2012

Annual Report of the České dráhy Group


310 passenger seats
CityElefant

Introduction, Goal and Vision

About Us

We are a transportation enterprise operating passenger and freight railway transport. We provide network services of connecting routes offering comfort of our regional trains and higher quality trains. In cooperation with other transport providers we offer the passenger check-out and freight transport across the entire continent.

Our Services Include:

— Regional, long-distance and international passenger railway transportation services;
— Comprehensive freight transportation services across Europe;
— IT services to railway transportation companies and railway infrastructure managers;
— Comprehensive repair services for rolling stock and railway infrastructure;
— Testing services, railway transportation research and development;
— Railway catering services.

Our Goal

Our goal is to provide transportation services to a wide range of customers, geographically covering the entire territory of the Czech Republic, including cross-border services in the territory of neighbouring states, and to provide network connection, predominantly in the railway transport segment under the terms and conditions that are economically advantageous for both the state and customers.

Our Vision

We aim to be the railway transportation company of choice for travellers, ordering parties and freight transport customers. Thus, we must assume the role of the leader in the open market as a competitive, customer-focused and, profitable company with a stable position in the railway sector. We focus on the key success elements – customer focus and the effort to make the services offered simple and easy to use. This is accompanied by the modernisation of the rolling stock and the implementation of modern technologies to manage travellers and shipments.

Key Indicators of the ČD Group

Key indicators – IFRS financial indicators in CZK mil.	**2012**	**2011**	**Difference**	**%**
ČD Group				
EBITDA adjusted)*	6,097	6,782	-685	90
EBITDA	5,562	6,672	-1,110	83
EBIT adjusted)*	-2	1,108	-1,110	n/a
EBIT	-537	998	-1,535	n/a
Profit/loss for the period adjusted)*	-1,059	601	-1,660	n/a
Profit/loss for the period	-1,594	491	-2,085	n/a
Total assets	84,525	82,612	1,913	102
CAPEX	10,268	8,603	1,665	119
Amortisation and depreciation	6,099	5,673	426	108
Leverage (%) – external funding/assets	52.3	48.8	3.5	107
Current liquidity (%) – short-term assets/short-term liabilities	45.7	48.4	-2.7	94
ROCE (%) – EBIT/(total assets – short-term liabilities)	-0.8	1,6	-2.4	n/a
Number of employees in average FTE	26,443	33,566	-7,123	79
Passenger transport (ČD, a.s.) **				
Number of passengers (mil.)	169	166	3	102
Traffic performance (mil. person-kilometres)	6,907	6,635	272	104
Transport performance (mil. train-kilometres)	121.7	121.3	0.4	100
Average traffic distance (km)	41	40	1	103
Occupancy ratio (%)	25	24	1	104
Freight transport (ČD Cargo, a.s.)				
Traffic volume (mil. tonnes)	73.35	78.74	-5.39	93
Traffic performance (mil. tariff tonne-kilometres)	13,044	13,872	-828	94
Transport performance (mil. train-kilometres)	25.0	26.2	-1.2	95
Average traffic distance (km)	178	176	2	101
DPOV, a.s.				
SOP – Average actual repair period (days)	78.65	77.21	1.44	102
ODKP – Average commission repair period (days)	75.96	78.07	-2.11	97
Weighted average calculated from (SOP) – (ODKP)	2.69	-0.86	3.55	n/a

Notes:
EBITDA = profit (loss) before interest and tax (EBIT) from continuing operations + depreciation and amortisation from continuing operations
EBIT = profit (loss) before interest and tax from continuing operations
* Adjusted indicator is netted of a provision created on the side of ČD Cargo, a.s. for restructuring of the company at the amount of CZK 535 million in 2012 and CZK 110 million in 2011.
** The information on the passenger transport of ČD, a.s. does not include free-of-charge and flat transportation services.

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Opening Statement of the Chairman of the Board of Directors

Ladies and Gentlemen,

The České dráhy Group ranks among the most significant companies in the Czech Republic not only in terms of the scope of its activities, the sales volume and the number of employees but also by playing an important social role. This is reflected in the Annual Report for 2012, which is hereby presented to you.

While the report contains the consolidated results of the ČD Group, I would like to emphasise the financial results of passenger transport, which is traditionally the closely-watched segment of our business activities. I am proud to say that we have significantly increased the operating profit before depreciation and amortization by more than CZK 100 million. EBITDA for 2012 amounted to CZK 1.862 billion. The total loss of passenger transport, which is primarily caused by depreciation relating to the newly-purchased trains, decreased by nearly CZK 70 million year-on-year, which is predominantly due to higher sales.

Despite the sharp entrance of competitors to the busiest route between Prague and Ostrava, the number of passengers grew by three million last year and we collected CZK 280 million more in sales from passenger transport than in 2011. Undoubtedly, this results from the increased quality of services and the massive investments in the modernisation of the rolling stock, which exceeded CZK 7 billion last year.

We have continued increasing efficiency and identifying savings opportunities in order to mitigate the impact of the increasing of input prices on state and regional public budgets. The ongoing revitalisation of vehicles had a positive effect on lower maintenance costs and we saved an additional CZK 100 million in payroll costs. It is obvious that the passenger transport of České dráhy fulfils its role of a national carrier well, pursuing the primary goal of providing the widest passenger transport services possible in the Czech Republic under the terms and conditions that are most advantageous for citizens and ordering customers.

The aggregate financial results of the ČD Group were impacted negatively by the financial slump of freight transport, which incurred a loss of CZK 1.911 billion. Freight transport was negatively affected by the economic crisis and faced the consequences of the decline in the construction and manufacturing industries as well as the low profitability in the segment of individual vehicle shipments. However, it should be emphasised that the loss comprised an extraordinary write-off of the valuation difference of CZK 1.2 billion on ČD Cargo, a.s. side when it was decided to decrease the value of assets with respect to the current valuation and aging of the rolling stock and in connection with the fact that redundant railway vehicles will be sold in the coming years. Today, this accounting transaction has a negative impact on profit or loss but in the future it will reduce non-current assets and generate savings in depreciation. Stabilisation of ČD Cargo's financial performance is also expected to result from additional measures taken as part of the company's restructuring, without having any significant impact on the volume of transport. The business plan of ČD Cargo for 2013 anticipates a balanced operating profit/loss.

Ladies and Gentleman,
although we expect another significant growth in input prices in 2013 and despite the fact that the ongoing economic recession does not provide large hopes for faster improvement in the economic situation in general, I believe that České dráhy will fulfil its role as a national carrier and the quality of our transportation services will continue to grow.

Petr Žaluda
Chairman of the Board of Directors and Chief Executive Officer

Statutory Bodies of the Company as of 31 December 2012

Board of Directors

Petr Žaluda
Chairman of the Board of Directors (since 1 February 2008) and CEO (since 1 February 2008), age: 46
Petr Žaluda graduated from the Technical University in Brno and completed study programmes at Utrecht University and Sheffield Business School.
He worked as Country Manager for Stork Demtec. Between 1993 and 1996, He worked as Branch Office Manager in Ernst & Young. In 1998, he became the CEO and Chairman of the Board of Directors of Winterthur, penzijní fond. Between 2002 and 2006, he managed the Winterthur Group in the Czech Republic and Slovakia. In 2007, Petr Žaluda became Country Manager of AXA for the Czech Republic and Slovakia.

Ctirad Nečas
Member of the Board of Directors (since 9 November 2011), age: 40
Ctirad Nečas graduated from the Faculty of Philosophy of Masaryk University in Brno. Until 2002 he worked for FIRM Blansko in the position of the shareholder's deputy. From 2002 he was the Finance Director of Lavimont, spol. s r.o. At present he is the CEO of Královopolská Ria, a.s.

Miroslav Šebeňa
Member of the Board of Directors (since 21 September 2012) and the Executive Director for Marketing and Products (since 15 November 2012), age: 42
Miroslav Šebeňa graduated from the Faculty of Metallurgy of the Technical University of Košice. He worked in marketing and before joining ČD, he was the Marketing Director of AXA life insurance company and pension fund. Between 2008 and 2012, he worked as the Deputy CEO of ČD for Trade and Marketing.

Roman Boček
Member of the Board of Directors (since 1 October 2012) and the Executive Director for Asset Administration (since 1 October 2012), age: 43
Roman Boček graduated from Masaryk University in Brno. From 1997, he worked in management positions in several companies. Between 2003 and 2008, he was the CEO of the Regional Hospital in Příbram (Oblastní nemocnice Příbram, a.s.), between 2009 and 2010 the Deputy Minister of Transport and between 2010 and 2012 the Deputy Minister of Agriculture.

Changes in the Composition of the Board of Directors
On 26 April 2012, the term of office of Jiří Kolář as a Board Member was terminated by resignation. On 10 August 2012, Vladimír Bail resigned from the position as the First Vice-Chairman of the Board of Directors and a Member of the Board of Directors; the resignation was discussed at the Supervisory Board's meeting held on 16 August 2012 with immediate effect. At the Supervisory Board's meeting held on 20 September 2012, Miroslav Šebeňa and Roman Boček were appointed Members of the Board of Directors (with effect from 21 September 2012 and 1 October 2012, respectively). On 30 October 2012, the Board of Directors discussed the resignation of Michal Nebeský from the office of a Member of the Board of Directors and his office was terminated on 31 October 2012.

Supervisory Board

Miroslav Nádvorník
Member of the Supervisory Board (since 16 September 2010), age: 46
Chairman of the Board of Directors and CEO of MD Logistika, a.s.

