	(617)
Increase/ (Decrease) in trade payables		(645)	706
Increase/ (Decrease) in other payables and contract liabilities	27, 28	817	(26)
Total changes in working capital		**(1,415)**	**(626)**
Cash flows from operating activities before interest, dividends and tax		**4,995**	**4,793**
Interest paid	11	(1,337)	(829)
Dividends received	6	384	438
Net cash flows from operating activities		**4,042**	**4,402**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment	14	(15,788)	(7,657)
Proceeds from disposal of property, plant and equipment	6	299	250
Payments for investment property	15	(3)	(3)
Payments for intangible assets	16	(158)	(167)
Payments for the acquisition of subsidiaries	18	(58)	(847)
Received interest	12	78	44
Loans and borrowings provided to related parties	29.6	-	(20)
Repayments of loans and borrowings from related parties	29.6	107	143
Net cash flows used in investment activities		**(15,523)**	**(8,257)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	25	23,948	2,000
Repayments of loans and borrowings	25	(6,988)	(317)
Repayment of principal of lease liabilities	25	(301)	(235)
Net cash flows from financing activities		**16,659**	**1,448**
Net increase/ (decrease) in cash and cash equivalents		**5,178**	**(2,407)**
Cash and cash equivalents at the beginning of the period		1,666	4,123
Effects of changes in foreign exchange rates		(133)	(50)
Cash and cash equivalents at the end of the period	23	**6,711**	**1,666**

*) Restated, refer to Note 2.3.

Notes to the Separate Financial Statements for the Year Ended 31 December 2022

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 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 organisation, 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 at Nábřeží L. Svobody 1222, Prague 1.

The Company's main business activity is operating the railway transport. In addition, the Company is engaged in other activities relating to its principal business activity.

The separate financial statements have been prepared as at and for the year ended 31 December 2022 ("separate financial statements"). The reporting period is the calendar year from 1 January 2022 to 31 December 2022. 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 on the separate financial statements for the year ended 31 December 2022
At the beginning of 2022, the negative impact of the Covid-19 pandemic on revenue from passenger transport continued. However, since the beginning of the second quarter of 2022, there has been a permanent recovery in passenger demand that resulted in increase in selected revenues almost to the pre-pandemic values. In 2022, revenue from passenger transport reached 94 % of revenue before the Covid-19 pandemic.

Impact of the war in Ukraine on the separate financial statements for the year ended 31 December 2022
In late February 2022, continuing political tensions between Russia and Ukraine escalated into the conflict with a Russian military invasion of Ukraine. Immediately after the outbreak of the conflict, the Company provided free transportation of refugees between Ukraine and the Czech Republic and dispatched humanitarian trains with material aid to people in Ukraine.

The worldwide response to Russia's violation of international law and aggression against Ukraine was the imposition of extensive sanctions and restrictions on business activities. The subsequent increase in the input costs was evident also in passenger rail transport. There has been a dramatic increase in prices, especially of energy and fuel, financial costs through rising interest rates, but also delayed deliveries of material, spare parts and extending the duration of vehicle repairs. In many cases, the Company managed to compensate for these increased costs through negotiations with public service orderers.

2. Significant Accounting Policies

2.1. Statement of compliance
The separate 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 separate 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 separate 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 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 2022. 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 separate 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 separate 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. Correction of prior period errors

Correction of recognised deferred tax asset and liability
The Group's management identified that in the separate financial statements for the year 2021 the deferred tax liability from hedging derivatives and revaluation of investments to securities measured at fair value through other comprehensive income was incorrectly recognised in the loss for the priod instead of other comprehensive income. At the same time, the deferred tax asset from non-current assets at the amount of the deferred tax liability was correctly recognized in the loss for the period since according to the management's opinion, it was probable that taxable profit from the deferred tax liability will be available against which the deferred tax assets will be utilized. The resulting net deferred tax recognized in the separate statement of financial position as at 31 December 2021 was nil. As a result, Other capital reserves were overstated and Accumulated losses were understated in the separate statement of financial position as at 31 December 2021. This had no material impact on the separate statement of financial position as at 1 January 2021.

Correction of the provision for onerous contracts
The Group's management identified that in the separate financial statements for the year 2021 not all facts known at the time were taken into account when calculating the provision for onerous contracts, hence the provision as at 31 December 2021 was understated. This had no impact on the separate statement of financial position as at 1 January 2021.

Correction of classification of expenses from spare parts
The Group's management identified inconsistencies in reporting and depreciating spare parts that meet definition of property, plant and equipment in accordance with IAS 16. Some spare parts were charged to expenses for consumed material upon installing on the rolling stock instead of capitalising them on the balance sheet and depreciating. On the contrary, other spare parts that were correctly capitalised on the balance sheet were not depreciated despite being available for use. As a result, depreciation charge of spare parts was understated and consumed material expenses were overstated in the separate statement of profit and loss for the year ended 31 December 2021. At the same time, cost and accumulated depreciation of these spare parts reported in the Property, plant and equipment note were understated. This had no material impact on the net book value of fixed assets nor separate statement of financial position as at 1 January 2021.

Corrections described above were reflected in the separate statement of financial position as at 31 December 2021, the separate statement of profit and loss, the separate statement of comprehensive income and the separate cash flow statement for the year ended 31 December 2021 as follows:

Corrections of the separate statement of financial position as at 31 December 2021

(CZK million)	31 Dec 2021 original	Correction of deferred tax	Correction of provision for onerous contracts	Correction of spare parts	31 Dec 2021 restated
Equity					
Share capital	20,000	-	-	-	20,000
Other capital reserves	19,004	(363)	-	-	18,641
Accumulated losses	(3,667)	363	(329)	-	(3,633)
Total equity	**35,337**	**-**	**(329)**	**-**	**35,008**
Non-current liabilities					
Loans, borrowings and lease liabilities	31,323	-	-	-	31,323
Provisions	112	-	261	-	373
Other financial liabilities	197	-	-	-	197
Other liabilities	110	-	-	-	110
Total non-current liabilities	**31,742**	**-**	**261**	**-**	**32,003**
Current liabilities					
Trade payables	6,647	-	-	-	6,647
Loans, borrowings and lease liabilities	2,014	-	-	-	2,014
Provisions	2,528	-	68	-	2,596
Other financial liabilities	538	-	-	-	538
Other liabilities and contract liabilities	1,927	-	-	-	1,927
Total current liabilities	**13,654**	**-**	**68**	**-**	**13,722**

Corrections of the separate statement of profit and loss for the year ended 31 December 2021

(CZK million)	2021 original	Correction of deferred tax	Correction of provision for onerous contracts	Correction of spare parts	2021 restated
Revenue	23,927	-	-	-	23,927
Other operating income	1,795	-	-	-	1,795
Cost of services, raw materials and energy	(9,848)	-	(134)	368	(9,614)
Employee benefit costs	(9,407)	-	(125)	-	(9,532)
Depreciation and amortisation	(6,500)	-	(70)	(368)	(6,938)
Other operating expenses	(1,484)	-	-	-	(1,484)
Loss from operating activities	**(1,517)**	**-**	**(329)**	**-**	**(1,846)**
Finance costs	(1,050)	-	-	-	(1,050)
Finance income	698	-	-	-	698
Loss before tax	**(1,869)**	**-**	**(329)**	**-**	**(2,198)**
Income tax	-	363	-	-	363
Loss for the period	**(1,869)**	**363**	**(329)**	**-**	**(1,835)**

Corrections of the consolidated statement of comprehensive income for the year ended 31 December 2021

(CZK million)	2021 original	Correction of deferred tax	Correction of provision for onerous contracts	Correction of spare parts	2021 restated
Loss for the year	**(1,869)**	**363**	**(329)**	**-**	**(1,835)**
Actuarial remeasurements of employee defined benefit obligations	34	-	-	-	34
Revaluation of investments in equity instruments at fair value through other comprehensive income	1	-	-	-	1
Change in cash flow hedging reserve	1,873	-	-	-	1,873
Change in cost of hedging reserve	35	-	-	-	35
Related income tax credit/ (expense)	-	(363)	-	-	(363)
Other comprehensive income for the period after tax	**1,943**	**(363)**	**-**	**-**	**1,580**
Total comprehensive income for the period	**74**	**-**	**(329)**	**-**	**(255)**

Corrections of the consolidated cash flow statement for the year ended 31 December 2021

(CZK million)	2021 original	Correction of deferred tax	Correction of provision for onerous contracts	Correction of spare parts	2021 restated
Loss for the year	**(1,869)**	**363**	**(329)**	**-**	**(1,835)**
Income tax expense	-	(363)	-	-	(363)
Dividend income	(378)	-	-	-	(378)
Finance costs – interest expense	847	-	-	-	847
Gain on the sale and disposal of non-current assets	(246)	-	-	-	(246)
Depreciation and amortisation	5,304	-	-	368	5,672
Impairment losses	1,215	-	-	-	1,215
Change in provisions	665	-	329	-	994
Foreign exchange gains	(567)	-	-	-	(567)
Other items	80	-	-	-	80
Cash flows from operating activities before changes in working capital	**5,051**	**-**	**-**	**368**	**5,419**
Total changes in working capital	**(626)**	**-**	**-**	**-**	**(626)**
Cash flows from operating activities before interest, dividends and tax	**4,425**	**-**	**-**	**368**	**4,793**
Interest paid	(829)	-	-	-	(829)
Dividends received	438	-	-	-	438
Net cash flows from operating activities	**4,034**	**-**	**-**	**368**	**4,402**
Payments for property, plant and equipment	(7,289)	-	-	(368)	(7,657)
Proceeds from disposal of property, plant and equipment	250	-	-	-	250
Payments for investment property	(3)	-	-	-	(3)
Payments for intangible assets	(167)	-	-	-	(167)
Payments for the acquisition of subsidiaries	(847)	-	-	-	(847)
Received interest income	44	-	-	-	44
Loans and borrowings provided to related parties	(20)	-	-	-	(20)
Repayments of loans and borrowings from related parties	143	-	-	-	143
Net cash flows used in investment activities	**(7,889)**	**-**	**-**	**(368)**	**(8,257)**
Net cash flows from financing activities	**1,448**	**-**	**-**	**-**	**1,448**
Net decrease in cash and cash equivalents	**(2,407)**	**-**	**-**	**-**	**(2,407)**

2.4. Revenue recognition

2.4.1. 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 recognises 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 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 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).

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 a date a service has been 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.

Revenues from orderers such as the Ministry of Transport (hereinafter referred to as 'MT') and the 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 recognises revenues in the amount it has a right to invoice.

2.4.2. Other income

Dividend income is recognised 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).

2.5. Leasing

2.5.1. 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 a right-of-use asset and a 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 lowvalue asset lease (such as laptops and personal computers, small items of office furniture and phones). For these leases, the Company recognises lease payments as operating expenses on a straightline 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 is 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 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 on the effective date of the modification.

Lease liabilities are presented in Loans, borrowings and lease liabilities in the separate statement of financial position.

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 rightofuse 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 separate 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 2.11. 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 recognised 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 nonlease components from lease components and instead to account for each leasing component and any associated nonlease 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 nonlease components, the Company allocates the contract consideration to each lease and non-lease component based on the relative standalone price of a given component.

2.5.2. 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 recognised on a straightline 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 so as 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 recognises an allowance for expected credit losses from lease receivables, in accordance with the accounting policies for financial assets carried at amortised cost.

Income from finance lease is calculated based on the gross carrying value of lease receivables, except for creditimpaired 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.

2.6. Foreign currencies

Given the economic substance of transactions and the environment in which the Company operates, the presentation currency as well as functional 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 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.

2.7. 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 are incurred.

2.8. 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 fixed assets, are recognised as a reduction of cost of those fixed 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 without future related costs are recognised in profit or loss in the period in which they become receivable.

2.9. 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.

2.10. Taxation

The income tax includes current tax and deferred tax.

2.10.1. 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 enacted or substantively enacted by the end of the reporting period.

2.10.2. Deferred tax

Deferred tax is recognised based on temporary differences between the carrying amounts of assets and liabilities in the separate 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the Company intends to settle the balances on net basis.

2.10.3. 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.

2.11. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated impairment losses and, in case of buildings and equipment, less 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 recognised 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. 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*
Equipment and other	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.

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 in the Components.

2.12. 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 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 Constructions category (see Note 2.11.).

2.13. 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.

2.14. Impairment of tangible and intangible assets

At the end of each reporting period, the Company 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 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 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 recognised immediately in profit or loss.

2.15. 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 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.

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.

2.16. 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 2.11.).

2.17. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and 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 recognised 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. 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 recognised 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.

2.18. Financial instruments

Financial assets and financial liabilities are recognised when the Company 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 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 at fair value through profit or loss, or as financial liabilities measured at amortised cost.

2.18.1. 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.

2.18.2. 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.

2.18.3. 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 Company 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 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.

2.18.4. Financial assets at fair value through profit or loss

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

The Company 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 recognised 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 33.3.

2.18.5. 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.

General approach (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 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 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 approach is applied for current trade receivables not containing a significant financing component and financial lease receivables. The Company 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 Company 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 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, insolvency proceedings).
– If the financial asset is more than 90 days past due and the Company has no reasonable and supportable information to demonstrate that the delay in payments is not sufficient criterion for default determination.

2.18.6. 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 substantially retains 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 substantially retains 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 amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. Upon derecognition of an investment in an equity instrument, that the Company recognises 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.

2.18.7. 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 recognised 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 33.3.

2.18.8. 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 recognised at fair value less transaction costs. In subsequent periods, loans are carried at amortised cost using the effective interest rate method.

2.18.9. Derecognition of financial liabilities

The Company 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.

2.18.10. Derivative financial instruments

The Company enters into a variety of financial derivative contracts to manage its exposure to interest 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 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 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.

2.18.11. Hedge accounting

The Company designates certain hedging instruments as either fair value hedges, or cash flow 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 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 Company monitors the existence of an economic relationship, 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 and the forward element from foreign currency swaps through other comprehensive income and are accumulated in the fund for cost of hedging. If the hedged item is transaction-related, the separated currency basis spread is reclassified to profit or loss when the hedged item impacts profit or loss. If the hedged item is time-related, the amount accumulated in the costs of hedging reserve is reclassified to profit or loss through amortisation on a systematic and rational basis.

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.

2.18.12. 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 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 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 separate 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. Termination of hedge accounting is accounted prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedging reserve at that time remains in equity until a forecast transaction occurs. 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.

2.18.13. 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 recognised 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 amortised to profit or loss from the date of the adjustment.

2.18.14. 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 2022

During the year ended 31 December 2022, 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 3 – Amendments to IFRS 3 - Reference to the Conceptual Framework	1 January 2022
IAS 16 – Amendments to IAS 16 - Proceeds before Intended Use	1 January 2022
IAS 37 – Amendments to IAS 37 - Cost of Fulfilling a Contract	1 January 2022
Various standards - Annual Improvements to IFRS Standards – 2018-2020 Cycle	1 January 2022

The Company has applied the Amendment to IAS 37 - Cost of Fulfilling a Contract before its effective date for the provision for onerous contracts. The amendment to IAS 37 was initially applied in the separate financial statements for the year 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.

3.2. Standards and interpretations applied before the effective date

The Company has not applied any standard or interpretation that has been issued but is not yet effective.