Michael Hrbata
Member of the Supervisory Board (since 16 September 2010), age: 41
Ministry of Defence, Deputy Minister of Defence of the Czech Republic

Josef Smýkal
Member of the Supervisory Board (since 20 July 2012), age: 58
Member of the Chamber of Deputies of the Parliament of the Czech Republic

Martin Riegl
Member of the Supervisory Board (since 19 August 2012), age: 32
Ministry of Transport, Chief of Administration

Miroslav Drobný
Member of the Supervisory Board (since 20 July 2012), age: 38
Ministry of Transport, Deputy Minister of Transport in the position of the Secretary

Vladislav Vokoun
Member of the Supervisory Board (since 1 January 2009), age: 53
First Vice-Chairman of the Confederation of Railroad Unions (OSŽ)

Antonín Leitgeb
Member of the Supervisory Board (since 1 January 2009), age: 54
Secretary of the Company Committee of the Confederation of Railroad Unions (OSŽ)

Jaroslav Pejša
Member of the Supervisory Board (since 5 May 2011), age: 57
Chairman of the Confederation of Railroad Unions (OSŽ)

Changes in the Composition of the Supervisory Board
The term of office as a Supervisory Board Member ended for Daniel Bartek by discussing his resignation at the Steering Committee meeting held on 6 June 2012. The Supervisory Board meeting held on 14 June 2012 appointed Ivo Toman to be its Chairman with effect from 15 June 2012. On 19 July 2012, the Steering Committee discussed the resignation of Lukáš Hampl from the position of Supervisory Board Member with effect as of 20 July 2012. On 12 December 2012, the Steering Committee discussed the resignation of Ivo Toman from the position of Supervisory Board Chairman and Member with immediate effect.

Steering Committee

Lukáš Hampl
Chairman of the Steering Committee; Deputy Minister of Transport of the Czech Republic
Appointed following Resolution 401of the Czech Government of 6 June 2012

Jiří Žák
Deputy Chairman of the Steering Committee; Deputy Minister of Transport of the Czech Republic
Authorised and appointed Deputy Chairman following Resolution 401 of the Czech Government of 6 June 2012

Miloslav Hala
Member of the Steering Committee; acting Deputy Minister of Transport of the Czech Republic
Appointed following Resolution 401of the Czech Government of 6 June 2012

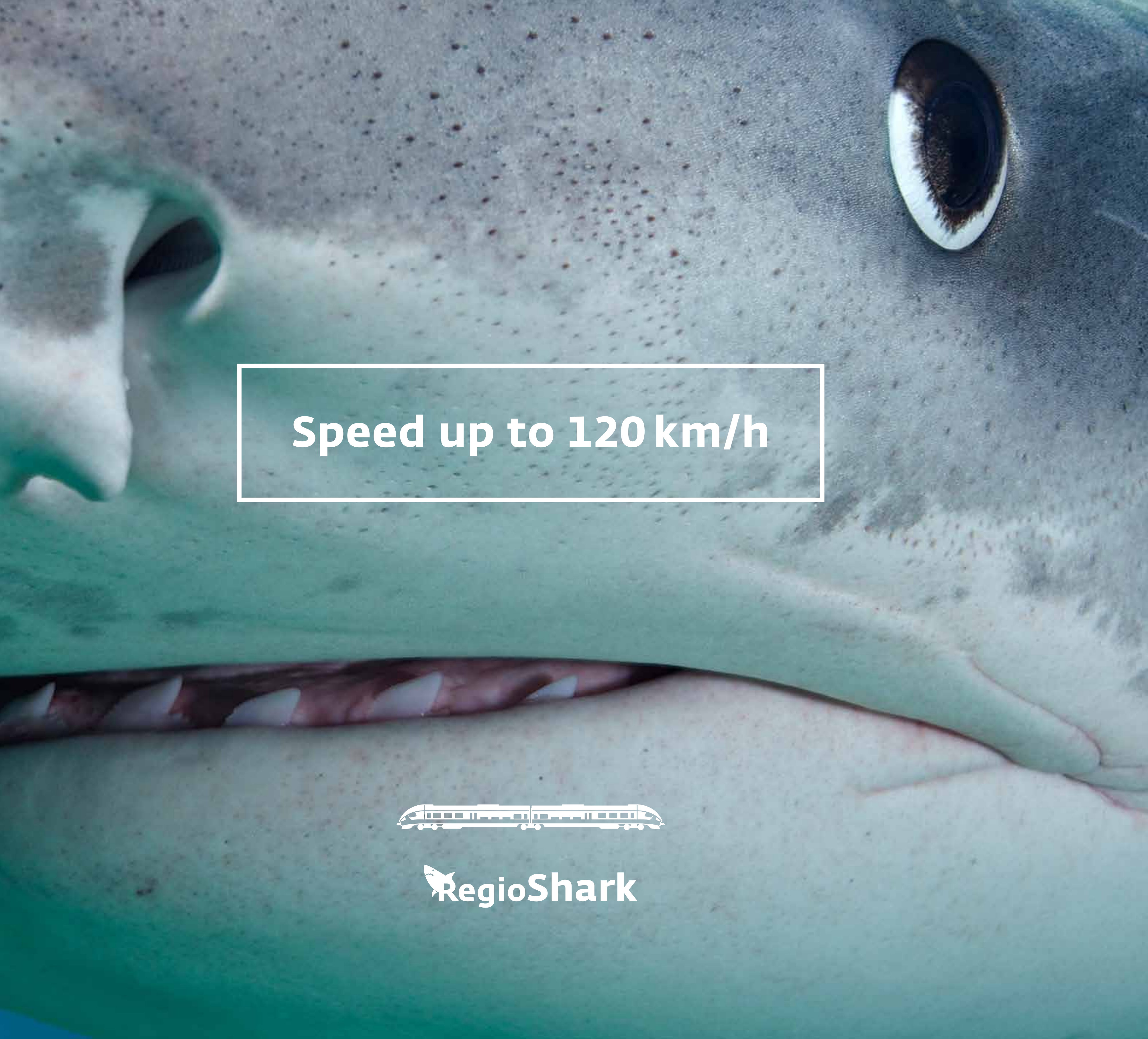
Michael Hrbata
Member of the Steering Committee; Deputy Minister of Defence of the Czech Republic
Appointed following Resolution 582 of the Czech Government of 11 August 2010

Michal Janeba
Member of the Steering Committee; Deputy Minister for Regional Development of the Czech Republic
Appointed following Resolution 582 of the Czech Government of 11 August 2010

Petr Pelech
Member of the Steering Committee; Secretary to the Minister of Industry and Trade of the Czech Republic
Appointed following Resolution 401of the Czech Government of 6 June 2012

Miloslav Müller
Member of the Steering Committee; Chief of Office of the Minister of Finance of the Czech Republic
Appointed following Resolution 207 of the Czech Government of 7 March 2007

Changes in the Composition of the Steering Committee
On 31 December 2011, the term of office of the Steering Committee Member Jakub Hodinář ended. On 31 January 2012, the term of office of the Steering Committee Member Petr Polák ended. On 7 June 2012, Ivo Vykydal's term of office as a Member of the Steering Committee ended.


Speed up to 120 km/h
RegioShark

Report on Activities of the Supervisory Board of České dráhy, a.s. for 2012

In 2012 the Supervisory Board held nine ordinary and three extraordinary meetings in the registered office of České dráhy, a.s. and the Supervisory Board always had a quorum. The members of the Company's Board of Directors regularly participated in the meetings.

The Company's Supervisory Board performed its activities and fulfilled the aggregate tasks in accordance with the legal regulations and the Company's Articles of Association. In accordance with Article 47a of the Company's Articles of Association, the Supervisory Board performed its control and decision-making activities through individual committees. The underlying documentation for the Supervisory Board's meetings was prepared by individual committees.

As part of its supervisory activities, the Supervisory Board continuously monitored the activities of the Board of Directors. The Board of Directors regularly informed the Supervisory Board on the current activities of the Company, the Company's economic results and financial position and on activities of subsidiaries (at the Supervisory Board's request, information of the situation in a subsidiary, ČD Cargo, was provided on a regular basis). The meeting discussions of the Supervisory Board included various applications filed by the Company's Board of Directors to obtain approval prior to specific legal acts. The Supervisory Board duly discussed all of the applications. The Supervisory Board regularly discussed the Company's economic situation and the course and development of its business activities. As part of this, the Supervisory board focused on the current status of material contracts, the realisation of projects according to the investment plan and meeting of goals set out by the annual business plan. The Supervisory Board meetings resulted in a number of comments, suggestions and requirements on the underlying documentation that was the subject of the discussions.

The Supervisory Board states that in 2012 the Company's Board of Directors provided the Supervisory Board with the aggregate information required or necessary for performing the Supervisory Board's oversight activities and cooperated with the Supervisory Board accordingly.

As part of its oversight activities, the Supervisory Board did not identify any violation or non-fulfilment of duties set out by legal regulations, the Articles of Association, internal company regulations, instructions of the General Meeting, or based on the Supervisory Board's own suggestions made to the Company's Board of Directors on the part of České dráhy or any individual Member of the Board of Directors. The Supervisory Board's activities complied with the Articles of Association and other generally-binding legal regulations.

In conclusion, the Supervisory Board states that it was provided with all conditions necessary for the due performance of its activities and that the performance of its activities was fully in compliance with the provisions of the Articles of Association of České dráhy, a.s. and the legal regulations.

In Prague on 14 March 2013

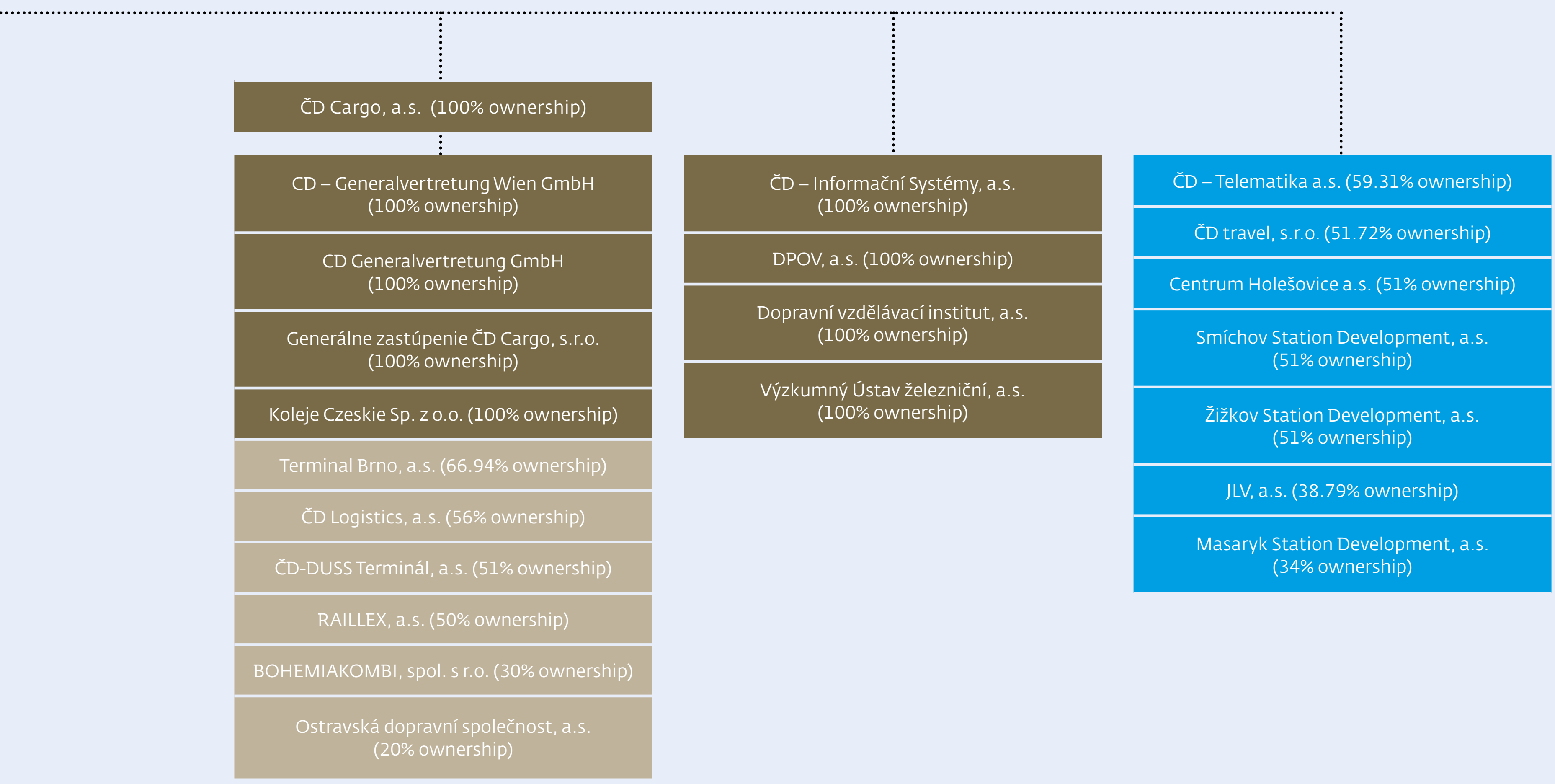
Libor Antoš
Chairman of the Supervisory Board of České dráhy, a.s.

Organisational Structure of České dráhy Group as of December 2012

Consolidated ČD Group

České dráhy, a. s.

- Steering committee
- Supervisory Board
- Audit Committee
- Board of Directors
- General Directorate
  - Rail Vehicle Depots (DKV)
  - Regional Passenger Transport Centers (KCOD)
  - Procurement Center (ZC)
  - Regional Asset Management (RSM)
  - Transportation Sales Clearing (OPT)
  - Internal Service Center (CIS)
  - HR Service Center (CPS)
  - Passenger Train Conductors (VDOD)
  - Railway Medical Service
  - Historical Vehicles Depot (DHV)


ČD Cargo, a.s. (100% ownership)
CD – Generalvertretung Wien GmbH (100% ownership)
CD Generalvertretung GmbH (100% ownership)
Generálne zastúpenie ČD Cargo, s.r.o. (100% ownership)
Koleje Czeskie Sp. z o.o. (100% ownership)
Terminal Brno, a.s. (66.94% ownership)
ČD Logistics, a.s. (56% ownership)
ČD-DUSS Terminál, a.s. (51% ownership)
RAILLEX, a.s. (50% ownership)
BOHEMIAKOMBI, spol. s r.o. (30% ownership)
Ostravská dopravní společnost, a.s. (20% ownership)
ČD – Informační Systémy, a.s. (100% ownership)
DPOV, a.s. (100% ownership)
Dopravní vzdělávací institut, a.s. (100% ownership)
Výzkumný Ústav železniční, a.s. (100% ownership)
ČD – Telematika a.s. (59.31% ownership)
ČD travel, s.r.o. (51.72% ownership)
Centrum Holešovice a.s. (51% ownership)
Smíchov Station Development, a.s. (51% ownership)
Žižkov Station Development, a.s. (51% ownership)
JLV, a.s. (38.79% ownership)
Masaryk Station Development, a.s. (34% ownership)

2012 Event Calendar

January

ČD was once again one of the exhibitors in the GO2012 and REGIONTOUR2012 fairs in Brno.

February

ČD put into operation its 500th air-conditioned vehicle. Half of the air-conditioned vehicles are used in regional transport.

ČD Cargo started installing radio equipment in 197 locomotives. The equipment is intended for the communication in the GSM - R system according to the European EIRENE standard (Technical Specification of Interoperability – Management and Security) as part of the "GSM-R ČD Cargo Radiostations" project funded from the EU Cohesion Fund as part of the Transportation Operational Programme, priority axe 1- Modernisation and Development of the TEN-T Railway Network, support area 1.2. – Interoperability in the Existing Railway Routes, Compliance with Technical Specifications for Interoperability (TSI) and Telematic System Development (non-infrastructure part).

March

SuperCity trains driven by the Pendolino units exceeded six million transported passengers on 15 March 2012.

April

Representatives of ČD and the Polish PKP Intercity signed a memorandum on cooperation. Both parties declared a common interest in improving the transport offer and services, including promotion.

In cooperation with ČD, ČD Cargo, Rail Inspection, the Police of the Czech Republic and rescue units under the Road Transport Security (BESIP) Department of the Ministry of Transport, the Central Bohemian and the Hradec Králové regions, the "Prevention Train" aimed at increasing the safety of railway transport went to Hradec Králové and Kolín.

May

Since 1 May, ČD has offered new bus line ČD BUS for passengers travelling from Frýdek-Místek to Hranice na Moravě and back. The project is aimed at expanding the offer for passengers from locations in which the railway infrastructure does not allow for a faster and more-comfortable connection, for example with the capital city. The new bus line goes in two-hour intervals and allows passengers to change to long-distance connections to and from Prague in Hranice na Moravě. České dráhy operates the bus line at its own commercial risk.

June

ČD and the Polish PESA introduced an entirely-new LINK II regional diesel train-sets identified as line 844 and named RegioShark. Modern regional units of 844 series will offer comfort travelling to clients in the Plzeň, Karlovy Vary, Ústí nad Labem and Zlín regions.

July

On 23 July 2012, a new hall for the preparation of tests in the premises of the Testing Centre of the Railway Research Institute in Cerhenice was inspected and certified to be put into use.

August

The Supervisory Board of ČD approved the conclusion of a contract with Austrian Railways ÖBB on the joint operation of the Railjet units in line Prague – Brno – Vienna – Graz on 16 August 2012. The Supervisory Board also approved giving the instruction to start manufacturing the first seven-unit Railjet series.

September

The first two modern single-level RegioPanter units produced for ČD by Škoda Transportation and its subsidiary, Škoda Vagonka, departed from the railway station in Pardubice for testing operation with passengers. The new electric units named RegioPanter will significantly increase the railway comfort in five regions and will offer air-conditioning, wi-fi connection and easily-accessible sockets for computers.

October

On 4 October 2012, ČD launched the D1 Express project for commercial trains on the route between Prague and Brno.

November

By the decision of the Customs Office of the Czech Republic, ČD Cargo was re-granted the highest degree of the AEO (Authorised Economic Operator) certificate for Simplified Customs Procedures/Security and Safety as of 1 November 2012.

ČD won first place in the Fair Sourcing Awards (FSA). The competition is organized by the Association of providers and users of e-tools for public tenders and e-auctions.

December

A new railway timetable provided additional 752 wheelchair-accessible trains of ČD. At a daily average of 6,806 trains, nearly 60% of ČD's trains are wheelchair-accessible.