3.3. Standards and interpretations issued but not yet applied

As at the date of the separate 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 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
IFRS 16 – Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024 *)
IAS 1 - Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024 *)
IAS 1 – Amendment to IAS 1 – Non-current Liabilities with Covenants	1 January 2024 *)
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

*) 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 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 is 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 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 (seven 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 the regional budgets and the budget of the Ministry of Transport for railway transport as the provision of public services. The Company also receives payments from the budget of the Ministry of Transport for the provision of transport services at discounted prices for selected population groups (students, pensioners, individuals with reduced mobility). 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 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 grant 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. Revenues

5.1. Breakdown of revenue

(CZK million)	2022	2021
Revenue from contracts with customers		
Revenue from passenger transport	9,765	6,598
Domestic passenger transport	*6,875*	*4,821*
*International passenger transport *)*	*2,890*	*1,777*
Revenue from passenger transport - payments from public service orderers	16,839	16,529
Payment from the state budget	*4,534*	*4,362*
Payment from the regional budgets	*12,305*	*12,167*
Sale of other services **)	463	386
Sale of other services recognised over time	*463*	*386*
Commission for mediation of purchases of diesel and spare parts	68	42
Commission from ticket sales and other transactions at cash desks	6	4
Total revenue from contacts with customers	**27,141**	**23,559**
Rental income		
Rental income	370	368
Total revenue	**27,511**	**23,927**

*) Includes sales for the use of passenger cars in the RIC (Regolamento Internazionale delle Carrozze) regime and performance of wagons and personnel in cross-border transport in the amount of CZK 1,174 million for 2022 (2021: CZK 1,211 million).
**) In 2022, newly includes sales for special trains in the amount of CZK 51 million (in 2021, sales for special trains in the amount of CZK 39 million were presented in Other operating income).

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

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 the regional authorities.

In 2022, 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 contracts valid from 15 December 2019 for a period of 10 years.

Since the 2021/22 timetable, the Company has operated a total of 21 long-distance transport lines on the basis of 7 public service contracts, which represents 81 % of services ordered as a public service by the Ministry of Transport of the Czech Republic.

In 2022, regional transport was operated on the basis of 36 concluded contracts, most of which were valid since 2020. The vast majority of contracts were concluded 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.

The overall range of regional and long-distance transport has been stable for a long time. The primary goal after the pandemic was to restore the confidence of the traveling public in the safety and comfort of public railway transport and to minimise the effects of the socio-economic situation caused by the war conflict in Ukraine. In December 2022, the contract with the Liberec Region for the L2 Liberec – Děčín line ended and, on the contrary, a newly concluded contract with the Ústí nad Labem Region for the operation of the U11+U6 lines became effective. At the same time, ČD managed to defend its performances in the Zlín, Ústí nad Labem, Moravian-Silesian, Liberec and Pilsen Regions. The result are new contracts for the operation of Ostrava, Zlín A+C, Pilsen and Český les and a new contract for the provision of lines U11+U6 in the Ústí nad Labem Region.

Significant transactions with the main customers with government participation are presented in Note 29.9.

5.2. Contract liabilities and refund liabilities

The Company recognises the following contract liabilities and refund liabilities (see also Note 28.) related to revenue from contracts with customers:

(CZK million)	31 Dec 2022	31 Dec 2021
Contract liabilities related to revenue from contracts with customers		
Prepaid products – i.e., kilometric bank, annual ticket	169	139
Prepayments received	325	60
Other contract liabilities	6	3
Total contract liabilities	**500**	**202**

(CZK million)	31 Dec 2022	31 Dec 2021
Refund liabilities		
Other refund liabilities	89	203
Total refund liabilities	**89**	**203**

5.2.1. Revenues from contract liabilities

(CZK million)	2022	2021
Revenues included in the opening balance of contract liabilities		
Revenue from passenger transport	129	130
Sale of other services	52	55
Total	**181**	**185**

5.2.2. 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 recognised. As at 31 December 2022, the Company has concluded more than 40 contracts with public service orderers (the 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 recognised in the amount that the Company has a right to invoice. The orderers usually pay a fixed amount based on the payment schedule. If services provided by the Company exceed payments, a receivable is recognised 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 recognised. The Company does not disclose the allocated transaction price under practical expedient from IFRS 15.121. Transport revenue is disclosed in Note 5.1.

6. Other Operating Income

(CZK million)	2022	2021
Gain from disposal of property, plant and equipment and investment property	232	246
Gain on disposal of redundant assets	33	46
Compensations for shortage and damage	199	52
Contractual penalties	40	110
Dividends received	384	378
Foreign exchange gains - operational	55	43
Release of provisions (Note 26.)	827	163
Release of allowance for expected credit losses on trade receivable	10	-
Reversal of write-off of inventory to net realisable value	-	10
Income from grants	5	609
Income from energy recovery *)	78	-
Other	103	138
Total other operating income	**1,966**	**1,795**

*) Income from energy recovery is newly presented in Other operating income. In 2021, this income in the amount of CZK 23 million was presented in Revenue from contracts with customers.

Income from grants mainly represent grants from the Ministry of Transport as compensation of losses incurred in the Covid-19 pandemic that hit railway operations. In 2021 it also includes the grant of CZK 40 million from the Covid – Uncovered Costs program.

In 2021, the category Other included mainly sales from special trains. In 2022, this income is presented in Revenue from the sale of other services within Revenue from contracts with customers (Note 5.).

7. Cost of Services, Raw Materials and Energy

(CZK million)	**2022**	**2021 **)**
Traction costs	(4,173)	(2,633)
Traction fuel (diesel)	*(1,561)*	*(1,081)*
Traction electricity	*(2,612)*	*(1,552)*
Payment for the use of railroads	(1,751)	(1,787)
Infrastructure capacity allocation	(61)	(59)
Other services, raw materials and energy	(5,449)	(5,135)
Consumed material	*(583)*	*(981)*
Consumed other energy	*(377)*	*(279)*
Consumed fuel	*(72)*	*(50)*
Repairs and maintenance	*(677)*	*(721)*
Travel costs	*(153)*	*(126)*
Low value rent or short-term rent	*(85)*	*(90)*
*RIC vehicle charges *)*	*(390)*	*(304)*
Transportation charges	*(14)*	*(11)*
Substitute bus service	*(381)*	*(207)*
Services of dining and sleeping carriages	*(192)*	*(132)*
Services associated with the use of buildings	*(241)*	*(237)*
Operational cleaning of rolling stock	*(571)*	*(503)*
Border area services	*(424)*	*(411)*
Advertising and promotion costs	*(90)*	*(77)*
Consulting, expert and auditing services	*(132)*	*(119)*
*Operation, maintenance and other services related to ICT ***)*	*(522)*	*(459)*
Commission for the sale of fares paid to other carriers, resellers	*(160)*	*(57)*
Services in the field of ecology	*(30)*	*(33)*
Employee training	*(75)*	*(67)*
Information media and other IDS services	*(24)*	*(25)*
Material records and distribution	*(18)*	*(19)*
Catering	*(55)*	*(28)*
Preventive care costs	*(23)*	*(15)*
Printing and graphic services	*(18)*	*(12)*
Demolition work	*(21)*	*(30)*
Other services	*(121)*	*(142)*
Total cost of services, raw materials and energy	**(11,434)**	**(9,614)**

*) RIC vehicle charges are fees for the inclusion of foreign cars to 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.
**) Restated, refer to Note 2.3.
***) Operation, maintenance and other services related to ICT in the amount of CZK 459 million were reported in 2021 as Telecommunications, data and postal services (147 million CZK) and Operation, maintenance and other services related to IT (312 million CZK).

As a result of the armed conflict in Ukraine and the subsequent energy crisis, there was a significant increase in the traction costs in 2022 compared to 2021, by 38 % for the price of traction diesel and 60 % for electric traction energy. In 2022, on the basis of the government regulation regarding the support of POZE (supported renewable energy sources), the Company recognised a grant in the amount of CZK 253 million, which was recorded as a decrease of Traction electricity costs.

Other services include the cost of additional services such as cost of craft work, cost of extraordinary events or dormitory running cost.

Consulting, expert and auditing services also include audit and non-audit services provided by PwC network companies. Total remuneration for these services is:

(CZK million)	2022	2021
Audit services	(2)	(2)
Non-audit services	(7)	(2)
Total	**(9)**	**(4)**

8. Employee Benefit Costs

(CZK million)	2022	2021 *)
Payroll costs and severance pays	(7,384)	(6,955)
Statutory social security and health insurance	(869)	(848)
Contributions to post-employment benefits	(1,688)	(1,582)
Other employee benefits costs	(148)	(147)
Total staff costs	**(10,089)**	**(9,532)**

*) Restated, refer to Note 2.3.

Other employee benefits costs mainly include allowances for meals, allowances for health recovery stays, allowances for capital life insurance and remuneration of members of statutory bodies.

In 2022, Payroll costs and severance pays were reduced by the government grant from the Antivirus program in the amount of CZK 10 million (in 2021 decreased by CZK 71 million).

9. Depreciation, Amortisation and Impairment

(CZK million)	2022	2021 *)
Depreciation of property, plant and equipment	(5,673)	(5,325)
Depreciation of investment property	(35)	(20)
Depreciation of right-of-use assets	(326)	(248)
Amortisation of intangible assets	(178)	(149)
Impairment losses on property, plant and equipment and investment property (Notes 14. and 15.)	(180)	(1,196)
Total depreciation, amortisation and impairment	**(6,392)**	**(6,938)**

*) Restated, refer to Note 2.3.

In 2022, Depreciation of property plant and equipment, was increased by CZK 134 million (2021: increased by CZK 49 million) due to allocation of costs of creation and useage of the provision for onerous contracts (Note 26.3.).

10. Other Operating Expenses

(CZK million)	2022	2021
Expected credit loss on receivables (Note 33.8.)	-	(29)
Write-off of inventories to net realisable value	(24)	-
Costs of contractual fines and default interest	(1)	(4)
Taxes and fees	(10)	(9)
Insurance	(96)	(94)
Foreign exchange losses - operational	(46)	(36)
Shortages and damages *)	(101)	(127)
Expenses for uniforms and personal protective equipment	(45)	(47)
Provision for legal disputes relating to other operating expenses (Note 26.1.)	-	(1,000)
Reimbursement of employee expenses	(17)	(16)
Fines and penalties	(11)	(33)
Other expenses	(68)	(89)
Total other operating expenses	**(419)**	**(1,484)**

*) In 2021, Shortages and damages in the amount of CZK 127 million were reported as Shortages and damages (CZK 56 million) and Damage compensation (CZK 71 million).

11. Finance Costs

(CZK million)	2022	2021
Interest on issued bonds	(780)	(661)
Interest on bank loans	(556)	(15)
Interest on lease liabilities	(36)	(25)
Interest on secured loans	-	(3)
Other interest expense	(289)	(222)
Less: amounts included in the cost of qualifying assets	162	79
Foreign exchange losses on loans, borrowings and lease liabilities	(191)	(86)
Expenses from derivative operations	(31)	(53)
Bank charges	(6)	(7)
Commissions related to bank loans	(13)	(49)
Other finance costs	(12)	(8)
Total finance costs	**(1,752)**	**(1,050)**

Other interest expense represents cash flow hedge expenses reclassified from other comprehensive income during the period.

The capitalisation rate of interest costs in 2022 is 0.14 % p. a. (2021: 2.02 % p. a.).

12. Finance Income

(CZK million)	2022	2021
Foreign exchange gains on loans, borrowings and lease liabilities	540	653
Interest received	82	44
Other finance income	1	1
Total finance income	**623**	**698**

13. Income tax

13.1. Income tax recognised in profit or loss

(CZK million)	2022	2021 *)
Deferred tax recognised in the statement of profit and loss	(317)	363
Total income tax credit/ (expense)	**(317)**	**363**

*) Total comprehensive income for the period.

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

(CZK million)	2022	2021 *)
Profit/ (Loss) for the period before tax	**14**	**(2,198)**
Statutory tax rate on corporate income in the Czech Republic	19 %	19 %
Expected tax credit/ (expense)	**(3)**	**418**
Adjustments:		
Effect of the unrecognised deferred tax asset	(342)	141
Non-taxable income – provisions (Note 26.1.)	146	30
Other non-taxable income	89	72
Tax non-deductible expenses – shortages, damages and fines	(17)	(201)
Tax non-deductible payroll expenses	(27)	(25)
Other tax non-deductible expenses	(163)	(72)
Income tax recognised in profit or loss	**(317)**	**363**

*) Restated, refer to Note 2.3.

13.2. Income tax reported in other comprehensive result

(CZK million)	2022	2021 *)
Change in cash flow hedging reserve	302	(356)
Change in cost of hedging reserve	1	(7)
Change in revaluation reserve for investments in equity instruments at fair value through other comprehensive income	14	-
Total income tax reported in other comprehensive income	**317**	**(363)**

*) Restated, refer to Note 2.3.

13.3. Deferred tax

Reported deferred tax assets and liabilities are calculated as follows:

(CZK million)	31 Dec 2022	31 Dec 2021 *)
Deferred tax asset:		
Non-current assets	755	2,406
Basis for calculating deferred tax	**755**	**2,406**
Corporate income tax rate	19 %	19 %
Total deferred tax asset - reported	**143**	**457**
Deferred tax liability:		
Derivatives	(719)	(2,297)
Financial assets measured at fair value through other comprehensive income	(36)	(109)
Basis for calculation of deferred tax	**(755)**	**(2,406)**
Corporate income tax rate	19 %	19 %
Total deferred tax liabilities - reported	**(143)**	**(457)**
Net deferred tax assets/ liabilities – reported	**-**	**-**

*) Restated, refer to Note 2.3.

Given the low expected future taxable profits, the realization of deferred tax assets is uncertain. Therefore, if the resulting net position as of the balance sheet date is a deferred tax asset, the company does not report this asset. The unreported deferred tax asset as of 31 December 2022 and 31 December 2021 was calculated as follows:

(CZK million)	31 Dec 2022	31 Dec 2021 *)
Non-current assets	1,836	1,478
Compensation for unjust enrichment (Note 20.)	2,999	2,408
Provisions	875	586
Trade receivables	76	61
Borrowing costs	1,160	592
Contractual penalties	35	38
Stocks	66	41
Liabilities to employees	141	135
Basis for calculation of deferred tax	**7,188**	**5,339**
Corporate income tax rate	19 %	19 %
Deferred tax asset - not reported	**1,366**	**1,014**

*) Restated, refer to Note 2.3.

Borrowing costs include interest and other costs (in particular exchange rate differences) associated with deawing financial resources that meet the tax law requirements. It is possible to utilise them in the next years.

The tax effect of movements in temporary differences is calculated as follows:

(CZK million)	1 Jan 2022 *)	Deferred tax to the income statement	Deferred tax in other comprehensive income	31 Dec 2022
Deferred tax asset				
Fixed assets	457	(314)	-	143
Total deferred tax asset - recognized	**457**	**(314)**	**-**	**143**
Deferred tax liability				
Derivatives	(436)	(3)	303	(136)
Financial assets measured at fair value reported in other comprehensive income	(21)	-	14	(7)
Total deferred tax liability - reported	**(457)**	**(3)**	**317**	**(143)**

(CZK million)	1 Jan 2021	Deferred tax to the income statement	Deferred tax in other comprehensive income	31 Dec 2021 *)
Deferred tax asset				
Fixed assets	94	363	-	457
Total deferred tax asset - recognized	**94**	**363**	**-**	**457**
Deferred tax liability				
Derivatives	(74)	-	(363)	(436)
Financial assets measured at fair value reported in other comprehensive income	(21)	-	-	(21)
Total deferred tax liability - reported	**(94)**	**-**	**(363)**	**(457)**

*) Restated, refer to Note 2.3.