Corporate Governance

Shareholder Structure

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

Co-Operation of the Board of Directors and the Supervisory Board

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

Supervisory Board
The Supervisory Board has nine members. Two-thirds of the members are elected by the General Meeting and one-third is elected by the Company's employees pursuant to the election procedure approved by the Board of Directors following discussions with the relevant trade unions. The term of office of the member of the Supervisory Board is five years. The Supervisory Board meets as needed, but at least four times a year. The Supervisory Board supervises the execution of the role of the Board of Directors and the Company's business performance. The most significant areas of authority include: (i) reviewing the report on the Company's business activity and the Company's financial performance; (ii) approving the business plan including the business strategy; and (iii) granting approval of asset management, if such a procedure is required by the Company's Articles of Association.

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

Audit Committee
The members of the Audit Committee are appointed and recalled by the General Meeting. The Audit Committee has three members. The term of the member of the Audit Committee is five years. The Audit Committee meetings are held as and when needed, however at least four times a year. The most significant activities include:
- Monitoring the procedure of preparing the financial statements and the consolidated financial statements; and
- Monitoring internal controls and the management of ČD's risk, independence, objectivity and auditor recommendations.
- The activities of the Audit Committee are based on ČD's Articles of Association.

Internal Audit
Internal audit activities are within the scope of authority of ČD's Internal Audit and Review Committee. The department reports to the Board of Directors of ČD; and the independence and effectiveness of Internal Audit is overseen by the Audit Committee. The purpose, objective, scope and focus of the department's activity including its position within ČD and within the ČD Group is defined by the "Internal Audit Statutes of České dráhy, a.s." The activity of the Internal Audit department of ČD is based on the principles of internationally-recognised standards. To ensure activity coordination, the Internal Audit department also communicates and cooperates with external control bodies, the external auditor and criminal law authorities.

Compliance
The principal activities of the department are the following:
— Ensuring compliance of internal regulations with generally-binding legal regulations and compliance with individual internal regulations;
— Identification of potential risks and the impacts arising from anticipated changes in legal regulations;
— Participation in workgroups and the co-ordination of comments on the changes in legal regulations submitted to ČD for presenting its opinion thereon;
— Presentation of comments and discussion of proposed changes in legal and internal regulations; and
— Development and implementation of a system of prevention, detection and investigation of fraud and unfair business practices.

As part of the compliance policy approved by the ČD Group, the department ensures compliance supervision across the ČD Group. In addition, the director of the Compliance department holds a position as a member of the Risk Management Committee. The scope of authority of the Compliance department is defined by the ČD Compliance Department Statutes and the organisational system of ČD.

Transparency and Reporting
The ČD Group follows the transparency rules of openness, communication and responsibility. The Company's management has open negotiations, discloses financial facts in full, provides for freedom of information, budget planning and review, and conducts regular internal audits followed by immediate output solution plans and public decision making of the executive management. Transparency removes the barriers that obstruct free access to corporate, political and personal information, as well as the Articles of Association, and the rules and processes that govern the Company. This transparent approach to corporate governance protects the employees, as well as the Company.

Risk Management

ČD's risk management system is based on best practice and the defined framework of Corporate Governance rules of which it is an integral part. In 2012, the significance of risk management was increased as part of the effort to improve the quality of governance and management of both ČD and the entire ČD Group.

An integrated risk management system was actively developed across the ČD Group. The IT support implementation (development of the eRisk SW application) was completed, which established the preconditions for a systematic approach to identifying, analysing, measuring, managing, monitoring, reporting, consolidating and communicating all significant business risks. The introduced unified approach to risk management is the precondition for further development and improvement of risk monitoring and assessment processes.

The key objective of the implemented risk management system is to limit the adverse impact of risks on the financial results of the entire ČD Group at its maximum, ie to minimise the impacts of unutilised opportunities on revenues and to minimise negative impacts on costs.

In accordance with the approved ČD Risk Management Policy, ČD's Risk Management Committee held its meetings on a monthly basis. The Risk Management Committee was established to fulfil an important management role under the risk management system and to fulfil its function as a permanent advisory body to the Board of Directors. Across the ČD Group, unified risk categorisation is applied, the goal of which is to provide comparable information for the preparation of the consolidated financial statements and to unify the risk evaluation method. Thanks to the continuous monitoring of significant risks in all major categories, the Company's management is informed on a timely basis of the current state of affairs in the area of risk management. As part of active risk management, the monitoring and assessment of compliance with the approved limits of organisational units of the ČD Group was introduced in 2012.

Market Risks

In respect of the ČD Group's passenger and freight railway transportation activities, the Group is sensitive to fluctuations of market values that impact the financial results and cash flows. Significant market risks include risks that would not allow the Company to meet its business objectives. The basic goal of the ČD Group in the area of market risk management is to mitigate the impact market risks on the Company's financial results and cash flows (in view of the cost of measures leading to the mitigation of the relevant negative impact).

Basic market risks to which the ČD Group is exposed include currency risk, interest rate risk, and commodity risk. The ČD Group manages market risks using a system of limits and principles pursuant to the Company's approved risk appetite or based on more-detailed specifications as approved by the Risk Management Committee and the Board of Directors. The risk appetite is defined on the basis of the CFaR method (Cash Flow at Risk), with a probability quantile of 95% based on 12 months rolling forward, or based on stress tests. Since 2012, the risk appetite assessment is expanded to include the EaR method (Earnings at Risk) comparing the difference between the real and planned values for a given year. Once a year, the ČD Group re-assesses the identification of significant market risks and the risk appetite.

Both ČD and ČD Cargo actively utilise inherent hedging, and, as and when needed, they ensure limits are adhered to using standard hedging transactions on financial markets.

In addition to cross currency interest rate swaps of EUR 250 mil., which reduces the currency risk, ČD, a.s. also concluded derivative contracts reducing interest rate and commodity risks of oil and electricity in 2012. The forward start interest rate swaps reduce the interest rate risk for tranches from EUROFIMA in the amount of EUR 44.998 mil. and EUR 45 mil. maturing in 2014 and 2015, respectively, and for the remaining amount of the outstanding principle of the loan for Pendolino units in the amount of approximately EUR 20.495 mil. Oil commodity risk is reduced by commodity swaps in a period from the second half of 2012 to the end of 2014 and by commodity zero cost collars for 2013, which were all concluded in CZK. A total of 21.09% of the planned annual electricity consumption was hedged by a commodity swap in 2013.

Credit Risk
In the course of its activities, the ČD Group is exposed to credit risk related to the threat of obligation default of a counter-party, which could have a negative impact on the Company's financial results and cash flows.

To measure credit risk, the ČD Group calculates the net (uncollateralised) exposure to individual counterparties. Credit risk management in the ČD Group is based on the following system of limits and restrictions: limits relating to customers, suppliers and concentration to a single financial institution. To reduce the net exposure, ČD uses bank guarantees from authorised financial institutions.

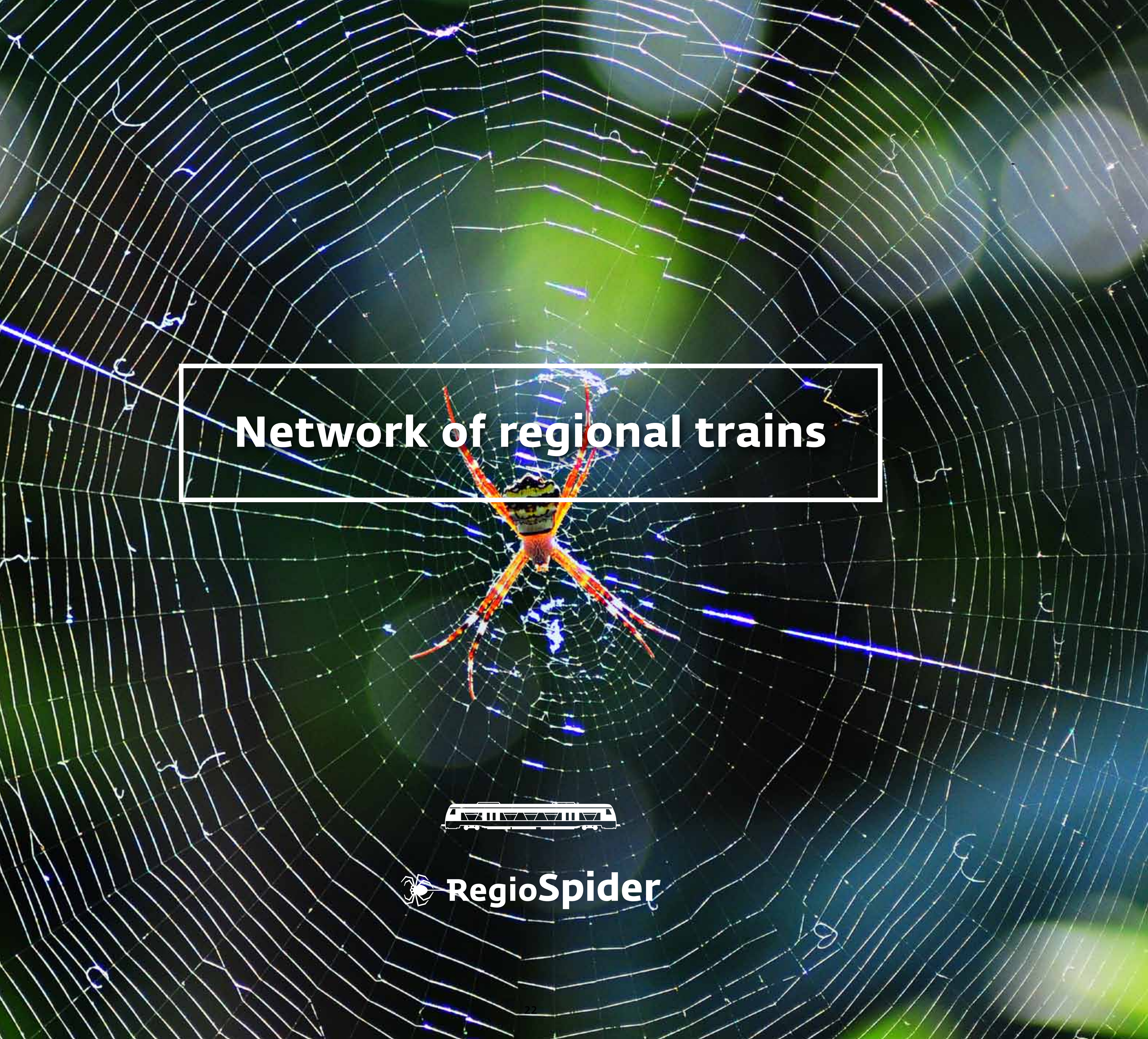
Liquidity Risk
The principal objective of liquidity management in the ČD Group is to provide sufficient funds to settle due payables. The principal source of liquidity risk is the financial situation and solvency of major parties ordering the provided service, which include the state and individual regions in respect of passenger transport, and major clients in freight transport. In addition, ČD is exposed to liquidity risk arising from the debt service related to the Company's existing and future debt and payment obligations arising from concluded investment contracts.