14. Property, Plant and Equipment

(CZK million)	Land	Constructions	Equipment	Vehicles *)	Components **)	Assets under construction	Prepayments	Total
Cost								
Balance as at 1 Jan 2021	5,479	9,684	2,366	72,857	14,645	1,798	1,732	108,561
Additions	9	82	45	4,368	3,108	665	2,339	10,616
Disposals	(27)	(68)	(47)	(349)	(4,637)	(7)	-	(5,135)
Reclassification ***)	(25)	796	123	567	-	(1,199)	-	262
Balance at 31 Dec 2021 **)**	**5,436**	**10,494**	**2,487**	**77,443**	**13,116**	**1,257**	**4,071**	**114,304**
Additions	-	73	49	3,844	3,439	636	5,616	13,657
Disposals	(64)	(94)	(44)	(423)	(2,007)	(10)	-	(2,642)
Reclassification ***)	(136)	(670)	38	485	-	(715)	-	(998)
Balance at 31 Dec 2022	**5,236**	**9,803**	**2,530**	**81,349**	**14,548**	**1,168**	**9,687**	**124,321**
Accumulated depreciation and impairment								
Balance as at 1 Jan 2021	71	5,498	1,844	40,071	7,978	379	-	55,841
Depreciation	-	211	89	2,722	2,254	-	-	5,276
Impairment loss	8	4	-	1,254	4	-	-	1,270
Reversal of impairment	-	-	-	(84)	-	-	-	(84)
Disposals	-	(53)	(47)	(349)	(4,597)	-	-	(5,046)
Reclassification ***)	-	144	-	43	-	(43)	-	144
Balance at 31 Dec 2021 **)**	**79**	**5,804**	**1,886**	**43,657**	**5,639**	**336**	**-**	**57,401**
Depreciation	-	198	86	2,871	2,384	-	-	5,539
Impairment loss	-	-	-	326	-	-	-	326
Reversal of impairment	(9)	(26)	-	(106)	(18)	-	-	(159)
Disposals	-	(78)	(44)	(423)	(1,999)	-	-	(2,544)
Reclassification ***)	-	(489)	-	336	-	(336)	-	(489)
Balance at 31 Dec 2022	**70**	**5,409**	**1,928**	**46,661**	**6,006**	**-**	**-**	**60,074**
Net book value								
Balance as at 1 Jan 2021	5,408	4,186	522	32,786	6,667	1,419	1,732	52,720
Balance at 31 Dec 2021	5,357	4,690	601	33,786	7,477	921	4,071	56,903
Balance at 31 Dec 2022	5,166	4,394	602	34,688	8,542	1,168	9,687	64,247

*) Vehicles purchased under secured loan agreements are presented in Vehicles. Their net book value is nil as at 31 December 2022 and CZK 143 million as at 31 December 2021. Their annual depreciation amounts to CZK 143 million in 2022 and CZK 114 million in 2021.
**) In the individual financial statements for the year 2021, spare parts that meet the conditions for classification according to IAS 16 were presented in the Assets under construction category. In 2022, the Company's management decided to report these spare parts in the Components category in order to improve a true and fair view. The comparatives were reclassified as well.
***) 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).
****) Restated, refer to Note 2.3.

Strategic spare parts (exchangeable units) with the acquisition cost of CZK 172 million and the net book value of CZK 35 million as at 31 December 2022 are reported in the Vehicles (31 December 2021: the acquisition cost of CZK 155 million and the net book value of CZK 59 million). Other spare parts with the net book value of CZK 494 million as at 31 December 2022 are reported in the Components (31 December 2021: CZK 783 million).

The most significant additions include the acquisition and modernisation of rolling stock as part of the renewal of the Company's fleet in the amount of CZK 3,683 million in 2022 (2021: CZK 3,854 million). 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 1,458 million as at 31 December 2022 (31 December 2021: CZK 3,921 million). Significant year-on-year decrease in these payables relates to significant purchases of rolling stock at the end of 2021 for which the invoices were not due until 2022.

In 2022, the Company paid advances of CZK 3,011 million for the supply of passenger cars, CZK 2,000 million for the supply of electric trains, CZK 1,480 million for the supply of locomotives, CZK 600 million for the supply of diesel trains and CZK 400 million for the equipment by mobile part of ETCS. In 2021, the Company paid 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 10 DMU120 diesel trains for regional transport and CZK 181 million for the equipment of electric locomotives by mobile part of ETCS.

As at 31 December 2022, the Company recognises grant promises in the amount of CZK 747 million (31 December 2021: CZK 424 million), which are reported in Other assets (Note 22.). As at 31 December 2022, the most significant promises are for the renewal of the fleet in the Moravian-Silesian Region and for ETCS.

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 pandemic and impacts of the energy crisis, 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 standalone 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 six years. The six-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 six-year period with sufficient reliability. Cash flows beyond the six-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 2023-2028. 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 and compensating the energy increase. Operating expenses are estimated based on the current structure of the Passenger transport segment and are adjusted for expected development and impact of 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 the level 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 9.29 % (2021: 7.25 %).

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 % (2021: 3 %) was used to calculate the recoverable amount.

The analysis performed as at 31 December 2022 confirmed that the recoverable amount of the cash-generating unit exceeds its carrying amount by CZK 3,903 million (2021: CZK 5,423 million).

Sensitivity analysis of impairment tests

When testing the recoverable amount of the cash-generating unit, a sensitivity analysis of the test results to changes in following 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.

31 December 2022	Operating cash flows for perpetuity		Estimated capital expenditures for perpetuity		Discount rate		Growth rate	
Parameter value	CZK 7,276 million		CZK 9,236 million		9.29 %		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	8,198	(8,198)	8,440	(8,909)	8,134	(7,130)	16,144	(11,423)
Impairment Yes/No	No	Yes	No	Yes	No	Yes	No	Yes
Value of impairment	-	(4,295)	-	(5,006)	-	(3,227)	-	(7,520)

31 December 2021	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:

31 December 2022	Operating cash flows for perpetuity	Estimated capital expenditures for perpetuity	Discount rate	Growth rate
Parameter value	CZK 7,276 million	CZK 9,236 million	9.29 %	3 %
Parameter value where recoverable amount would equal carrying value	CZK 6,930 million	CZK 9,583 million	9.56 %	2.69 %

31 December 2021	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 recognised 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 assets belong to the Passenger transport cash-generating unit.

The fair value of the series 680 trains was determined on the basis of the expert opinion. Accumulated impairment losses for these items as at 31 December 2022 amounted to CZK 560 million (31 December 2021: CZK 387 million). Movement in accumulated impairment losses in 2022 by CZK 172 million was caused particularly by impairment loss of one damadged unit. There was a reversal of impairment losses of CZK 27 million in 2021.

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 as at 31 December 2022 was determined on the basis of the expert opinion. The fair value of the series 380 locomotives as at 31 December 2021 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. Accumulated impairment losses for these locomotives as at 31 December 2022 amounted to CZK 1,594 million (31 December 2021: CZK 1,609 million).

Another significant impairment loss item is the „Returned ROP grants" title. The accumulated impairment loss for this title was determined in the amount of CZK 353 million as at 31 December 2022 (31 December 2021: CZK 377 million). The asset belongs to the Passenger transport cash-generating unit.

Impairment losses are presented in Depreciation, amortisation and impairment in the separate statement of profit and loss.

14.2. Pledged assets

As at 31 December 2022, the Company did not have any loans secured with the assets. As at 31 December 2021, the Company had loans secured with the assets with the net book value of CZK 143 million.

15. Investment Property

(CZK million)	2022	2021
Balance at the beginning of the year	**475**	**621**
Additions from subsequent capitalised expenses	3	3
Depreciation	(35)	(20)
Disposals	(1)	(2)
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	606	105
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	(97)	(222)
Increase/ (Decrease) in impairment loss	(13)	(10)
Balance at the end of the year	**938**	**475**

(CZK million)	Balance as at 31 Dec 2022	Balance as at 31 Dec 2021	Balance as at 1 Jan 2021
Cost	2,139	1,142	1,409
Accumulated depreciation and impairment	(1,201)	(667)	(788)
Net book value	**938**	**475**	**621**

The Company measures Investment property as the percentage of the net book value attributable to the leased part of the property, where at least 1 % of its useful area is leased to an external lessee.

The properties are located around the railroads, in train stations and depots of rolling stock. The Company 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 costs incurred on the building during the year and divided by the capitalisation 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 2022 and 31 December 2021, 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 an expert based on the latest land price maps.

The estimated fair value of Investment property as at 31 December 2022 amounted to CZK 7,882 million (31 December 2021: CZK 6,130 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 2021	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**
Additions	87	12	67	166
Disposals	-	-	-	-
Reclassification	141	14	(147)	8
Balance as at 31 Dec 2022	**1,508**	**722**	**66**	**2,296**
Accumulated depreciation				
Balance as at 1 Jan 2021	1,041	662	-	1,703
Amortisation	134	15	-	149
Disposals	(83)	(3)	-	(86)
Balance as at 31 Dec 2021	**1,092**	**674**	**-**	**1,766**
Amortisation	163	15	-	178
Disposals	-	-	-	-
Balance as at 31 Dec 2022	**1,255**	**689**	**-**	**1,944**
Net book value				
Balance as at 1 Jan 2021	209	34	115	358
Balance as at 31 Dec 2021	188	22	146	356
Balance as at 31 Dec 2022	253	33	66	352

The Company has no internally generated software.

The amortisation costs were reported in Depreciation, amortisation and impairment 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 buildings, 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 2021	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**
Additions	-	-	9	-	625	2	636
Disposals	-	(51)	(1)	-	-	(1)	(53)
Change in estimates *)	-	37	15	-	-	-	52
Balance as at 31 Dec 2022	**3**	**354**	**246**	**9**	**1,852**	**38**	**2,502**
Accumulated depreciation and impairment							
Balance as at 1 Jan 2021	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**
Depreciation	-	32	49	1	235	9	326
Disposals	-	(25)	-	-	-	(1)	(26)
Balance as at 31 Dec 2022	**1**	**212**	**147**	**5**	**639**	**11**	**1,015**
Net book value							
Balance as at 1 Jan 2021	1	185	148	6	552	10	902
Balance as at 31 Dec 2021	2	163	125	5	823	34	1,152
Balance as at 31 Dec 2022	2	142	99	4	1,213	27	1,487

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

2022 additions in Locomotives consist mainly of 10 newly leased Vectron locomotives (2021: 6 newly leased Vectron locomotives).

Right-of-use 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)	2022	2021
Depreciation of right-of-use assets	(326)	(248)
Interest expense on lease liabilities	(36)	(28)
Expense related to short-term leases	(55)	(48)
Expense related to low-value assets leases	(30)	(42)
Proceeds from sublease of right-of-use assets	1	5

Lease liabilities are disclosed in Note 25.2.

17.1. Sensitivity analysis of right-of-use assets and lease liabilities

When calculating the value of right-of-use assets and lease liability for lease contracts with indefinite lease term, a sensitivity analysis to changes in estimated lease term was performed.

For buildings, a change in estimated lease term by one year with other parameters unchanged would lead to a change in the value of right-of-use assets and lease liabilities by CZK 52 million (2021: CZK 48 million).

18. Investments in Subsidiaries, Associates and Joint Ventures

(CZK million)	31 Dec 2022	31 Dec 2021
Investments in subsidiaries	11,707	11,649
Investments in associates and joint ventures	111	111
Total	**11,818**	**11,760**

18.1. Information on subsidiaries

(CZK million)

Name of the entity	Principal place of business	Carrying value of investment as at 31 Dec 2022	Carrying value of investment as at 31 Dec 2021
Výzkumný Ústav Železniční, a.s.	Prague	383	383
ČD – Telematika a.s.	Prague	1,936	1,936
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
ČD Bus a.s.	Vyškov	58	-
Total		**11,707**	**11,649**

Name of the entity	Principal activity	Ownership percentage as at 31 Dec 2022	Ownership percentage as at 31 Dec 2021
Výzkumný Ústav Železniční, a.s.	Research and development in the area of rolling stock	100 %	100 %
ČD – Telematika a.s.	Provision of ITC services	100 %	100 %
DPOV, a.s.	Repairs and renovations of rolling stock	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 %
ČD Bus a.s.	Operation of bus transport	100 %	0 %

In March 2022, the Company acquired a 100 % share in VYDOS Bus a.s. and as at 31 December 2022 became its sole shareholder. With effect from 1 August 2022, the subsidiaries VYDOS Bus a.s. and ČD Reality a.s. (presented in investments to capital instruments in 2021) were transformed on the basis of the amalgamation project. As a result of this amalgamation, the companies have dissolved and their assets have been transferred to the successor company ČD Bus a.s.

18.2. Information on associates and joint ventures

(CZK million)

Company name	Principal place of business	Carrying value of investment as at 31 Dec 2022	Carrying value of investment as at 31 Dec 2021
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 2022	Ownership percentage as at 31 Dec 2021
JLV, a.s.	Catering services	38.79 %	38.79 %
Masaryk Station Development, a.s.	Development of the Masaryk train station	34 %	34 %
Smíchov Station Development, a.s. *)	Development of the Smíchov train station	51 %	51 %
Žižkov Station Development, a.s. *)	Development of the Žižkov train station	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 Dec 2022/ Year ending 31 Dec 2022	Masaryk Station Development, a.s.	JLV, a.s	Joint Ventures	Total
Total assets	52	447	10	509
of which: non-current assets	*45*	*302*	*9*	*356*
current assets	*7*	*145*	*1*	*153*
Total liabilities	44	66	14	124
of which: non-current liabilities	*42*	*4*	*2*	*48*
current liabilities	*2*	*62*	*12*	*76*
Net assets/ liabilities	8	381	(4)	385
The Company's share of net assets/ (liabilities)	**3**	**148**	**(2)**	**149**
Total income	4	508	-	512
Profit/ (Loss) for the period	(1)	8	(1)	6
Comprehensive income/ (loss) for the period	(1)	8	(1)	6
The Company's share of profit/ (loss)	**-**	**3**	**(1)**	**2**

(CZK million)

31 Dec 2021/ Year ending 31 Dec 2021	Masaryk Station Development, a.s.	JLV, a.s	Joint Ventures	Total
Total assets	27	461	10	498
of which: non-current assets	*24*	*298*	*9*	*331*
current assets	*3*	*163*	*1*	*167*
Total liabilities	18	107	13	138
of which: non-current liabilities	*15*	*32*	*1*	*48*
current liabilities	*3*	*75*	*12*	*90*
Net assets	9	354	(3)	360
The Company's share of net assets	**3**	**137**	**(2)**	**138**
Total income	1	330	-	331
Profit/ (Loss) for the period	(1)	5	-	4
Comprehensive income/ (loss) for the period	(1)	5	-	4
The Company's share of profit	**-**	**2**	**-**	**2**

19. Inventories

(CZK million)	31 Dec 2022	31 Dec 2021
Spare parts for machinery and equipment	212	199
Spare parts for rolling stock	1,718	1,198
Fuels, lubricants and other oil products	41	41
Work clothes, work shoes, protective devices	99	158
Other	93	86
Total cost	**2,163**	**1,682**
Impairment of inventories to their net realisable value *)	(65)	(41)
Total net book value	**2,098**	**1,641**

*) Amount of the inventories for which the allowance was accounted for is CZK 172 million as at 31 December 2022 and CZK 129 million as at 31 December 2021.

The amount of inventories recognised as an expense in 2022 was CZK 2,216 million (2021: CZK 2,112 million).

20. Trade Receivables

(CZK million)

31 Dec 2022	Non-current	Current	Total
Trade receivables – gross	557	1,853	2,410
Expected credit loss allowance	(12)	(130)	(142)
Trade receivables – net	**545**	**1,723**	**2,268**

(CZK million)

31 Dec 2021	Non-current	Current	Total
Trade receivables – gross	-	1,779	1,779
Expected credit loss allowance	-	(119)	(119)
Trade receivables – net	**-**	**1,660**	**1,660**

Movements in the expected credit loss allowance:

(CZK million)	2022	2021
Allowance as at 1 January	119	124
Charge for the year– trade receivables	40	10
Release of allowance – trade receivables	(17)	(15)
Allowance as at 31 December	**142**	**119**

The increase in receivables as at 31 December 2022 is attributable to increase in receivables from the Regions and recording of an estimated receivable from reduction of traction energy in the amount of CZK 253 million (see Note 7.).