Assessing the short-term and medium-term development of liquidity and cash flows is key to managing liquidity. Obtaining sufficient lending facilities from funding banks forms an integral part of liquidity risk management. The ČD Group uses available overdraft facilities from its local bankers and allocates their limits among Group members as and when needed. The ČD Group also actively issues short-term securities through a promissory note programme as an additional source of short-term liquidity. In 2011, the maturity of fixed issuance liabilities under the promissory note programme was extended to 24 months, which enhances the stability of the Company's liquidity management and its ability to settle payables. In addition, the ČD Group uses debt capital markets as the principal resource for long-term investment funding, along with drawing long-term investment loans and, alternatively, using financial leases.

Operational Risk
In operational risk, attention is principally devoted to meeting ČD's strategic objectives focused on achieving high standards of service quality and customer satisfaction with an emphasis on operational efficiency, which enhances competitiveness in rail, road, and air transport not only in the Czech Republic, but also within the unified European rail system.

As the requirements of passenger transportation orderers and customers for travel comfort and railway transportation punctuality increase and given the already-realised entrance of local transportation competitors, the key instrument to mitigate the impact of operational risks involves increasing investments in acquiring and modernising rolling stock to which ČD's management dedicates every reasonable effort. Both in passenger and freight transportation, significant material and financial damage caused to third parties is covered by liability insurance.

Network of regional trains



Social Responsibility

ČD feels the need to participate in social responsibility projects. ČD is one of few transportation companies in the Czech Republic to provide special conditions for the assistance of disabled people, principally wheelchair-bound people. In 2012, ČD expanded its rolling stock to include a record number of new wheelchair accessible railway units and individual cars (83). As a result, the rolling stock of wheelchair-accessible cars and railway units of ČD grew to 537. The entire new RegioPanter and RegioShark units or RegioSpider diesel railcars for regional transport may serve as examples. The number of wheelchair-accessible vehicles increased also in long-distance transport.

All of the above-named adjustments are intended not only for wheelchair-bound people, but also for other people with limited movement abilities, ie seniors, temporarily-disabled passengers, deaf and blind people, pregnant women or passengers with young children in prams. Also trains for long-distance transport and railway stations undergo modernisation so that they are wheelchair accessible.

ČD's corporate philanthropy is focused on three areas. Firstly, education, which includes the traditional "Prevention Train" project focusing on older children and teenagers that is aimed on railway transport safety. The second project is the "Junior" programme, the goal of which is to integrate and inform about all activities realised in respect of children and young people. Specifically, these activities include the "Můj vláček" (My Train) magazine, the "Bambiriáda" event and various events focusing on children and young people, for example: "S Elfíkem do Zoo" (With the Elf to the ZOO), Children's Day, St. Nicolas train rides, etc. Secondly, ČD's initiative focuses on shaping public perception in favour of the Company. This includes, in particular, the traditional "Delivery of the Bethlehem Light" project, in which ČD co-participates. The last area under the above-named initiative includes projects focused on handicap compensation, specifically the long-term project entitled "The Happiness and Hope Train" and an internet painting auction, the proceeds of which are donated to selected orphanages. Another traditional project is the "Train Full of Smiles", which transports disabled children and children from orphanages to the international film festival in Zlín, which is closely-related to the "Cinema Train", project for screening films for children in selected train stations. In co-operation with multiple foundations, ČD provides free transport to children on their travels to school, leisure activities and events under free-time activities.

As part of healthy lifestyle support, ČD became a partner of the RunCzech family runs in 2012. The Company's traditional partnership includes co-operation with the National Technical Museum and the Okřídlené Kolo (Winged wheel) foundation, which focuses on the renovation and maintenance of historic railway equipment and structures. The LEGIE 100 project is also an important activity organised in cooperation with the Czech Legionary Community at the occasion of the 100th anniversary of the legions. The key sub-project is the renovation of a mobile replica of a legionary train.

Report of the Board of Directors

Report on the Company's Business Activities and Assets

Economic Results of the ČD Group

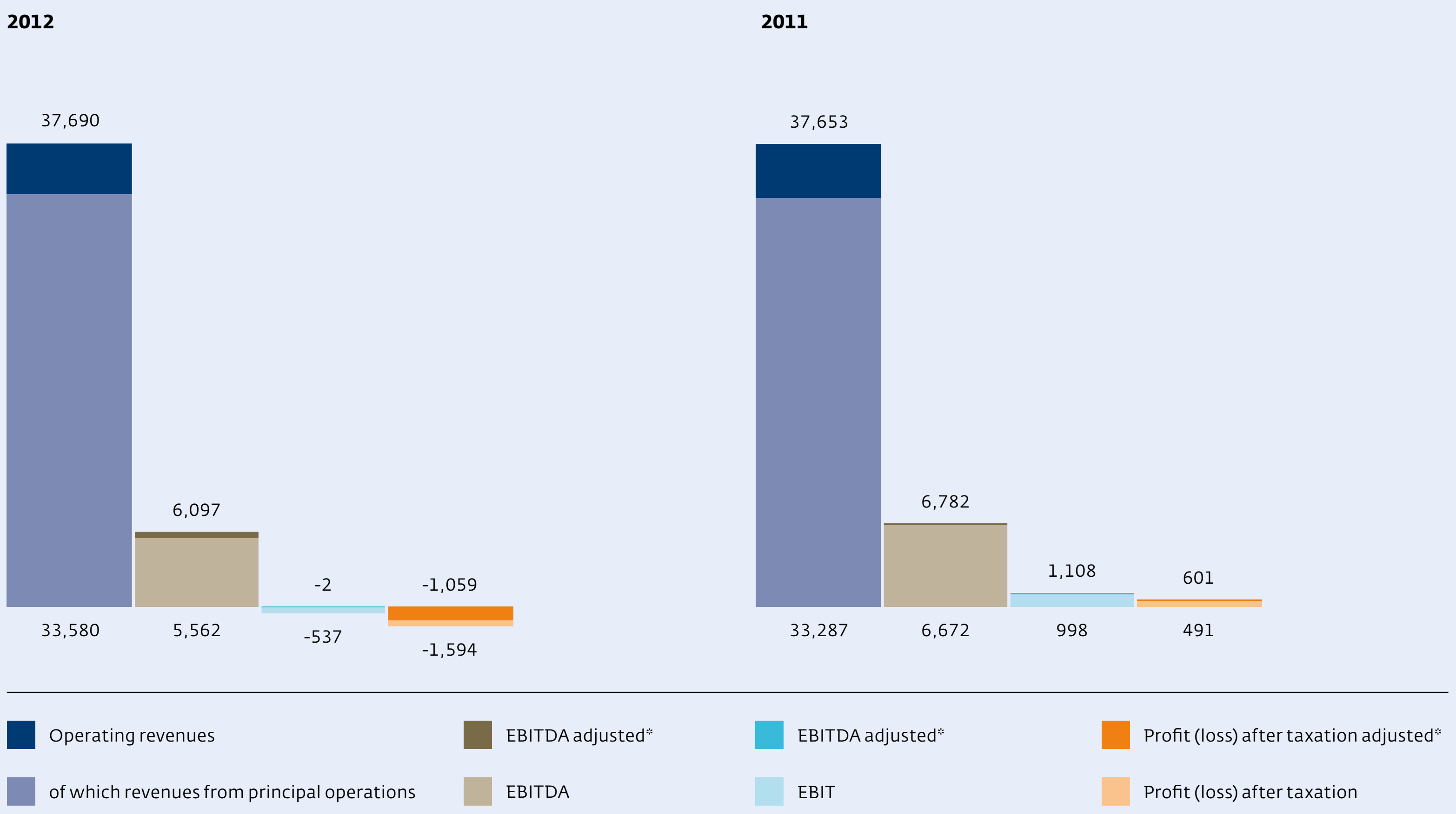
In 2012, the ČD Group's performance based on IFRS consolidated financial statements was impacted by the deteriorated economic situation in the Czech Republic, the on-going recession in the Eurozone and the significant investment activity in rolling stock modernization. Despite the challenging external conditions, the ČD Group succeeded in maintaining its total revenues at CZK 37.7 billion. The Company's performance was impacted by the input price growth, higher depreciation of rolling stock and the creation of a provision of CZK 0.5 billion for the restructuring of ČD Cargo, a.s. and the Group incurred a loss of CZK 1.6 billion. The ČD Group's loss net of the created provision for restructuring amounted to CZK 1 billion.

The ČD Group's operating income is comparable to the previous period. The passenger transport segment reported a year-on-year increase in sales of CZK 319 million (1.7 %), primarily as a result of higher sales from passenger transport (by CZK 280 million, which is 4 %). The increase in the sales from passenger transport was predominantly driven by the year-on-year increase in the number of passengers, which resulted from the increased quality of provided services and the rolling stock. The freight transport segment recognised a slight increase in sales of CZK 47 million (0.3 %).

The operating costs (net of depreciation) achieved a year-on-year increase of CZK 1.1 billion (3.7 %). There was a year-on-year increase in costs for traction electricity (of more than CZK 200 million; 8.6%), operating income in the purchased performance in freight transport with the year-on-year growth of CZK 547 million (40 %) and other operating expenses, which included the provision for freight transport restructuring. The total personnel costs in the Group remained nearly unchanged despite the severance payments provided to 447 employees in freight transport in connection with optimisation measures, which will have a positive effect on profit or loss in the coming years. In addition to the above-specified factors, there was a year-on-year increase in depreciation of CZK 426 million due to the acquisition of new vehicles as part of the on-going renovation of the rolling stock.

The above factors in combination with a year-on-year decrease in income from the sale of redundant assets were reflected significantly in EBITDA adjusted, which decreased by approximately CZK 700 million to CZK 6,097 million; unadjusted EBITDA amounted to CZK 5,562 million. EBIT was CZK – 537 million and the net profit or loss was CZK – 1.6 billion.

Operating revenues, EBITDA, Profit (loss) after taxation [in CZK mil.]



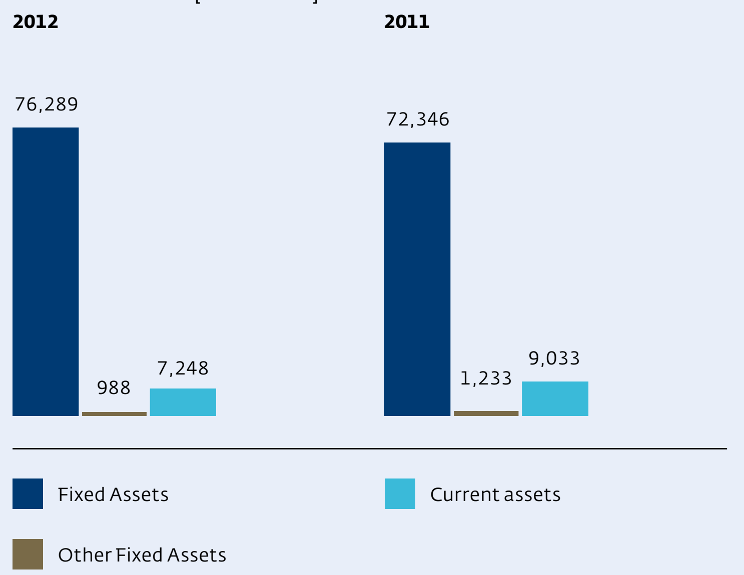
*Adjusted indicator is netted of a reserve for restructuring ČD Cargo

Asset Structure
On a year-on-year basis, total assets increased by almost CZK 2 billion (2.3 %). The most significant increase was achieved in respect of fixed assets, which is attributable to the continuous investment activities in the renovation of rail vehicles, principally in the passenger transportation segment. Current assets increased year-on-year by CZK 1.8 billion (20 %), which was primarily thanks to the increase in cash and cash equivalents.

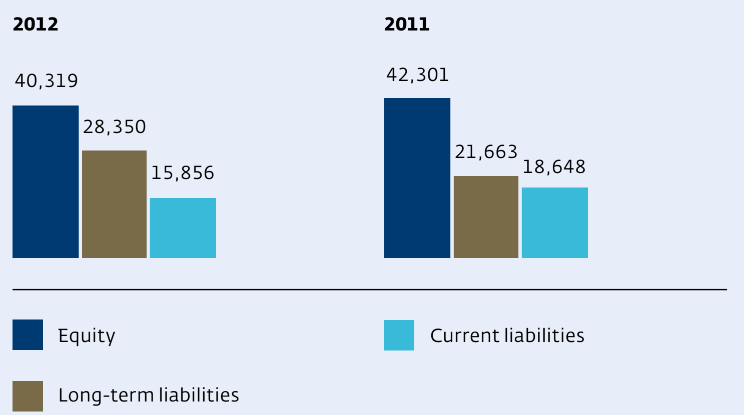
Liabilities Structure
Under liabilities, in 2012 there was a significant increase in long-term payables, which was attributable to the issuance of bonds (Eurobonds) in the amount of EUR 300 million (approximately CZK 7.5 billion). Through the issuance of bonds with maturity of seven years, the Company's capital structure was significantly enhanced. Based on the above-named issuance, the Company gained a significant volume of funding for the modernisation of the rolling stock. Even though the Company's long-term payables have increased, the proportion between total liabilities and equity is on a safe level.

On a year-on-year basis, there was a significant decrease in short-term payables, which is primarily caused by the settlement of a bond issued in 2009 and by the settlement of all promisory notes issued within the promisory note programme.

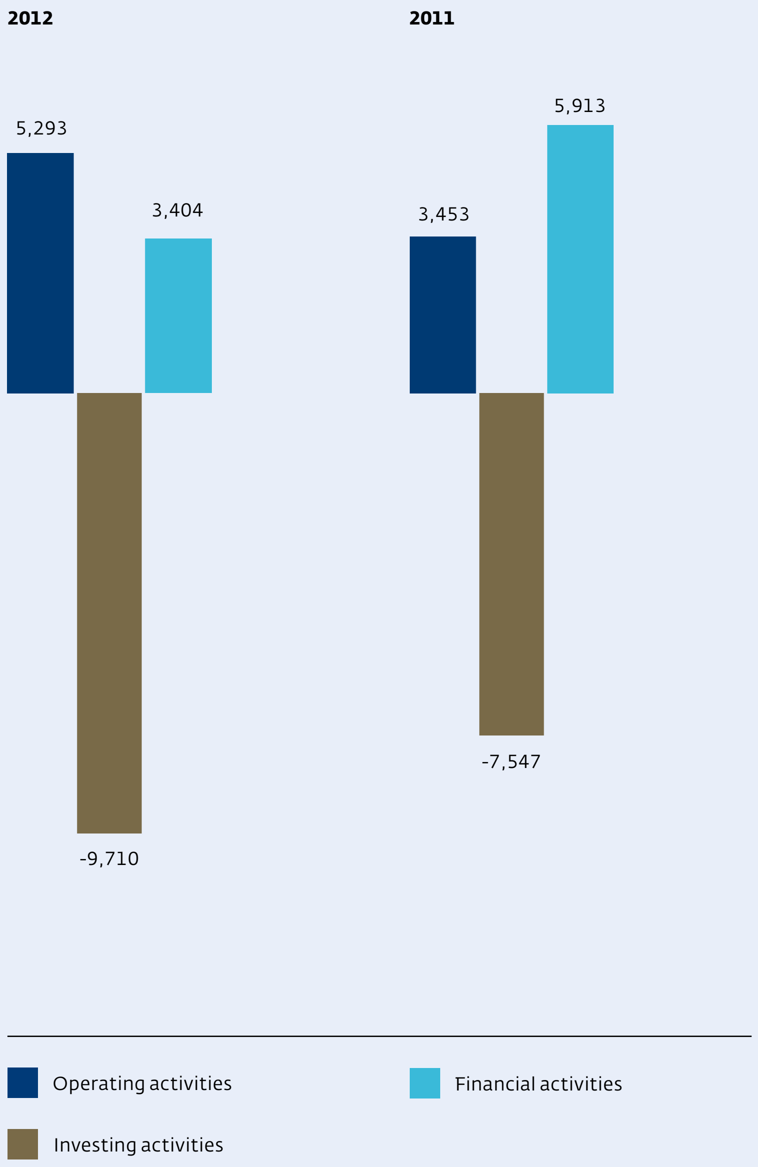
Asset Structure [in CZK mil.]



Liabilities Structure [in CZK mil.]



Cash Flow [in CZK mil.]



Cash Flow
Despite the decrease in the operating profit, net cash flows from operating activities increased, which was affected positively by the year-on-year decrease in the working capital, which increased significantly in 2011. The decrease of working capital in 2012 was primarily affected by the decrease of other assets due to the lower claim for VAT deduction and by the change in trade payables.

The on-going investment activities in 2012 resulted in higher costs of acquisition of tangible and intangible fixed assets. Investment activities increased by more than CZK 2 billion year-on-year and the total investment expenses for 2012 represented a value exceeding CZK 10 billion. The prevailing portion of investments – approximately CZK 8 billion – was invested in passenger transport and an additional amount of CZK 2 billion in freight transport.