In 2021, the Company billed to SŽ the compensation for unjust enrichment resulting from SŽ using the Company's property, mainly land plots under the railway infrastructure. The Company determined the compensation for 2017-2021 in the amount of CZK 3,544 million including VAT as at 31 December 2022 based on the expert's opinion (as at 31 December 2021 for 2017-2021 in the amount of CZK 2,834 million including VAT). The counterparty acknowledged the substance of the Company's claim, but no agreement has been reached yet on the amount of the compensation, mainly due to a need to pre-notify the transaction by the European Commission. Due to this uncertainty the Company did not recognise a receivable from this claim. However, as at 31 December 2022 a receivable to the Company arises from its claim to either collect or get refunded the related VAT amounting to CZK 557 million that was presented in the non-current Trade receivables – gross (as at 31 December 2021: CZK 426 million presented in the current Trade receivables – gross).

Further information on trade receivables is provided in Note 33.8. Credit risk management.

21. Other Financial Assets

(CZK million)	31 Dec 2022	31 Dec 2021
Financial assets in fair value through other comprehensive income *)	333	390
Finance lease receivables	78	80
Hedging derivatives *)	83	1,226
Loans within the ČD Group	120	238
Restricted cash	313	527
Total non-current financial assets	**927**	**2,461**
Hedging derivatives *)	257	181
Group cash pooling	178	154
Receivables from damages and losses	43	59
Loans within the ČD Group	57	72
Restricted cash	245	35
Other	38	12
Total current financial assets	**818**	**513**
Total	**1,745**	**2,974**

*) 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 2022, financial assets at fair value through other comprehensive income include ownership interest with the carrying value of CZK 333 million (as at 31 December 2021: CZK 390 million), which is not publicly traded. The fair value of this investment is described in Note 33.3. The Company has designated this investment as a financial asset at fair value through other comprehensive income because the investment is expected to be held for strategic purposes rather than for income from resale, and there are no plans to sell this investment in the short to medium term.

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 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 allowance:

(CZK million)	2022	2021
Allowance as at 1 January	40	6
Creation of allowance – other financial assets	2	36
Release of allowance – other financial assets	(20)	(2)
Expected credit loss allowance as at 31 December	**22**	**40**

Further information on Other financial assets is provided in Note 33.8. 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 Dec 2022	31 Dec 2021
1st year	19	18
2nd year	19	18
3rd year	19	18
4th year	19	18
5th year	19	18
Over 5 years	400	399
Undiscounted lease payments	**495**	**489**
Less: unrealised financial income	(415)	(409)
Present value of lease payments	**80**	**80**
Expected credit loss allowance	(2)	-
Net investment in lease	**78**	**80**
In the separate statement of financial position as:		
Other current financial assets	-	-
Other non-current financial assets	*78*	*80*
Total	**78**	**80**

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

(CZK million)	2022	2021
Net income from finance lease investments	20	18

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

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

Further information on finance lease receivables is provided in Note 33.8. Credit risk management.

22. Other Assets

(CZK million)	31 Dec 2022	31 Dec 2021
Total non-current	**33**	23
Prepayments provided	196	109
Tax receivables - VAT	573	1,142
Tax receivable – other (except for taxes on corporate income)	7	7
Prepaid expenses	72	71
Grants	747	424
Compensation from the insurance company (see Note 26.4.)	297	300
Other	1	70
Total current	1,893	2,123
Total	**1,926**	**2,146**

The decrease in Tax receivables – VAT in 2022 caused mainly by a significant purchase of rolling stock at the end of 2021 and related VAT reported as at 31 December 2021.

Grants represent investment grants. As at 31 December 2022, these included the grant of CZK 551 million from the Ministry of Transport for the renewal of the fleet in the Moravian-Silesian Region. As at 31 December 2021, they included the investment grant in the amount of CZK 398 million from the Ministry of Transport for electrical trains for the connection between the Pilsen and Carlsbad Regions.

23. Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost in the separate statement of financial position and reduced by the expected credit loss allowance 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 a high investment credit rating with which the Company cooperates on the basis of long-term and stable relationships.

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 periods reported in the separate cash flow statement can be reconciled with the relevant items in the separate statement of financial position as follows:

(CZK million)	31 Dec 2022	31 Dec 2021
Cash and cash in transit	47	33
Bank accounts *)	3,772	1,633
Depository bills	2,892	-
Total	**6,711**	**1,666**

*) Bank rating analysis is provided in Note 33.8.

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 2022 and 31 December 2021 the share capital consisted 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 2022.

The shareholder is entitled to attend and vote at the General Meeting. It has the right to request and receive explanations on 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. When a shareholder is the state, it exercises the rights of the Company's shareholder in accordance with the law through the Steering committee.

24.2. Other capital reserves

(CZK million)	31 Dec 2022	31 Dec 2021 *)
Share premium	16,440	16,440
Reserve fund	116	116
Cash flow hedging reserve	812	2,100
Costs of hedging reserve	(172)	(166)
Revaluation of investments to equity instruments at fair value through other comprehensive income	51	110
Actuarial remeasurements of defined benefit obligations	94	41
Total	**17,341**	**18,641**

*) Restated, refer to Note 2.3.

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 2022 and 31 December 2021.

24.2.2. Reserve fund

(CZK million)	2022	2021
Balance at the beginning of the year	116	116
Allocation to the reserve fund	-	-
Balance at the year-end	**116**	**116**

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

24.2.3. Cash flow hedging reserve

(CZK million)	2022	2021*)
Balance at the beginning of the year	2,100	583
Revaluation gain/ (loss)	(1,708)	1,798
Reclassification to profit or loss	118	75
Total change in the cash flow hedging reserve	**(1,590)**	**1,873**
Income tax	302	(356)
Balance at the year-end	**812**	**2,100**

*) Restated, refer to Note 2.3.

The cash flow hedging 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 affects 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 Finance costs in the separate statement of profit and loss.

Reclassifications from cash flow hedging 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	2022	2021
Balance at the beginning of the year	2,070	583
Change in fair value of hedging derivatives	(1,845)	1,761
Reclassification to profit or loss	127	75
Related Income Tax - Change	326	(349)
Balance at the year-end	**678**	**2,070**

(CZK million)

Interest rate swaps - securing loans with a variable rate	2022	2021
Balance at the beginning of the year	30	-
Change in fair value of hedging derivatives	137	37
Reclassification to profit or loss	(9)	-
Related Income Tax - Change	(24)	(7)
Balance at the year-end	**134**	**30**

24.2.4. 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 and forward components of currency swaps.

The Company has assessed that the separate currency base margin relates to a period of time, not to a specific transaction. Therefore, the Company systematically amortises costs of hedging through profit or loss over the duration of the hedging relationship to the extent they are associated with the hedged item.

(CZK million)	2022	2021 *)
Balance at the beginning of the year	(166)	(194)
Reclassification to profit or loss	(25)	18
Change of fair value in costs of hedging	18	17
Income tax	1	(7)
Balance at the year-end	**(172)**	**(166)**

*) Restated, refer to Note 2.3.

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, after deducting accumulated gains/losses transferred to retained earnings on derecognition.

(CZK million)	2022	2021 *)
Balance at the beginning of the year	110	109
Revaluation	(58)	1
Expected credit losses	(15)	-
Income tax	14	-
Balance at the year-end	**51**	**110**

*) Restated, refer to Note 2.3.

25. Loans, Borrowings and Lease Liabilities

(CZK million)	31 Dec 2022	31 Dec 2021
Bank loans	975	189
Lease liabilities	340	246
Secured loans	-	8
Group cash pooling	221	339
Bonds issued	10,060	1,232
Total short-term	**11,596**	**2,014**
Bank loans	6,913	1,819
Lease liabilities	1,154	920
Bonds issued	30,106	28,584
Total long-term	**38,173**	**31,323**
Total	**49,769**	**33,337**

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

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

The Company did not breach any terms of the loan agreements in 2022 nor 2021.

25.1. Bonds issued

Issue date	Nominal value	Due date	Publicly traded	Coupon	Carrying value as at 31 Dec 2022 in CZK million	Carrying value as at 31 Dec 2021 in CZK million
05 November 2014	EUR 30 million	05 November 2024	No	2.875 %	724	746
05 November 2014	EUR 150 million	05 November 2029	No	3.50 %	3,617	3,726
03 June 2015	EUR 37.7 million	03 June 2022	No	1.89 %	-	948
03 June 2015	EUR 77.5 million	03 June 2035	No	3.00 %	1,895	1,954
25 May 2016	EUR 400 million	25 May 2023	Yes	1.875 %	9,742	10,026
23 May 2019	EUR 500 million	23 May 2026	Yes	1.50 %	12,070	12,416
12 October 2022	EUR 500 million	12 October 2027	Yes	5.625 %	12,118	-
Total					**40,166**	**29,816**
of which short-term					*10,060*	*1,232*
of which long-term					*30,106*	*28,584*

The Company did not breach any terms or conditions valid for the issued bonds in 2022 or 2021.

Bondholders could request early repayment of bonds within 90 days once the state's share in the Company falls below 75 % or the Company's share in the segments of passenger or freight transport falls under 50 % and, at the same time, the Company's rating falls below the investment grade.

25.2. Lease liabilities

The Company recognised lease liabilities as follows:

(CZK million)	31 Dec 2022	31 Dec 2021
Short-term lease liabilities	340	246
Long-term lease liabilities	1,154	920
Total lease liabilities	**1,494**	**1,166**

Expenses relating to short-term leases and low-value assets leases, that are not included in the above short-term lease liabilities, are reported in in Cost of services, raw materials and energy in the separate statement of profit and loss (see Note 7.).

Total cash outflows related to leases amounted to CZK 430 million in 2022 and CZK 350 million in 2021.

The Company 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 33.9.1.

25.3. Bank loans

Bank	Nominal value	Due date	Interest rates	Carrying value as at 31 Dec 2022 in CZK million	Carrying value as at 31 Dec 2021 in CZK million
UniCredit Bank	1,000	29 March 2029	Variable	948	1,004
Raiffeisenbank	500	29 December 2028	Variable	429	504
Všeobecná úverová banka	500	29 December 2028	Variable	462	500
UniCredit Bank	1,000	29 March 2029	Fixed	1,000	-
UniCredit Bank	1,000	29 March 2029	Variable	1,000	-
UniCredit Bank	1,000	29 March 2029	Variable	948	-
Raiffeisenbank	1,000	29 December 2028	Variable	858	-
Raiffeisenbank	1,100	29 December 2028	Variable	943	-
Všeobecná úverová banka	500	29 June 2029	Variable	464	-
Všeobecná úverová banka	900	29 June 2029	Variable	836	-
Total	**8,500**			**7,888**	**2,008**
of which short-term				*975*	*189*
of which long-term				*6,913*	*1,819*

Bank loans have not been 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	Promissory note	Total
Note	25	25	25	25	25	25	25	25	25	25	25
Liabilities from financing as at 1 Jan 2021	**-**	**-**	**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*
Repayments of loans and borrowings	-	-	-	-	*(165)*	-	*(152)*	-	-	-	*(317)*
Repayment of 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 and change in estimates	-	-	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)
Capitalised 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**
Cash flows from financing activities	**462**	**5,386**	**(301)**	**-**	**(8)**	**-**	**(118)**	**(933)**	**12,171**	**-**	**16,659**
Drawing of loans and borrowings	*2,614*	*5,386*	-	-	-	-	-	-	*12,171*	*3,777*	*23,948*
Repayments of loans and borrowings	*(2,152)*	-	-	-	*(8)*	-	*(118)*	*(933)*	-	*(3,777)*	*(6,988)*
Repayment of principal of lease liabilities	-	-	*(301)*	-	-	-	-	-	-	-	*(301)*
Effect of exchange rate changes	-	-	-	(32)	-	-	-	(305)	(776)	-	(1,113)
Reclassification *)	292	(292)	276	(276)	-	-	-	9,944	(9,944)	-	-
New lease additions and change in estimates	-	-	119	542	-	-	-	-	-	-	661
Accrued interest	315	241	10	26	-	-	16	328	452	99	1,487
Interest paid (cash flows from operating activities **)	(282)	(240)	(10)	(26)	-	-	(16)	(123)	(369)	(99)	(1,165)
Capitalised interest paid (cash flows from investment activities)	-	-	-	-	-	-	-	(90)	(13)	-	(103)
Other non-cash movements	(1)	(1)	-	-	-	-	-	7	1	-	6
Liabilities from financing as at 31 Dec 2022	**975**	**6,913**	**340**	**1,154**	**-**	**-**	**221**	**10,060**	**30,106**	**-**	**49,769**

*) Loans and borrowings classified in the previous period as long-term, which became short-term in the current period.
**) Interest paid line in the separate cash flow statement for the year 2022 also includes cash flows from securing interest payments in the amount of CZK 172 million (2021: CZK 206 million).

26. Provisions

(CZK million)	Balance as at 1 Jan 2021	Creation	Use	Release of unused part	Balance as at 31 Dec 2021 *)	Creation	Use	Release of unused part	Balance as at 31 Dec 2022
Provision for legal disputes	702	1,000	-	-	1,702	-	-	700	1,002
out of which: long-term part	-				-				-
Provision for post-employment benefits	65	9	9	-	65	-	28	-	37
of which: long-term part	52				45				27
Provision for other long-term employee benefits	178	62	96	1	143	68	88	-	123
of which: long-term part	85				67				42
Provision for onerous contracts	291	479	291	-	479	580	219	-	840
out of which: long-term part	-				261				427
Provision for penalties	227	-	4	155	68	-	-	68	-
out of which: long-term part	-				-				-
Other provisions	512	12	5	7	512	14	-	62	464
out of which: long-term part	-				-				-
Total provisions	**1,975**	**1,562**	**405**	**163**	**2,969**	**662**	**335**	**830**	**2,466**
Long-term	*137*				*373*				*497*
Short-term	*1,838*				*2,596*				*1,969*

*) Restated, refer to Note 2.3.

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 from 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 the 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").

The management of ČD has assessed the provision for legal disputes, including the assessment of the probable outcome, which was based on a number of estimates and was therefore subject to substantial uncertainty. As at 31 December 2020, the provision of CZK 700 million was recognised based on the amount of revenues to which the potential infringement related, 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 represented the estimated costs to settle the fine for the alleged infringement and related expenses. The provision recognised in this way representsed the ČD's management best estimate of the liability also as at 31 December 2021.

On 30 September 2022, ČD received the from the EC the decision on suspension of proceedings, the EC proceedings have been ended. Based on this decision, the entire provision of CZK 700 million was released as at 31 December 2022.

Following suspension of the EC proceedings, the OPC reopens the administrative proceedings at the national level. However, taking into account the outcome of the EC investigation it is expected that national proceedings will also be suspended (Note 32.1.).

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 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 (The Austrian Federal Railways) and possibly also ZSSK (The Railway Company of Slovakia) have concluded a prohibited agreement to limit sales of disposed rolling stock to restrict entrance of new carriers to the market (against Article 101 of the Treaty on the Functioning of the European Union (the "TFEU")). ČD denies that it entered into a cartel agreement.

On 10 June 2022, ČD and ÖBB received a statement of objections from the EC regarding the alleged cartel agreement for the sale of disposed rolling stock. The statement of objections is a procedural step in the ongoing proceedings, which does not prejudge final conclusions and the EC's decision on this case. ČD prepared and sent a reply to this statement of objections and subsequently presented its arguments at the oral hearing on 13 and 14 December 2022.