The decrease in cash flows from financing activities of CZK 2.5 billion was predominantly impacted by the settlement of a bond issued in 2009 and due in 2012.

Profit/Loss by Principal Operations Segments

[in CZK mil.]		Passenger transport	Management of operation*	Asset management	Freight transport**/***	Others**	Elimination and reconciliation	Total
Revenue from principal operations	2012	19,499	–	0	15,337	3	-1,259	33,580
	2011	19,180	3,275	1	15,290	22	-4,482	33,287
Purchased consumables and services	2012	-10,390	–	-607	-10,445	-3,098	6,234	-18,306
	2011	-10,268	-183	-721	-9,625	-2,698	5,714	-17,781
Staff costs	2012	-6,785	–	-259	-4,494	-1,450	141	-12,847
	2011	-6,863	-2,853	-264	-4,497	-1,457	3,137	-12,797
EBITDA from continuing operations	2012	1,862	–	244	711	501	2,245	5,562
	2011	1,734	25	719	1,375	465	2,354	6,672
Depreciation / amortisation	2012	-2,022	–	-221	-2,587	-319	-950	-6,099
	2011	-1,854	-32	-230	-1,220	-321	-2,016	-5,673
EBIT from continuing operations	2012	-160	–	23	-1,876	182	1,295	-537
	2011	-120	-7	489	155	144	338	998
Profit (loss) for the period	2012	-517	–	27	-1,911	217	590	-1,594
	2011	-583	256	488	-34	195	169	491

Notes:
The segment statement contains unconsolidated data prepared under Czech Accounting Standards because the Group's management monitors segment financial results in this manner. Consolidation adjustments and IFRS adjustments are stated in the elimination and reconciliation column. This predominantly involves the elimination of sales of fixed assets within the Group and IFRS adjustments in the presentation and valuation of fixed assets.

* Management of operations – the Company performed this activity for SŽDC until 31 August 2011. | ** In 2012, the parent company changed the methodology for internal segment reporting. For this reason, the items of income and expenses of subsidiaries of ČD Cargo, a.s. were moved from the Other segment to the Freight transport segment. | *** The results for 2012 are impacted by the newly-consolidated companies within ČD Cargo, a.s.

Passenger Transport
In 2012, passenger transport achieved a significantly-higher EBITDA, which increased by more than CZK 100 million (7.4%). EBITDA thus exceeded CZK 1.8 billion. This positive result was achieved due to the increase in sales from principal activities.

The aggregate revenues from principal operations increased year-on-year, principally thanks to the increased sales from passenger transport, which increased by CZK 280 million year-on-year, which is attributable to the increase in the number of passengers achieved, the number of which increased by 3 million people, which was thanks to the higher quality of services offered and the increasing quality of the rolling stock.

Despite the increase in traction costs by CZK 200 million, the increase in other operating cost items within the purchased consumables and services was only negligible. These savings are positively impacted by the on-going modernisation of the rolling stock, which contributes to the decrease in the costs relating to repairs and maintenance of rail vehicles. Significant savings were also achieved in payroll costs, which decreased by CZK 100 million (1.5%) as a result of the increased efficiency and the implementation of rationalisation measures.

The passenger transport segment reports an operating loss (EBIT) of CZK 160 million in 2012, which is a slight decrease by CZK 40 million year-on-year. The higher operating loss is fully attributable to the increase in depreciation and amortisation, which grew by CZK 200 million year-on-year due to the on-going modernisation of the rolling stock. However, the total loss of the segment was reduced by nearly CZK 70 million (12%).

The analysis of passenger transport is based on the segment analysis, which is part of the notes to the IFRS consolidated financial statements.

Freight Transport
Total revenues from principal operations slightly increased by CZK 47 million (0.3 %) year-on-year.

The decrease in the construction and manufacturing industries in the Czech Republic and the lower profitability of the segment of individual vehicle shipments caused a year-on-year decrease of revenues on the side of one of the most important companies within the ČD Group providing freight transport, ČD Cargo, of CZK 440 million (3.3 %). The decrease is eliminated by revenues on the side of ČD Cargo's consolidated subsidiaries.

Operating expenses increased by more than CZK 800 million (8.5%), predominantly as a result of the increased costs relating to the purchased performance in freight transport.

The total loss in the amount of CZK 1.9 billion was influenced significantly by two extraordinary accounting transactions, which did not have any influence on the Company's cash flow in 2012.

This includes an extraordinary write-off of the valuation difference relating to the Company's decision to reduce the value of its assets based on the current valuation and the aging of the rolling stock and in connection with the assumption that redundant rail vehicles will be sold in the coming years. Although this accounting transaction has a negative impact on the profit/loss for 2012 in the amount of approximately CZK 1.2 billion, in the long-term, it will reduce long-term assets and will generate savings in write-offs with a positive effect on the Company's profit/loss.

The Company also created a provision in the amount of approximately CZK 0.5 billion for measures relating to the company's restructuring, the realisation of which is planned for 2013 and which should lead to the optimisation of the individual vehicle shipment segment and the continued profitability of the transport of whole trains. The company restructuring includes the reduction of the employment, which will lead to an increase in work productivity. The primary goal of restructuring is to stabilise the Company's financial results without a significant impact on the volume of realised transport.

The analysis of freight transport is based on the segment analysis, which is part of the notes to the IFRS consolidated financial statements.

Asset Management
In 2012, the planned sales of redundant assets were not fully achieved. This was due to the condition, location and character of the real estate sold. The limited quality of the railway real estate portfolio, together with the situation on the real estate market in the crisis, in which even premium real estate is difficult to sell, had a significant effect on the sales of the redundant real estate of ČD in 2012. Furthermore, in 2012, the sale of the assets to SŽDC, state organisation, was considered but only a minor portion of the assets was sold. Due to this development, construction work, repairs and facility management were reduced.

The financial results of the asset management segment were further impacted by the recognition of allowances against land and buildings at the amount of CZK 88 million.

The analysis of asset management is based on the segment analysis, which is part of the notes to the IFRS consolidated financial statements.

EBITDA by segment [in CZK mil.]

Profit (Loss) for the Year by Segment [in CZK mil.]

Information on the Financial Position and Financing of the ČD Group

ČD has been maintaining a conservative financing policy, which is based on the use of diverse funding resources in the form of bank loans, the issuance of bonds, promissory note programme, etc. The Company puts emphasis on maintaining a balance between short-term and long-term leverage and uses a strong diversified portfolio of bank institutions on both the local and international markets. Under the loan facilities provided, the Company draws the necessary volumes of funding and leaves a sufficient reserve of non-drawn reserved loan facilities.

In 2012, the funding for the Group's investment and operational needs was ensured through the combination of internal and external short-term funding (overdraft loan facilities and a promissory note programme) and long-term resources (bonds).

Rating of the ČD Group in 2012 was Baa 1 with a negative outlook. On 23 July 2012, ČD issued international bonds in the amount of EUR 300 million, which were accepted for trading on the regulated market of the Luxembourg Stock Exchange. The Eurobonds mature in 2019 and have an annual coupon of 4.125% p.a. The main managers of the Eurobond issuance were Barclays, Citi and ING. The money from Eurobonds was predominantly used for the modernisation of the rolling stock and the settlement of some long-term liabilities from prior periods. Out of the total of bonds issued in 2012, EUR 250 million is hedged against currency and interest-rate risks.

The largest subsidiary, ČD Cargo, issued bonds with a total volume of CZK 0.5 billion as part of a bond programme at the beginning of 2012, which mature in 2015. The flexible coupon amount is determined as the sum of the reference rate of 6M PRIBOR and a margin of 1.30% p.a. In 2012, the first tranche of the back-lease of modernised traction vehicles of the 363.5 line was realised.

Future Outlook

The key task of the ČD Group is further growth in operating profitability.

The primary ambition of the passenger transport segment for 2013 is to maintain the trend of increasing the number of passengers and increasing the utilisation of individual trains. The continuous quality enhancement of railway vehicles offered is the principal pre-condition to achieving the Company's goals for the growth in this segment. The Group's performance will be impacted by the increase in costs, which are out of the company's control, primarily the cost of energy that influences the prices of traction energy and Diesel fuel, the elimination of the discount of the railway transport route fee for regional transport trains and the change in the system of charges for rail capacity allocation. The greatest risk to the economic results in 2013 continues to be the decrease in sales of redundant real estate resulting from the deteriorated situation on the real estate market. The increase in costs will be compensated by continued savings in administrative and operating activities and by significant savings achieved by the centralisation of support activities within the Group.

Freight transport must coordinate a long-term plan responding to developments in the railway freight transport segment together with its social partners and the Ministry of Transport. A significant precondition of the Company's development is finding a solution to stabilise the segment of individual shipments and eliminating the risk of relocating transport to roads.

In respect of financing for 2013, the plan includes the gradual implementation of Treasury central management, including the management of the Group cash pool and the on-going use of diversified funding resources, principally an additional issuance of bonds. External funding will be based on the combination of bonds, short-term overdraft loans and the promissory notes programme for managing the operating liquidity and the leaseback.

Passenger Railway Transport Operation

Regional Passenger Transport
No significant changes were made to the contractual transport ordered as part the public service obligation within the framework of the Memorandum of the Government and Regional Administrations on Securing the Funding for Regional Railway Passenger Transport. The difference between the performance ordered and paid by the regions and the realised performance including the related empty running of whole trains or locomotives, was further reduced. In cross-border and regional transport, routing was optimised so that the impacts of the previous reduction in the number of trains are eliminated for the travelling public.