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 of 31 December 2021, which corresponds to the estimated costs to settle the fine for the alleged infringement and related expenses. The provision recognised in this way represents the ČD's management best estimate of the liability as at 31 December 2022 and 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 the 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 2022 and through the date of these separate 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 the ČD's management. In accordance with the EU legislation, when determining the amount of the fine for 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 available information, there is a relatively high probability that the results in the next accounting period will be different from the assumptions used by the ČD's management and the provision for legal disputes will require a significant adjustment. 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 53 million. Should the duration of the potential infringement be shorter (longer) by one year, the provision for legal disputes would decrease (increase) by CZK 213 million.

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 curative and rehabilitation 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 with 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 separate statement of comprehensive income. The change in the provision for other benefits is recognised in the separate 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.

26.3. Provision for onerous contracts

As at 31 December 2022, the Company created a provision for onerous contracts in the amount of CZK 840 million (31 December 2021: CZK 479 million). The provision is recognised for contracts concluded with the Regions where the unavoidable costs of fulfilling the obligation stipulated in the contracts 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 recognised 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 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 paid and filed administrative claims. As at 31 December 2022 and 31 December 2021, the total amount of final and non-final payment orders was CZK 379 million. In 2022, grants in the amount of CZK 68 million (2021: CZK 268 million) were returned on the basis of payment orders.

At the same time, 100 % penalty has been applied to the selected projects. As at 31 December 2020, the Company 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 2022, based on the decision of the administrative authorities, the remaining provision for possible penalties in the amount of CZK 68 million was released.

Information on other litigations is provided in Note 32.1.

26.5. Other provisions

Other provisions comprise of the provision for compensation of damage caused by a fire of cables at the Bohumín train station, which was created in the amount of the estimated damage. In connection with this provision, the Company recognised the expected compensation from the insurance company in the amount of CZK 297 million as at 31 December 2022 (as at 31 December 2022: CZK 300 million). Expected compensation is reported in the Other assets (Note 22.).

27. Other Financial Liabilities

(CZK million)	31 Dec 2022	31 Dec 2021
Financial derivatives *) (see Note 33.2.)	944	37
Other	171	160
Total non-current	**1,115**	**197**
Financial derivatives *) (see Note 33.2.)	580	511
Other	43	27
Total current	**623**	**538**
Total	**1,738**	**735**

*) Financial derivatives are stated at fair value, other financial liabilities are stated at amortised cost.

Other long-term financial liabilities represent liabilities to the lessees of property at the Masaryk and Brno train stations in connection with technical appreciation of leased property performed by lessees.

28. Other Liabilities and Contract Liabilities

(CZK million)	31 Dec 2022	31 Dec 2021
Total non-current	**87**	**110**
Advances received	3	3
Payables to employees	1,001	1,007
Liabilities for social security and health insurance	285	277
Tax liabilities - tax withheld from employees	57	59
Repayment of part of the grant under ROP projects	-	68
Contract liabilities (Note 5.2.)	500	202
Refund liabilities	89	203
Other	306	108
Total current	**2,241**	**1,927**
Total	**2,328**	**2,037**

Other non-current liabilities as at 31 December 2022 include the investment grants in the total amount of CZK 87 million (as at 31 December 2021: CZK 110 million) for equipping prototypes with the ETCS system.

The Other item in the Other current liabilities as at 31 December 2022 includes investment grants in the total amount of CZK 215 million (as at 31 December 2021: CZK 50 million).

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)

2022	Commission on inventory sales	Sales of services	Dividends	Other income *)	Total
ČD – Telematika a.s.	-	3	100	16	119
Výzkumný Ústav Železniční, a.s.	-	6	278	-	284
DPOV, a.s.	33	38	-	17	88
ČD Cargo, a.s.	9	165	-	4	178
ČD - Informační Systémy, a.s.	-	17	-	16	33
Dopravní vzdělávací institut, a.s.	-	8	1	-	9
ČD travel, s.r.o.	-	-	-	-	-
ČD Bus a.s.	-	1	-	-	1
JLV, a.s.	-	2	3	-	5
Total	**42**	**240**	**382**	**53**	**717**

*) Including finance income,

(CZK million)

2021	Commission on inventory sales	Sales 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.

29.2. Purchases from subsidiaries and associates

(CZK million)

2022	Purchase material	Services	Total
ČD – Telematika a.s.	7	76	83
DPOV, a.s.	2	64	66
ČD Cargo, a.s.	2	29	31
ČD - Informační Systémy, a.s.	2	283	285
JLV, a.s.	-	206	206
Dopravní vzdělávací institut, a.s.	-	68	68
ODP-software, spol. s r.o.	-	10	10
ČD relax s.r.o.	-	29	29
ČD Bus a.s.	-	220	220
CHAPS spol. s r.o.	-	5	5
Total	**13**	**990**	**1,003**

(CZK million)

2021	Purchase 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**

Subsidiaries and associates use 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 2022, the Company sold fixed assets with the residual value of CZK 6 million to ČD Cargo a. s. for CZK 23 million. In 2021, the Company sold fixed assets with the residual value of CZK 12 million to ČD Cargo a. s. for CZK 37 million.

(CZK million)

Purchases	Intangible assets 2022	Fixed assets 2022	Intangible assets 2021	Fixed assets 2021
ČD – Telematika a.s.	-	579	-	228
DPOV, a.s.	-	146	-	1,721
ODP-software, spol. s r.o.	3	-	3	-
ČD - Informační Systémy, a.s.	137	29	124	141
Tramex Rail s.r.o.	-	12	-	3
Total	**140**	**766**	**127**	**2,093**

Purchases of fixed assets from DPOV, a.s. include purchases of rolling stock components – major periodical repairs.

29.4. Trade receivales and trade payables with subsidiaries and associates at the end of the reporting period

(CZK million)

31 Dec 2022	Receivables	Payables
ČD – Telematika a.s.	492	130
Výzkumný Ústav Železniční, a.s.	4	-
DPOV, a.s.	35	245
ČD Cargo, a.s.	128	3
JLV, a.s.	-	42
ČD - Informační Systémy, a.s.	5	124
Dopravní vzdělávací institut, a.s.	2	5
ČD travel, s.r.o.	-	3
ODP-software, spol. s r.o.	-	5
CHAPS spol. s r.o.	-	2
ČD Bus a.s.	1	71
Total	**667**	**630**

(CZK million)

31 Dec 2021	Receivables	Payables
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**

Outstanding balances are not secured and will be paid by bank transfers. No guarantees were given or accepted. Receivables are usually due within 30 days, payables within 45 days. In terms of IFRS 9, impairment losses on related parties receivables were assessed as immaterial.

29.5. Capital commitments

As at the date of the separate financial statements, the Company concluded contracts with related parties for the purchase of land, buildings and equipment:

(CZK million)	31 Dec 2022	31 Dec 2021
ČD – Telematika a.s.	2,539	701
DPOV, a.s.	520	570
ČD - Informační Systémy, a.s.	94	145
Tramex Rail s.r.o.	4	13
Total	**3,158**	**1,429**

The contracts with ČD-Telematica mainly represent the purchase of ETCS systems.

29.6. Loans to related parties

(CZK million)

Counterparty	Amount of loan provided	Date of loan	Maturity	Interest rate	Carrying value as at 31 Dec 2022	Carrying value as at 31 Dec 2021
ČD Cargo, a.s.	540	17 Oct 2016	Monthly payment till 17 Oct 2023	6M EURIBOR plus margin 1 % p.a.	57	130
ČD - Informační Systémy, a.s.	400	27 Sep 2017	27 Sep 2027	3M Pribor + 5.4 % p.a.	120	180
Total					**177**	**310**

Loans to related parties are not secured.

29.7. Receivables and payables from cash pooling

(CZK million)

				Receivables		Payables	
Counterparty	Limit as at 31 Dec 2022	Date of involvement	Interest rate	Carrying value as at 31 Dec 2022	Carrying value as at 31 Dec 2021	Carrying value as at 31 Dec 2022	Carrying value as at 31 Dec 2021
ČD Cargo, a.s.	300	29 May 2013	O/N PRIBOR plus margin	-	-	2	2
DPOV, a.s.	300	1 Aug 2013	O/N PRIBOR plus margin	166	154	-	-
Výzkumný Ústav Železniční, a.s.	60	1 Jul 2013	O/N PRIBOR plus margin	-	-	156	238
ČD - Telematika a.s.	20	20 Sep 2013	O/N PRIBOR plus margin	-	-	50	75
ČD - Informační Systémy, a.s.	55	1 Aug 2013	O/N PRIBOR plus margin	12	-	-	13
Dopravní vzdělávací institut, a.s.	5	3 Jul 2017	O/N PRIBOR plus margin	-	-	13	11
Total	**740**			**178**	**154**	**221**	**339**

Receivables and payables from cash pooling are not secured.

29.8. Key management members compensation

The following employee benefits were paid to key management members during the year:

(CZK million)

2022	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	18	3	-
Other short-term employee benefits	6	1	-
Post-employment benefits	7	-	-
Total	**31**	**4**	**-**
Number of key management members	**6**	**6**	**6**

(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	-
Post-employment benefits	-	-	-
Total	**27**	**8**	**-**
Number of key management members	**5**	**6**	**6**

29.9. 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.

Payments of public service obligation

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 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	2022	2021
Rental income	SŽ	19	21
Payment for substitute bus service *)	SŽ	1,094	479
Other revenue	SŽ	218	124
Payments from public service orderers – the state budget	the state – MT	4,534	4,362
Compensation of 50 % discount fares **)	the state – MT	1,616	1,464
Payments from public service orderers from the regional budgets - "gross" contracts	the regions	4,487	4,437
Payments from public service orderers from the regional budgets - "net" contracts	the regions	7,818	7,730
Fare compensation - Ukraine	the state – MT	71	-

*) This compensation is offset with costs of substitute bus services. Substitute bus services in the Note 7. are presented net after this offset.
**) Since 1 April 2022, compensation of discount fares for children from 6 to 18 years, students up to 26 years and seniors over 65 years has been reduced from 75 % to 50 %.

(CZK million)

Expenses	Counterparty	2022	2021
Use of railroads and allocated railway capacity	SŽ	1,803	1,839
Consumption of electric traction energy	SŽ	2,623	1,523
Other costs	SŽ	299	253

(CZK million)

Receivables	Counterparty	31 Dec 2022	31 Dec 2021
Substitute bus services reimbursement	SŽ	66	-
Compensation for unjust enrichment (Note 20.)	SŽ	557	426
Support – POZE (supported renewable energy sources) (Note 7.)	SŽ	253	-
Compensation of 50 % discount fares	the state – MT	100	116
Public service obligation	the regions	356	276

(CZK million)

Liabilities	Counterparty	31 Dec 2022	31 Dec 2021
Use of railroads and allocated railway capacity	SŽ	417	184
Consumption of electric traction energy	SŽ	89	-
Public service obligation	the state – MT	42	50
Public service obligation	the regions	322	191
Lease liabilities	SŽ	170	189

State institutions, enterprises 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 2022, the Company received the grant from the MT in connection with the Covid-19 pandemic in the amount of CZK 10 million (2021: CZK 71 million), which was recognised as decrease of personnel costs (Note 8.). In 2021, in connection with compensation for damages associated with the Covid-19 pandemic, the Company received the grant in the amount of CZK 598 million. This grant was recognised in Other operating income (Note 6.).

In 2022, the Company reported the grants from the MT in the amount of CZK 803 million (2021: CZK 398 million) in the separate 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 contract 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 2022	31 Dec 2021
1st year	50	48
2nd year	52	49
3rd year	54	50
4th year	57	51
5th year	59	52
Over 5 years	-	54
Total	**272**	**304**

In 2022, income from operating leases recognised in profit or loss amounted to CZK 370 million (in 2021: CZK 367 million), out of which the income from investments property amounted to CZK 298 million in 2022 (in 2021: CZK 275 million).

Direct operating expenses related to investment property were CZK 164 million in 2022 (in 2021: CZK 128 million).

31. Capital Commitments

As at the date of the separate financial statements, the Company concluded contracts for the purchase of land, buildings and equipment in the amount of CZK 47,302 million (2021: CZK 31,923 million), of which CZK 13,897 million had already been paid as at 31 December 2022 (as at 31 December 2021: CZK 7,835 million).

(CZK million)	31 Dec 2022	31 Dec 2021
Unpaid supplies agreed for the next year	1,823	1,943
Unpaid supplies agreed for the subsequent years	31,582	22,145
Total	**33,405**	**24,088**

Investments in rolling stock of CZK 33,046 million as at 31 December 2022 (2021: CZK 23,573 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 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 Management Board. The nominal value of unpaid shares as at 31 December 2022 and 31 December 2021 was CHF 20.8 million (CZK 510 million as at 31 December 2022, CZK 501 million as at 31 December 2021).
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 2022.

The aggregate clean-up costs were CZK 20 million in 2022 (2021: 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. The Company's management acting with due managerial care is not aware of any liability resulting from legislation requirements in respect of environmental burdens.

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 concerning the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 26.1. 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.

In 2022, the Municipal Court accepted the plaintiff's motion to replace the current plaintiff LEO Express Global a.s. with LEO Mobility s.r.o. (in the claim for payment of CZK 34 million) and with Mr. L. Novotný (in the claim for payment of CZK 434 million). ČD filed an appeal against this decision. However, with regard to the closed proceedings before the EC, the possibility of ČD succeeding in the dispute has increased. The Company's management assumes that upon the proceedings termination by the European Commission, the national courts will reflect this fact positively in favour of ČD in the renewed proceedings.
In view of the Company's management, it is not probable that the Company would have to settle any liability in this respect, hence 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 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 26.1. The Company's management assumes that upon the proceedings termination by the European Commission, the national courts will reflect this fact positively in favour of ČD in the renewed proceedings. In view of the Company's management, it is not probable that the Company would have to settle any liability in this respect, hence no provision has been created.

32.1.3. RegioJet's action for the repayment of alleged unlawful state aid (defendants 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.

32.1.4. Legal action by CB Station Development, a.s. against ČD

In a real estate project 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. The legal action against ČD was dismissed by the court of first instance. An appeal was filed against the decision by CB Station Development, a.s. 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. Based on its methodology, the rating agency assesses the debt ratio using the debt/EBITDA indicator. For the current investment grade, an indicated ratio level determined using the consolidated data is 6.0. The rating agency annually comments on the indicator level and its potential impact on the Company's rating in its report that is publicly available on the Company's website. As a source of long-term financing, the Company mainly uses bond issues and long-term investment loans.

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 and accumulated deficit).

(CZK million)

Net debt		31 Dec 2022	31 Dec 2021
Loans, borrowings and lease liabilities	25	49,769	33,337
Cash and cash equivalents	23	(6,711)	(1,666)
Total net debt		**43,058**	**31,671**
Equity			
Share capital	24	20,000	20,000
Capital contributions	24	17,341	18,641
Accumulated deficit	24	(3,936)	(3,633)
Total equity		**33,405**	**35,008**
Total managed capital		**76,463**	**66,679**

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 2022	31 Dec 2021
Financial assets measured at amortised cost	Trade receivables	20	2,268	1,660
	Cash and cash equivalents	23	6,711	1,666
	Finance lease receivables	21	78	80
	Loans and cash pooling in the ČD Group	21	355	464
	Other	21	639	633
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting *)	21	340	1,407
Financial assets measured at fair value through other comprehensive income	Financial assets at fair value through other comprehensive income	21	333	390
	Total		**10,724**	**6,300**

(CZK million)

Classification of financial liabilities	Category of financial liabilities		31 Dec 2022	31 Dec 2021
Financial liabilities measured at fair value through profit or loss	Financial derivatives used in hedge accounting *)	27	1,524	495
	Other financial derivatives	27	-	53
Financial liabilities measured at amortised cost	Loans, borrowings and lease liabilities	25	49,769	33,337
	Trade payables		3,884	6,647
	Other	27	214	187
	Total		**55,391**	**40,719**

*) Provided that the hedge is effective, changes in the fair value of the hedging instrument are initially recognised in other comprehensive income (Note 24.2.3.).

Income from individual classes of financial assets is as follows:

(CZK million)	2022	2021	Reported in the statement of profit and loss line
Interest on cash and cash equivalents	36	8	Finance Income
Interest on cash pooling and loans provided	26	18	Finance Income
Interest on finance lease receivables	20	18	Finance Income
Dividends from capital investments	2	1	Other operating Income
Total	**84**	**45**	

Expected credit losses on financial assets are disclosed in Note 20. Trade receivables and in Note 33.8. Credit risk management.

33.3. Fair value of financial instruments

(CZK million)

Financial assets	Level	Fair value as at 31 Dec 2022	Carrying value as at 31 Dec 2022	Fair value as at 31 Dec 2021	Carrying value as at 31 Dec 2021
Measured at fair value		**673**	**673**	**1,797**	**1,797**
Derivative instruments used in hedge accounting	Level 2	340	340	1,407	1,407
Financial assets at fair value through other comprehensive income	Level 3	333	333	390	390
Measured at amortised cost		**531**	**568**	**842**	**917**
Loans in the ČD Group	Level 2	177	177	270	310
Finance lease receivables	Level 2	78	78	80	80
Other financial assets – non-current	Level 2	276	313	492	527
Total		**1,204**	**1,241**	**2,639**	**2,714**

(CZK million)

Financial liabilities	Level	Fair value as at 31 Dec 2022	Carrying value as at 31 Dec 2022	Fair value as at 31 Dec 2021	Carrying value as at 31 Dec 2021
Measured at fair value		**1,524**	**1,524**	**548**	**548**
Derivative instruments used in hedge accounting	Level 2	1,524	1,524	495	495
Other financial derivatives	Level 2	-	-	53	53
Measured at amortised cost		**45,943**	**48,225**	**32,145**	**31,984**
Issued bonds	Level 2	5,517	6,236	7,911	7,373
Issued bonds (publicly traded)	Level 1	32,477	33,930	22,388	22,443
Loans *)	Level 2	7,818	7,888	1,716	2,008
Other financial liabilities - non-current	Level 2	131	171	130	160
Total		**47,467**	**49,749**	**32,693**	**32,532**

*) The fair value of variable interest loans is approximately the same as the book value of these loans.

Cash and cash equivalents, trade receivables and trade payables, receivables and payables from cashpooling, 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 2022 and 2021, there were no transfers of financial instruments between levels.

33.3.1. Valuation procedures used to determine fair value

Fair values of financial assets and financial liabilities are determined as follows:

- The fair value of investments in equity instruments at fair value through other comprehensive income was estimated using the asset-based approach. As at 31 December 2022 and 2021, the Company's management analysed the investee's audited financial statements and concluded that its fair value is approximately equal to the carrying value of its net assets.
- 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.

33.3.2. Fair value measurement recognised in the separate 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).

Investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2022 and 31 December 2021 are included in level 3. All other financial instruments measured at fair value as at 31 December 2022 and 31 December 2021 are included in level 2.

33.3.3. Reconciliation of measurement of financial instruments at fair value at level 3

The following table shows the financial assets measured at fair value at level 3:

(CZK million)	**Investment in capital instruments**
Balance as at 1 Jan 2021	**414**
Total gains or losses:	(24)
in profit or loss	*(25)*
in other comprehensive income	*1*
Balance as at 31 Dec 2021	**390**
Total gains or losses:	(49)
in profit or loss	*25*
in other comprehensive income	*(74)*
Transfer from level 3 financial instruments *)	(8)
Balance as at 31 Dec 2022	**333**

*) Transfer of investment in ČD Reality, a. s. to Investments in subsidiaries, associates and joint ventures (Note 18.)

33.4. Financial risk management objectives

The Company manages financial risks through internal risk reports which include analysis of the risks based on their significance. Financial risks include market risk (currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

33.5. Currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. These transactions predominantly include proceeds from international transport, issued bonds, term deposits, deposit bills 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 management's objective is to hedge at least 90 % of all long-term financing in foreign currency against currency risk.

The carrying amounts of the Company's financial assets and financial liabilities denominated in foreign currency, net of the impact of currency hedging, at the end of the reporting period are as follows:

(CZK million)

31 Dec 2022	EUR	Other	Total
Financial assets	7,264	2	7,266
Financial liabilities	(41,985)	-	(41,985)
Total	**(34,721)**	**2**	**(34,719)**

(CZK million)

31 Dec 2021	EUR	Other	Total
Financial assets	844	2	846
Financial liabilities	(31,013)	(2)	(31,015)
Total	**(30,169)**	**-**	**(30,169)**

Information on the nominal and book value of hedging instruments securing currency risk is given in the description of individual hedging relationships in Notes 33.5.2. and 33.5.3.

33.5.1. 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	
	2022	**2021**	**2022**	**2021**
Translation of items denominated in foreign currencies at the end of the period	1,440	1,214	(1,440)	(1,214)
Change in the fair value of derivatives at the end of the period	(790)	(897)	790	897
Total impact on the profit/ (loss) before tax	**650**	**317**	**(650)**	**(317)**
Change in impact on tax reported in profit/ (loss)	(123)	(60)	123	60
Total impact on profit/ (loss) after tax	**527**	**257**	**(527)**	**(257)**
Change in the fair value of derivatives at the end of the period *)	27	(83)	(27)	83
Total impact on other comprehensive income after tax	**27**	**(83)**	**(27)**	**83**
Change in tax impact reported in other comprehensive income	(5)	16	5	(16)
Total impact on other comprehensive income after tax	**22**	**(67)**	**(22)**	**67**

*) Financial derivatives used in hedge accounting.

33.5.2. Cross-currency interest rate swaps

In line 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:

– Nominal values of the swaps are the same as the face values of the relevant bond volume.
– Both transactions are contracted in the same currencies.
– 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 Company assumes no early bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

– significant decrease in Company's or counterparty's creditworthiness;
– timing of payments from the hedged item;
– termination of the cross-currency interest rate swap by a counterparty.

The table shows the terms of contracts for cross-currency interest rate swaps that were opened at the end of the reporting period:

31 Dec 2022	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	755	2.01 %	(19,927)	2.97 %	(361)
1 to 5 years	755	2.11 %	(18,304)	3.13 %	(743)
Over 5 years	166	3.45 %	(4,597)	3.63 %	(200)
Total					**(1,304)**

31 Dec 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**

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.

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

All hedging relationships were 100% effective at the end of 2022 and 2021.

The expected realisation of hedged items by cross-currency interest rate swaps
Expected cash flows of hedged foreign currency bonds are listed in Note 33.9.1. in the tables with remaining contractual maturities of financial liabilities in the Fixed interest rate instruments.

33.5.3. 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 hedge relationship ineffectiveness are identified as follows:

– significant decrease in Company's or counterparty's creditworthiness;
– timing of payments from the hedged item;
– termination of the cross-currency interest rate swap by a counterparty.

The Company has classified these swaps as fair value hedges.

In 2021, The Company also entered into short-term foreign exchange swaps which were accounted for as other financial derivative instruments. As at 31 December 2022, all closed foreign exchange swaps are classified as hedging.

The following table shows the terms of currency swap agreements that were open at the end of the reporting period:

31 Dec 2022	Average agreed exchange rate (CZK/EUR)	Principal amount	Fair value in CZK millions
Up to 1 year	26.41	EUR 30 million	(56)
Total			**(56)**

31 Dec 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)**

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

All hedging relationships were 100% effective at the end of 2022 and 2021.

Expected hedged cash flows from foreign currency bonds are disclosed in Note 33.9.1. in the tables with the residual contractual maturity of financial liabilities in the line Fixed rate instruments.

33.6. 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. The management's objective is to hedge at least 90 % of long-term financing with a floating interest rate against the interest rate risk.

33.6.1. Sensitivity to interest rate changes

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 leases 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	
	2022	**2021**	**2022**	**2021**
Interest from loans and leases with variable rate for the period	(67)	(20)	67	20
Total impact on profit/ (loss) for the period before tax	**(67)**	**(20)**	**67**	**20**
Change in impact on tax reported in profit/ (loss)	13	4	(13)	(4)
Total impact on the profit/ (loss) after tax	**(54)**	**(16)**	**54**	**16**
Change in the fair value of derivatives at the end of the period *)	127	(46)	(134)	50
Total impact on other comprehensive income before tax	**127**	**(46)**	**(134)**	**50**
Change in tax impact reported in other comprehensive income	(24)	9	25	(9)
Total impact on other comprehensive income after tax	**103**	**(37)**	**(109)**	**41**

*) Financial derivatives used in hedge accounting.

33.6.2. Interest rate swap contracts

In line with interest rate 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 early secured liabilities or bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

– early repayment of the residual value of secured loan or bonds;
– 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 periods:

	Hedging of interest rate from	Average contracted fixed interest rate	Principal amount	Fair value in CZK million as at 31 Dec 2022
Up to 1 year	loans	3.70 %	CZK 2,714 million	93
1 to 5 years	loans	3.69 %	CZK 2,418 million	75
more than 5 years	loans	3.65 %	CZK 1,256 million	8
Total				**176**

	Hedging of interest rate from	Average contracted fixed interest rate	Principal amount	Fair value in CZK million as at 31 Dec 2021
Up to 1 year	loans	2.66 %	CZK 1,000 million	9
1 to 5 years	loans	2.66 %	CZK 857 million	30
more than 5 years	loans	2.66 %	CZK 286 million	(2)
Total				**37**

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 are part of Finance cost in the separate statement of profit and loss.

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

All hedging relationships were 100% effective at the end of 2022 and 2021.

33.6.3. Expected realisations of hedged item interest rate swaps

The expected hedged cash flows from interest on variable-rate debt are listed in Note 33.9.1. in tables with remaining contractual maturities of financial liabilities in Lease liabilities and Float interest rate instruments lines.

33.7. 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.

33.8. 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 ČD 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 standardised 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 ČD 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 Group companies' exposure and rating is monitored and managed 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 on financial assets other than financial assets at fair value through other comprehensive income are recognized in profit or loss.

The concentration of credit risk is affected by a limited number of available counterparties (e.g., a limited number of banks on the Czech market, a limited number of public service orderers). In such cases, the company reduces credit risk by cooperating only with counterparties with high creditworthiness (reputable banks with investment ratings, orderers paying from the public budgets).

33.8.1. Current 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 the 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 3 years preceding 31 December 2022 or 31 December 2021, 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 2022 and 31 December 2021 below represent the Company's maximum exposure to credit risk on these assets:

(CZK million)

As at 31 Dec 2022	Before due date	Past due date (days) 1–30	31–90	91–180	181–365	Over 365	Total
Expected credit loss rate	2 %	4 %	7 %	24 %	78 %	100 %	
Finance lease receivables – gross	80	-	-	-	-	-	80
Current trade receivables – gross (Note 20.)	1,735	27	1	1	2	87	1,853
Expected credit loss	**42**	**1**	**-**	**-**	**2**	**87**	**132**

(CZK million)

As at 31 Dec 2021	Before due date	Past due date (days) 1–30	31–90	91–180	181–365	Over 365	Total
Expected credit loss rate	1 %	14 %	50 %	100 %	100 %	100 %	
Finance lease receivables – gross	80	-	-	-	-	-	80
Current trade receivables – gross	1,672	7	2	1	1	96	1,779
Expected credit loss	**19**	**1**	**1**	**1**	**1**	**96**	**119**

The credit risk associated with the 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. Concentration of trade receivables from the customers controlled by the state (Ministry of Transport, the regions and SŽ) as at 31 December 2022 is 59 % (31 December 2021: 49 %). The Company's exposure and the payment discipline of its contractors are monitored on an ongoing basis.

33.8.2. Cash, other financial assets and non-current trade receivables

The credit risk of liquid financial assets and financial derivatives is limited, as the contractual partners are banks with an investment grade credit rating. The Company does not expect any losses from default by these counterparties. For this reason, the impact of impairment of cash and cash equivalents is immaterial.

(CZK million)

Banks	Rating (Moody´s)	Bank balance as at 31 Dec 2022	Restricted cash as at 31 Dec 2022	Promissory notes as at 31 Dec 2022	Bank balance as at 31 Dec 2021	Restricted cash as at 31 Dec 2021
Komerční banka	Aa3	44	558	-	193	562
ČSOB	Aa3	185	-	2,892	280	-
Citibank	Aa3	-	-	-	239	-
ING bank	Aa3	-	-	-	95	-
Česká spořitelna	Aa3	-	-	-	25	-
Raiffeisenbank	A2	-	-	-	95	-
UniCredit Bank	A3	40	-	-	614	-
Všeobecná úverová banka	A2	3,503	-	-	92	-
Total		**3,772**	**558**	**2,892**	**1,633**	**562**

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.

Other financial assets mainly include securities at fair value through other comprehensive income, receivables from loans and cash pooling within the ČD Group, to 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 immaterial impact on all Other financial assets.

The following table provides an analysis of the credit risk of Other financial assets at amortised cost. The carrying values of assets as at 31 December 2022 and 31 December 2021 represent the Company's maximum exposure to credit risk from these assets:

(CZK million)

As at 31 Dec 2022	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Trade receivables – non-current	557	-	-	(12)	545
Loans within ČD Group	177	-	-	-	177
Group cash pool	178	-	-	-	178
Restricted cash	558	-	-	-	558
Receivables from damages and losses	44	-	-	(1)	43
Other	40	4	-	(6)	38
Total	**1,554**	**4**	**-**	**(19)**	**1,539**

(CZK million)

As at 31 Dec 2021	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Loans within ČD 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	**1,108**	**4**	**-**	**(15)**	**1,097**

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. The carrying value of other financial assets at fair value as at 31 December 2022 and 31 December 2021 represents Company's maximum credit exposure from these assets (Note 21.).

As at 31 December 2022 and 31 December 2021, the Company does not have any financial assets pledged as collateral.

33.9. Liquidity risk management

The Company 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 Company has contracted these binding credit facilities so that its available funds exceed its expected short-term outflows. The liquidity is also monitored by the Moody´s rating agency on an ongoing basis.

33.9.1. 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 Dec 2022	**Up to 1 month**	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Non-interest bearing	2,541	1,316	70	133	38	4,098
Liabilities from unpaid share capital (Note 32.)	510	-	-	-	-	510
Derivatives	-	-	472	1,651	682	2,805
Incoming cash flows	-	-	*2,536*	*13,870*	*4,342*	*20,748*
Outgoing cash flows	-	-	*3,008*	*15,521*	*5,024*	*23,553*
Lease liabilities	40	60	284	1,226	6	1,616
Float interest rate instruments	221	251	1,269	5,324	3,423	10,488
Fixed interest rate instruments	-	-	10,889	28,845	6,188	45,922
Total	**3,312**	**1,627**	**12,984**	**37,179**	**10,337**	**65,439**

(CZK million)

31 Dec 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	-	-	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**

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 Dec 2022	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	1,711	847	125	545	333	3,561
Finance lease receivables	5	-	14	76	400	495
Fixed interest rate instruments	6,396	-	-	-	-	6,396
Float interest rate instruments	184	16	52	178	-	430
Derivatives	-	31	69	201	24	325
Incoming cash flows	-	*31*	*69*	*201*	*24*	*325*
Total	**8,296**	**894**	**260**	**1,000**	**757**	**11,207**

(CZK million)

31 Dec 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**

*) Negative net undiscounted cash-flows are arising on specific cross currency interest rate derivatives due to the significant interest rate differential between the functional and hedged currency.

33.9.2. Financing facilities

The Company has access to the following loan facilities:

(CZK million)

Bank overdraft	ČSOB	KB	Total
Loan facility as at 1 Jan 2021	**700**	**1,500**	**2,200**
Unused amount as at 1 Jan 2021	**700**	**1,500**	**2,200**
Change of loan facility in 2021	-	-	-
Loan facility as at 31 Dec 2021	**700**	**1,500**	**2,200**
Unused amount as at 31 Dec 2021	**700**	**1,500**	**2,200**
Change of loan facility in 2022	-	-	-
Loan facility as at 31 Dec 2022	**700**	**1,500**	**2,200**
Unused amount as at 31 Dec 2022	**700**	**1,500**	**2,200**

(CZK million)

Promissory note programme	ČSOB	Citibank	ING	KB	Česká spořitelna	Total
Loan facility as at 1 Jan 2021	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**
Unused amount as at 1 Jan 2021	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**
Change of loan facility in 2021	-	-	-	-	-	-
Loan facility as at 31 Dec 2021	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**
Unused amount as at 31 Dec 2021	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**
Change of loan facility in 2022	-	-	-	-	-	-
Loan facility as at 31 Dec 2022	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**
Unused amount as at 31 Dec 2022	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**

(CZK million)

Revolving loan	Citibank	Total
Loan facility as at 1 Jan 2021	**1,500**	**1,500**
Unused amount as at 1 Jan 2021	**1,500**	**1,500**
Change of loan facility in 2021	-	-
Loan facility as at 31 Dec 2021	**1,500**	**1,500**
Unused amount as of 31 Dec 2021	**1,500**	**1,500**
Change of loan facility in 2022	-	-
Loan facility as at 31 Dec 2022	**1,500**	**1,500**
Unused amount as at 31 Dec 2022	**1,500**	**1,500**

During 2021, the Company contracted long-term bank credit lines as part of securing resources for the planned investments.

(CZK million)

Long-term credit lines	Raiffeisenbank	UniCredit Bank	Všeobecná úverová banka	Eurofima	EIB	Total
Loan facility as at 1 Jan 2021	**-**	**-**	**-**	**-**	**-**	**-**
Unused amount as at 1 Jan 2021	**-**	**-**	**-**	**-**	**-**	**-**
Change of loan facility in 2021	2,600	4,000	1,900	-	-	8,500
Loan facility as at 31 Dec 2021	**2,600**	**4,000**	**1,900**	**-**	**-**	**8,500**
Unused amount as of 31 Dec 2021	**2,100**	**3,000**	**1,400**	**-**	**-**	**6,500**
Change of loan facility in 2022	-	-	-	15,409	904	16,313
Loan facility as at 31 Dec 2022	**2,600**	**4,000**	**1,900**	**15,409**	**904**	**24,813**
Unused amount as at 31 Dec 2022	**-**	**-**	**-**	**15,409**	**904**	**16,313**

In 2021, the Company started working on loan documentation with Eurofima, in which it owns 1 % (Note 32.), to secure credit facilities totalling EUR 639 million (CZK 15,409 million). In the second half of 2022 and the beginning of 2023, the necessary steps were taken to finalise the loan documentation. The first pledge agreement was signed on 24 February 2023, and further pledge agreements will be signed as the rolling stock wil be taken over.

In July 2022, the loan agreement with the European Investment Bank in the amount of CZK 904 million was signed. These facilities will be used for the modernisation of the rolling stock, i.e., for equipping it with the ETCS safety system.

34. Post Balance Sheet Events

Jiří Minka was dismissed from the Supervisory Board, effective from 31 December 2022, and Michal Vozobule was elected as a new member of the Supervisory Board on 1 January 2023.

At the end of March 2023, the Company drew a long-term investment loan from Eurofima in the amount of CZK 6,903 million (drawn from long-term credit lines disclosed in Note 33.9.2.) due on 30 March 2033 with a fixed interest rate.

There were no other significant events between the balance sheet date and the date of approval of the separate financial statements

35. Approval of the Financial Statements

These separate financial statements were approved by the Board of Directors and authorised for issue on 18 April 2023.

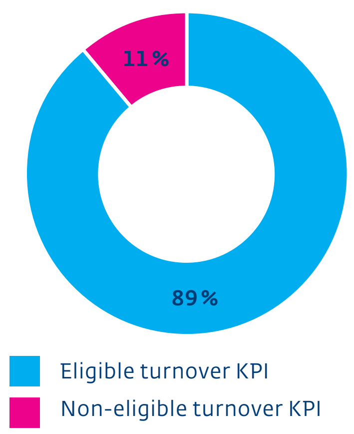
Consolidated Disclosure Pursuant to art. 8 of the European Parliament and of the Council Establishing a Framework to Facilitate Sustainable Investments (Taxonomy Regulation)

Article 8 Taxonomy Regulation

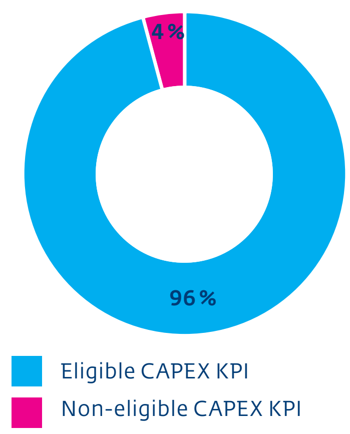
The Taxonomy Regulation is a key component of the European Comission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU climate goals as the Taxonomy is a classification system for environmentally 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 2022, which are associated with Taxonomy-aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Art. 8 Taxonomy Regulation.

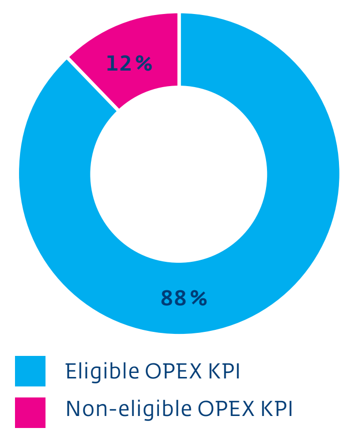
Turnover KPI



Capex KPI



Opex KPI



Proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in total turnover, Capex and Opex

2022	Total (in CZK million)	Proportion of Taxonomy-eligible economic activities (in %)	Proportion of Taxon-omy-aligned economic activities (in %)	Proportion of Taxonomy non-eligible economic activities (in %)
Turnover	46,249	89 %	-	11 %
Capital expenditure	21,184	96 %	-	4 %
Operating expendi-ture	6,181	88 %	-	12 %

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 of 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, financing, 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.	✔	✔

Structure of KPIs for Taxonomy-eligible activities

		Turnover		Capital expenditure		Operating expenditure	
Economic activity	**Code**	**In CZK million**	**%**	**In CZK million**	**%**	**In CZK million**	**%**
Passenger interurban rail transport	6.1	26,598	58 %	12,551	58 %	3,818	61 %
Rail freight transport	6.2	14,488	31 %	5,690	26 %	1,287	21 %
Infrastructure for rail transport	6.14	-	- %	1,980	12 %	353	6 %
Total for Taxonomy-eligible activities		**41,086**	**89 %**	**20,221**	**96 %**	**5,458**	**88 %**
Non-eligible activities		5,163	11 %	963	4 %	723	12 %
Total		**46,249**	**100 %**	**21,184**	**100 %**	**6,181**	**100 %**

Taxonomy-aligned economic activities

For the reporting year 2022 the ČD Group is not able to present our economic activities as Taxonomy-aligned for the reason of current non-compliance with the „Do no significant harm" principle related to the climate change adaptation section as described in Appendix A of the Annex I to the Climate Delegated Act.

Compliance with this principle is, among others, dependent on assessment of climate-change-related risks and vulnerability of the Group's key economic assets based on a climate change model relevant for Czech Republic.

Asset which is crucial for the ČD Group's main activities related to transport – i.e. the rail infrastructure – is not in our property and without co-action with its rightful owner we were not able to perform an analysis of the climate change risks and vulnerabilities connected to this asset for the reporting year 2022. The Group has, nonetheless, already begun discussions with the owner of the rail infrastructure concerning co-operation in this area for the following period.

The evaluation of climate change induced impacts on our economic activities takes place even now in the form of observation and consideration of causes of so-called exceptional events, and, as of now, these impacts are from the perspective of the Group evaluated as low-risk.

Due to inability to fulfill the criteria of the „Do no significant harm" principle for the year 2022 and therefore to present our economic activities as Taxonomy-aligned, we have not proceeded with evaluation of fulfillement of the Minimum Safeguards principle for the year 2022. The assessment will take place in the following period when specific criteria for evaluation and a „best practice" set of guidelines will be available.

Allocation of Turnover, Capex and Opex to one environmental objective

The ČD Group is particularly concerned by the global climate change and therefore seeks to contribute as much as possible to the objective of climate change mitigation with its activities. The ČD Group determined that activities 6.1, 6.2, 6.14 should be allocated to climate change mitigation objective, 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).

Contribution to multiple objectives

In line with our sustainability strategy, our main objective is to contribute primarily to mitigation of impacts of the climate change. Therefore, through our Taxonomy-eligible economic activities we partake in fulfillement of the objective „climate change mitigation".

Hence, for the reporting year 2022 we do not present contribution to any more objectives.

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 performer 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.

Activity 6.14 Infrastructure for rail transport
As an addition to our main activities 6.1 and 6.2 we also take part in supporting activities related to construction, modernisation and operation of selected parts of railway infrastructure that is property of ČD Group (i.e. that which is not property of Správy železnic s.o.). These activities comprise of implementation of ETCS safety system into locomotives, reconstruction of operational buildings, upgrade of operational softwares.

In comparison to reporting year 2021 there have been no significant changes in scope or manner of presentation of Taxonomy-eligible activities of the ČD Group.

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 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 Opex KPI. For the reporting period 2022 we disclose these KPIs 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 individual 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 2022 to 31 December 2022.

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.

– 6.1 Passenger interurban rail transport generating revenue from fares and related services and revenue from the state and regions;
– 6.2 Rail freight transport generating revenue 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).

Structure of Capex by asset type

		Land, buildings, equipment (in CZK million)					
Economic activity	**Code**	**Buildings**	**Machines, equipment and fixtures**	**Vehicles**	**Assets under construction**	**Prepayments**	**Total for category**
Passenger interurban rail transport	6.1	-	-	6,869	113	4,877	11,859
Rail freight transport	6.2	-	-	3,195	246	597	4,038
Infrastructure for rail transport	6.14	125	27	328	1,111	348	1,939
Non-eligible activities		68	130	5	344	4	551
Total		**193**	**157**	**10,397**	**1,814**	**5,826**	**18,387**

	Intangible assets and Goodwill (in CZK million)	
Economic activity	**Code**	**Software**
Passenger interurban rail transport	6.1	67
Rail freight transport	6.2	93
Infrastructure for rail transport	6.14	3
Non-eligible activities		154
Total		**317**

		Right-of-use assets (in CZK million)			
Economic activity	**Code**	**Buildings**	**Machines, equipment and fixtures**	**Vehicles**	**Total for category**
Passenger interurban rail transport	6.1	-	-	625	625
Rail freight transport	6.2	-	146	1,413	1,559
Infrastructure for rail transport	6.14	38	-	-	38
Non-eligible activities		188	1	69	258
Total		**226**	**147**	**2,107**	**2,480**

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 and Note 19 Right-of-use assets. They are the total of the additions types for both the tangible and intangible assets.

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 Taxonomyeligible Capex (and Opex):

Individually Taxonomy-eligible Capex and Opex

Description of the individually Taxonomy-eligible purchased output/measure	Corresponding economic activity (Annex I to Climate Delegated Act)
Acquisition of ETCS system	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 determined in accordance with IFRS 16 and including 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, or any indirect costs.

Concerning the numerator, 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 in the Capex KPI section.

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.

KPIs of non-financial undertakings

A) Turnover

				Substantial contribution criteria						DNSH criteria										
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Propor-tion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circu-lar economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy aligned proportion of turnover Year N (18)	Taxonomy aligned proportion of turnover Year N-1 (19)	Category (enabling activity) (20)	Category (transitio-nal activity) (21)
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Percent	Percent
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	- %														- %	- %		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Passenger interurban rail transport	6.1	26,598	58 %														- %	- %		
Rail freight transport	6.2	14,488	31 %														- %	- %		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		41,086	89 %																	
Total (A.1+A.2)		41,086	89 %																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		5,163	11 %																	
Total (A+B)		46,249	100 %																	

B) Capital expenditure

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Propor-tion of turnover (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH criteria: Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circu-lar economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy aligned proportion of turnover Year N (18)	Taxonomy aligned proportion of turnover Year N-1 (19)	Category (enabling activity) (20)	Category (transitio-nal activity) (21)
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Percent	Percent
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	- %														- %	- %		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxnomy-aligned activities)																				
Passenger interurban rail transport	6.1	12,551	58 %														- %	- %		
Rail freight transport	6.2	5,690	26 %														- %	- %		
Infrastructure for rail transport	6.14	1,980	12 %														- %	- %		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		20,221	96 %																	
Total (A.1+A.2)		20,221	96 %																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		963	4 %																	
Total (A+B)		22,184	100 %																	

C) Operationg expenditure

				Substantial contribution criteria						DNSH criteria										
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Propor-tion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circu-lar economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy aligned proportion of turnover Year N (18)	Taxonomy aligned proportion of turnover Year N-1 (19)	Category (enabling activity) (20)	Category (transitio-nal activity) (21)
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Percent	Percent
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	- %														- %	- %		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Passenger interurban rail transport	6.1	3,818	61 %														- %	- %		
Rail freight transport	6.2	1,287	21 %														- %	- %		
Infrastructure for rail transport	6.14	353	6 %														- %	- %		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		5,458	88 %																	
Total (A.1+A.2)		5,458	88 %																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		723	12 %																	
Total (A+B)		6,181	100 %																	

Disclosure of Information Pursuant to Act No. 106/1999 coll. on Free Access to Information, as Amended, for 2022

Pursuant to Section 18 of Act No. 106/1999 Coll., on Free Access to Information, as amended (hereinafter referred to as „Act"), České dráhy, a.s. (hereinafter referred to as „ČD") hereby publishes its annual report on its activities in the area of information provision pursuant to the Act in 2022.

In the period prior to 2 March 2020, ČD did not consider itself an obliged entity under the Act in view of the judgment of the Municipal Court in Prague No. 8 A 80/2017-50 of 28 September 2017 and therefore did not provide information under the Act.

On 2 March 2020, the judgment of the Supreme Administrative Court (SAC) No. 8 As 145/2018-61 of 27 February 2020 became final, in which the SAC stated that ČD is considered an obligatory subject under the Act in accordance with established case law.

Statistics of the agenda under the Act in the period from January to December 2022:

1. On the provisions of Section 18(1) (a) of the Act:

During the period in question, a total of forty-seven requests for information were handled by the ČD.

Eight requests were partially rejected in accordance with the provisions of Section 15 of the Act / information was not provided to the extent requested.

Eighteen requests were refused in accordance with the provisions of Section 15 of the Act.

2. On the provisions of Section 18(1)(b) of the Act:

In thirteen cases, an appeal was lodged against the decision of the ČD in accordance with the provisions of Section 16 of the Act, which was decided on by the Office for the Protection of Personal Data. In total, however, eight applications were challenged by appeal, as three applications were appealed twice and one application was appealed three times.

3. On the provisions of Section 18(1)(c) of the Act:

- Judgment of the Supreme Administrative Court No. 10 As 49/2022 - 51 of 3 March 2022: ‚*In the case of the request for information now under consideration, however, there was no need to doubt in any way that the applicant had identified himself sufficiently (he gave his title, name and surname, date of birth and place of residence, he also stated that he was a lawyer and provided the address of his registered office and his registration number). He also made it clear that he was requesting information under the Freedom of Access to Information Act and that he had submitted the request on his own behalf and not as someone else's representative. This should have been sufficient to deal with the request.*'
- Resolution of the Constitutional Court (CC) IV. CC 1149/22 of 28 June 2022: ‚*The Supreme Administrative Court, in a contested decision, dealt with the applicant's objections raised in the cassation complaint and gave proper, logical and factually adequate reasons for its conclusion that the applicant had been clearly identified in the application and that there was therefore nothing to prevent its substantive examination. He paid due attention to the plaintiff's central argument that the real applicant for information was the lawyer's - unknown to the plaintiff - client. He refuted this objection by referring to Act No 106/1999 Coll., IV. CC 1149/22 Coll., which does not distinguish whether a person is requesting information in the capacity of a businessman or in a purely personal matter, does not make the consideration of the request conditional on the requirement of its justification, nor does it set any restrictions relating specifically to lawyers requesting information in the course of practising law. Since the lawyer in the case under review made it clear that he was submitting his request for information on his own behalf, there was no doubt, according to the Supreme Administrative Court, that the only real applicant, subsequent party to the administrative proceedings and party to the administrative action was the lawyer. From the point of view of the Constitutional Court, there is nothing to fault in the judgment under appeal in that respect.*'

The obliged entity incurred the sum of CZK 32,843.00 (thirty-two thousand eight hundred and forty-three Czech Crowns) in costs as per the legal proceedings concerning rights and obligations under the Act.

4. Concerning the provisions of Article 18(1)(d) of the Act:

During the period in question, none of the requests was subject to the provisions of a licence or sub-licence agreement for the provision of information.

5. Regarding Article 18(1)(e) of the Act:

In nine cases, a complaint was lodged against the manner in which the information was handled pursuant to Section 16a of the Act, which was forwarded to the Office in accordance with Section 20(5) of the Act. In total, however, there were five applications whose handling was challenged by complaints, as in the case of three applications the complaint was lodged twice.

In the case of one request, the complaint was filed because of disagreement with the requested payment for an extraordinary search for information (the applicant was granted CZK 0 by the Office).

In the case of one request, the applicant disputed the manner in which the request was handled (the Office found the complaint justified only in part, and upheld ČD's procedure for the remaining part).

In the case of three requests, the plaintiff disputed the manner in which the application was processed (the Office ordered the obliged entity to process the applications).

6. On the provisions of Article 18(1)(f) of the Act:

The Constitutional Court, in its Resolution IV. CC 1149/22 of 28 June 2022, stated that the Act does not distinguish whether a person is requesting information in the capacity of a businessman or in a purely personal matter, nor does it set any limitations relating specifically to lawyers requesting information in the course of practising law.

Information on the Persons Responsible for the Annual Report of the ČD Group

Affidavit

Having taken all reasonable care, the consolidated annual report gives, to the best of our knowledge, 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 2022 and of the prospects of future development of the financial position, business activities and operational results of operations of the Company and its consolidation group and no facts have concealed in this report that could change its meeting.

Finalised in Prague on 18 April 2023

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 2022

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 2022 to 31 December 2022.

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

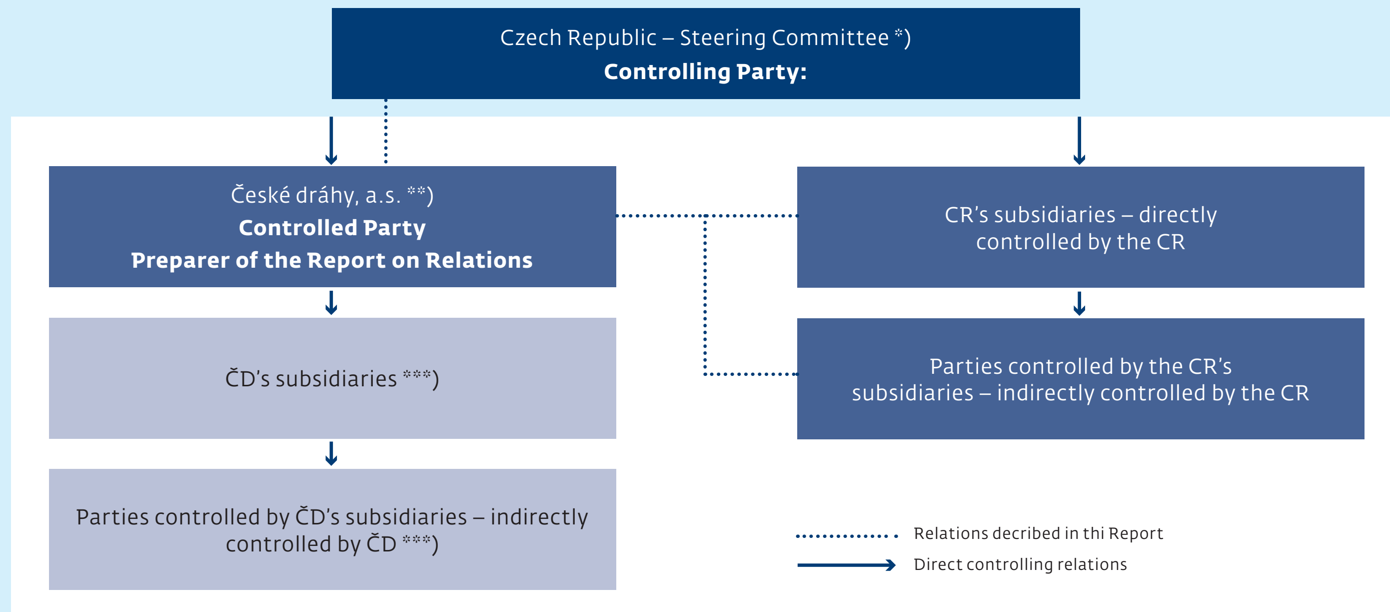
1) A directly controlled party is a corporation in which the State has a share of voting rights of at least 40% of all the votes in a given corporation, unless another party or other parties acting jointly have the same or bigger share of voting rights in a given corporation.

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 the 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, jointstock 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 JointStock Company České dráhy, a.s."), the Czech Republic exercises the shareholder rights in the Company through the Company's Steering Committee. The Steering Committee comprises of the employees of the Ministry of Transport (three employees), the Ministry of Finance (one), the Ministry of Defence (one), the Ministry of Industry and Trade (one) and the Ministry of Regional Development (one), 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 JointStock 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 that entered into the contracts with České dráhy, a.s., valid in 2022:

CR-City a.s.
ČD Cargo, a.s.
ČD - Informační Systémy, a.s.
ČD - Telematika a.s.
ČD relax s.r.o.
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.
ČD Bus 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 2022 submitted separately by each of these subsidiaries.

IV. 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 valid in 2022, concluded between the Company and the State and the Company and parties indirectly controlled by the same Controlling party.

ČEPRO, a.s.	
Contract reference number	**Contract description**
4600016691	Supply of diesel - service facility
4600017184	Supply of extra-light fuel oil LTO-E 2020-2023
2657020017	Siding – lease of a plot of land Zeleneč
2927202209	Equipment - siding
2937706306	Lease of a land plot no. 855/20
2967271207	Lease of a siding – land plot no.12, Nová Víska cadastral area
2977408603	Lease of a land plot Veselí nad Lužnicí
2977735207	Lease of a land plot no. 3203/22, cadastral area no. 722120

ČEZ Distribuce, a. s.	
Contract reference number	**Contract description**
4600019630	Electricity distribution in Louny depo area
4600020939	Car washing unit installation in Pilsner depo area
4501151268	Fuse replacement Zbůch
4501156243	Česká Třebová – new metering point
2927402414	1S44 power wiring Olomouc
2927852807	Lease of a land plot Ostrava
2947012007	Lease of a siding Všestary
2647019520	Lease of a land plot no. 1968/2 Chlumec nad Cidlinou
2657012720	Construction Malé Přítočno, no. 25

ČEZ ESCO, a.s.	
Contract reference number	**Contract description**
4500982292	241-ZAP OVA Electricity supply - Osoblaha
4500899568	Electricity Borová u Poličky
4600019582	Contract on connection of metering point Karlovy Vary
4600020554	Contract on joint electricity supplies Karlovy Vary
4501173578	200/2022 RP ZAP OVA electricity Osoblaha

ČEZ Prodej, a.s.	
Contract reference number	**Contract description**
4600008450	Electricity supply – Ústí nad Labem
4600008487	Electricity supply Borová u Poličky
4600010444	Contract on joint electricity supplies
4600011357	Connection of metering point
4600013585	Electricity supply Svojšín 412061
4600013586	Electricity supply Svojšín 412062
4600010443	Electricity supply - Hlinsko
4600010444	Contract on joint 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
4501185524	Demineralized technical water
2937105107	Lease of land plot under a siding no. 2864/610
2937302207	Lease of a land plot no. 4515/20 and 4177/23
2947007207	Lease of property no 311/21 siding Dvůr Kr./L.
2947007307	Plot of property 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 land plot under a siding
2657003018	Takeover for installation of two hydrogeological wells

MARTIA a.s.	
Contract reference number	**Contract description**
4600012865	Management and maintenance of the heat source - 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 the Brno-Břeclav-Olomouc line
E057-55108/2019-O16	Ensuring transport services on the SVS-Ex2, R18 line
E057-58507/2019-O16	Ensuring nation-wide transport services
E057-58509/2019-O16	Ensuring transport services on the SVS R29 line
E060-58315/2020-O16	Ensuring transport services on the R27 line
E060-57544/2021-O16	Ensuring transport services on the R9 line
E060-57545/2021-O16	Ensuring transport services on the R10 line
E060-57597/2022-O16	Ensuring public services on the R27 line

SD - Kolejová doprava, a.s.	
Contract reference number	**Contract description**
E296-OS-0022/13-T	Heat and hot process water supply
E296-OS-0026/13-A	Water, sewerage, rainwater
2967105113	Lease of a 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 Bílina no. 2251/1 and 2386

ENESA a.s.	
Contract reference number	**Contract description**
2637700119	Lease of a building no. 222 Havlíčkův Brod
4600017272	Lighting reconstruction
4600020139	Heat energy and hot process water supply DKV
4501144806	Repair of lights in Bohumín repair works hall (POV)

AirPlus, spol. s r.o.	
Contract reference number	**Contract description**
4501165049	Services related to photovoltaic power plant

AZ KLIMA a.s.	
Contract reference number	**Contract description**
4501204038	Servicing of air-conditioning and cooling OPT Olomouc
4501185921	Servicing of air-conditioning Pilsner
4501199312	Servicing of air-conditioning OCP Pilsner

CERBERO S s.r.o.	
Contract reference number	**Contract description**
1668000118	Leasing Horní Hanychov

V. Other relations

The Company received payments from the Ministry of Transport for the operation of long-distance rail transport and compensation of discount fares in the amount of CZK 6,150 million in 2022. 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 3,534 million according to the most recent financial statements as at 31 December 2021.

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 on Relations was submitted for the review to the Supervisory Board which will provide its statement at the Company's Steering Committee.

Prague, 28 March 2023

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

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

Attachment 1

The list of the directly and indirectly controlled parties from 1 January 2022 to 31 December 2022

Name	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 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 Tep-lárenská, 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.
CERBEROS s.r.o.	24237744	100	Party indirectly controlled by the State through Telco Pro Ser-vices, a. s.
ENESA a.s.	27382052	100	Party indirectly controlled by the State through ČEZ ESCO, a.s.
AirPlus, spol. s r.o.	25441931	100	Party indirectly controlled by the State through ČEZ ESCO, a.s.
AZ KLIMA a.s.	24772631	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

Name	Identification Number	Share of state in %	Means of Control
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
Ministerstvo dopravy	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 Bus a.s.	17377404	100	Party indirectly controlled by the State through ČD, a.s.

List of Abbreviations Used

Abbreviation	Description
CAPEX	Investment (capital) expenditure
CAPM	Capital Asset Pricing Model
CC	Constitutional Court
CER	Community of European Railways
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
CSAT	Customer Satisfaction Score
ČSN	Czech Technical Standard
ČSN EN	European Standard
CSR	Social Responsibility
ČR	Czech Republic
VAT	Value Added Tax
DISOD	Dispatcher Information System for Passenger Transport
DPOV	Vehicle Repair Workshops (DPOV, a.s.)
DVI	Transport Education Institute (Dopravní vzdělávací institut, a.s.)
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EC	European Commission
ECM	Entity in Charge of Maintenance
ESG	Environmental, Social, and Governance - Taxanomics Regulation

Abbreviation	Description
ERTMS	European Rail Traffic Management System
ETCS	European Train Control system
EU	European Union
EUROFIMA	European Railway Vehicle Financing Association
Ex	Express long-distance passenger train
GSM-R	Standard for wireless communication for railway applications
DG	Directorate-General
GDP	Gross Domestic Product
GNSS	Global Navigation Satellite system
IAS	International Accounting Standard
ICT	Information and Communication Technology
IDM	Identity Management Concept
IDS	Integrated Transport system
IFRS	International Financial Reporting Standards
Act	Freedom of Information Act
IS	Information system
ISO	International Organization for Standardization
IS OPT	Information System for Transport Revenue Clearing
IT	Information Technology
KC	Competence Centres for Prospective Lines of Rolling Stock
KN	Real Estate Cadastre
KPI	Key performance indicators
MT	Ministry of Transport of the Czech Republic

Abbreviation	Description
MF	Ministry of Finance of the Czech Republic
MHD	Urban Public Transport
MIMO	Extraordinary 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
MTZ	Material and Technical Security
MU	Extraordinary Event
ND	Replacement Bus Transport
NCK Ž 2030	National Centre of Competence Railways 2030
NSK	National Registrer of Qualifications
NSS	Supreme Administrative Court
NÚKIB	National Office for Cyber and Information Security
OCU	Regional Maintenance Centres
OPT	Freight Revenue Clearing House
OSH	Occupational Safety and Health
PAM	Privileged Account Management
PARIS	Sales and reservation information system
PHM	Fuel
PPC	Pay per Click
POP	Portable personal cash register
PRIBOR	Prague Inter Bank Offered Rate
RIC	Regolamento Internazionale delle Carrozze

Abbreviation	Description
ROP	Regional Operational Programme of the European Union
RSM	Regional Asset Management
SAC	Supreme Administrative Court
SAP	Enterprise Application Software Company
SC	Category of the Highest Quality Train (SuperCity)
SED	Approval of Electronic Documents
SJT	Single Tariff System
SOC	Security Operation Center
SŽ	Railway Administration - a public organisation (Správa železnic, s.o., formerly SŽDC)
TACR	Technology Agency of the Czech Republic
TSI OPE	Technical Specifications for Interoperability - Operation and Traffic Management
UIC	International Union of Railways
ÚMVŽST	Entity Representing the State in Property Issues
UNIPOK	Czech Passenger Transport Cash System
ÚOHS	Office for the Protection of Competition
UPPS	Exercise of the Right under the Transport Contract
VIM	Automated Processing of Supplier Invoices
TRAIN-KM	Train Kilometres (sum of products of number of trains and distances travelled)
VUZ	Railway Research Institute (Výzkumný Ústav Železniční, a.s.)
WACC	Weighted Average Cost of Capital
WTB	Wilderness Trail Bikes
ZK	Basic Capital

Identification and Contact Information

Name of the company: České dráhy, a.s.

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Corporate ID: 70994226

Tax ID: CZ70994226

Registration court: Prague

File no: Section B, file 8039

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