The inclusion of other areas and sections of railway routes in the integrated transport systems continued. ČD is a significant and indispensable transporter for 11 such systems in 12 regions. The significant local expansion of the integrated transport system occurred in April 2012 when the Integrated Transport of the Plzeň region was expanded to cover nearly half of the region. The Ostrava Transport Integrated System was also expanded to cover all of the Moravian-Silesian Region in railways, and a completely-new model of regional transport integration was introduced in the Pardubice region. In the Prague Integrated Transport System, the Prague – Všetaty route was integrated and long-distance trains of category R were included in the system from Prague to Vraňany.

Significant elements supporting the use of railway transport included the opening of several new or revitalised transfer terminals. In Nové Město na Moravě, a new transport terminal was built using the public premises of ČD as the common premises for passengers of both railway and bus transport. Two transfer terminals were opened in the Karlovy Vary region, specifically the transfer terminals in Mariánské Lázně and Cheb, which will improve the connection lines between trains, buses and city transport as well as the integration and improvement of the quality of public information systems of all of the above transport modes. A new transport terminal was opened in Bystřice pod Hostýnem.

The completed revitalisation of the Ostrava-Svinov transfer terminal, or its Svinov-mosty part, will improve the quality of transfers significantly. Wheelchair-accessible platforms were built in many regions, which further increased the comfort of passenger transfer between individual means of transport.

In 2012, the cooperation with local autonomous governmental authorities was further intensified, predominantly in organising extensive closures (the issue of substitute transport and location of other stops in municipalities). Good cooperation between ČD and the tourist industry and cultural entities has been developing further as well.

Long-distance Passenger Transport
For the 2012 timetable, the reasonable profit level of the ordered long-distance passenger transport was agreed at 0.5%. The total economy of long-distance transport suffered a negative impact through the growth in input prices; however, the increased costs were eliminated by internal savings and higher sales. A public tender was called for a carrier for the line R27 Ostrava – Opava – Krnov – Olomouc, in which ČD could not submit a proposal because it was forced to cancel the related tender for the delivery of new vehicles (a single bidder), which were required and which ČD did not have available in the required parameters.

There were no significant changes in the organisation of the railway transport service system in the Czech Republic in the 2012 timetable. The public service obligation still excludes Ex and SC trains on the Prague - Ostrava route. In 2012, ČD operated direct trains on this route exclusively at its own business risk. As part of the state's order, the public service obligation now includes fast trains (category R) and trains of higher categories, excluding trains pulled by unit 680 series, or selected express trains upon agreement with regional authorities.

The operation of Pendolino 680 units in trains of the SC category in international transport was slightly expanded in the 2012 timetable on the Prague – Ostrava route (one pair of trains was added) and on peak days the routes were extended to/from Žilina (one pair of SC goes to Žilina on Saturdays, one pair at night from Sunday to Monday). Newly, one pair of Pendolino train was introduced to Prague – Plzeň – Cheb – Františkovy Lázně route on Saturdays. After assessing the Pendolino operation and its costs, the lines were reduced as of the change of timetable as of 10 June 2012. The operation of Pendolino trains to/from Žilina was terminated and some train routes were limited (primarily during vacations).

The creation of new long-distance transport concepts is limited significantly by the on-going construction of transit corridors. In locations affected by the construction, the timetable is structured so as to minimise the impact of construction on the quality of meeting the timetable.

In summer 2012, the capacity of formations of selected long-distance trains was optimised. The key goal was to minimise the kilometres run by trains at off-peak times. This measure resulted in significant savings thanks to which the volume of trains within the public service obligation was maintained in nearly the same scope as in prior years.

On 4 October 2012, ČD launched a pilot project of commercial trains on the Prague – Brno route. Two pairs of D1 Express trains provide a non-stop direct transport service between Prague and Brno on business days. From 9 December 2012, D1 Express train service was expanded to include a third pair on business days and two pairs on Sundays.

In 2012, the rolling stock modernisation in long-distance and regional transport continued. The modernisation of 19 diesel locomotives and 66 passenger carriages was completed. A number of contracts for the purchase and modernisation of vehicles won in 2011 progressed to the phase of putting the first vehicles in operation. The first electric and diesel units for regional transport, named RegioPanter and RegioShark, which were funded from the EU Regional Operational Programme, were put into regular operation. At the beginning of 2012, the first modernised dining cars were included in the long-distance trains. The first multifunctional passenger cars allowing the transport of wheelchair-bound disabled people, transport of bicycles and prams were put into regular operation in September, which also include sections for passengers travelling with children and women sections. The RailJet project continues. In August 2012 ČD signed a contract for the purchase of 7 seven-car units with SIEMENS and concluded a ten-year contract with the Austrian carrier ÖBB for the operation of units on the Prague – Brno – Vienna – Graz route from December 2014.

Freight Railway Transport Operation

ČD Cargo offers the transport of a wide range of goods from raw materials to products with high value added, the transport of containers, extraordinary shipments, the lease of railway vehicles, siding and other transport services. In the transport structure, complete trains prevail, but ČD Cargo also offers transporting individual waqon consignments as an alternative to the road transport. In cooperation with combined transport operators, it organises the maritime and continental transport of containers and road semitrailers. It also offers handling of these units through companies with capital investment.

The key transport commodities in 2012 were solid and liquid fuel, metallurgical products, iron ore and other raw materials. The Střela (the Shot) project containing the import of approximately 500 thousand tonnes of black coal from Poland through the Czech Republic to customers in Slovakia continued. These transport services were realised by a subsidiary, Koleje Czeskie. Stable growth was reported in combined transport, which was positively impacted by the introduction of a new line for the transport of road semi-trailers from Rostock to Brno and new transportation in Innofreight containers. For automotive commodities, transport grew significantly (by 13%). An increase of automotive transit transport from Slovakia to Germany is the result of the effort of employees in a subsidiary, ČD Generalvertretung GmbH, in Frankfurt/Main.

In the coming periods, ČD Cargo. will focus on maintaining its market position in transporting bulk substrates and the expansion of operation in foreign markets using modern interoperable vehicles.

Asset Administration

ČD administered 5,779 buildings, of which 1,152 were railway station buildings that are accessible to travellers. In 2012 nine railway stations were completely repaired and the total amount invested into these repairs reached CZK 93 million. Among others, the railway stations in Plzeň, Ústí nad Labem, Jičín, Teplice, Klatovy, Holoubkov, Holýšov, Břeclav and Náměšť nad Oslavou were repaired. Year-on-year, the number of redundant buildings was reduced by 433, of which 217 redundant buildings were sold while the others were demolished. At the end of 2012, a total of 3,338 flats were leased in the buildings and the number of the leased housing units decreased by 223 year-on-year.

A total of 15,975 external lease contracts were concluded for premises and land. In 2012, the income from external lease contracts for buildings, land and flats amounted to CZK 557 million. The income from the sale of non-core assets was CZK 540 million in 2012.

The major sales of assets in 2012 included sales of land in Prague (Michle, Libeň and Krč), a set of real estate in Prague-Vršovice and a former locomotive depot in Chomutov.

In ensuring services for passengers, ČD's railway stations represent its most important assets. ČD owns 1,152 railway stations. Since their average condition is not optimal , maximum focus has been put on their maintenance, repair and renovation; however the available sources are limited to a certain extent. Optimisation in the area of railway station building management is also related to ČD's endeavour to provide systemic solutions for the recovery of the operations of publically-accessible premises. Pursuant to the Railway Act, ČD is obligated to allow access to publicly-accessible premises to other carriers in a non-discriminatory manner. However, the accessibility and availability of the relevant premises or services cannot be provided free of charge. For this reason, ČD is seeking a method to charge for the accessibility of premises. In particular, ČD is trying to find a fair method for the allocation of the administration, maintenance and cleaning costs related to the relevant premises among the participating transportation companies. With a view to the current needs and the services provided at individual railway stations, many railway station buildings have extensive redundant capacity. For an economically-defensible usage, the size of the buildings must be optimised so that their entire size is usable for the provision of transportation-related services as well as the related commercial activities.

In 2012, intensive discussions with the majority shareholder of Masaryk Station Development were led on adjusting contractual relations. After the discussions are completed in the first quarter of 2013, ČD expects a fast start of renovations to be completed in stages, predominantly on the ground floor of the dispatch buildings of Masaryk Station in Prague.

Additional newly-renovated commercial premises were opened in 2012 as part of the revitalisation of Brno Main Station. The largest construction project planned by Brno New Station Development a.s. for 2013 will be the renovation of a dispatch building – stage 3.

The ČD consolidation group includes the following other companies – development projects: Centrum Holešovice a.s., Smíchov Station Development, a.s. and Žižkov Station Development, a.s.

Other Activities

Employment Policy and Social Programme

In 2012, the joint high-level human resources management policy in the ČD Group was prepared and the policy co-ordination team was put together. Accordingly, processes have been gradually centralised and the methodology for the whole ČD Group is being formed in order to enhance the HR and payroll services. The provision of HR services is based on the standard level agreement and their efficiency is evaluated and monitored on a regular basis. In 2012, all HR processes were centralised into regional "Human Resources Centres". A separate "Human Resources Centre" with its registered office address in Prague was established for the ČD General Directorate and the opted subsidiaries.

The average reported headcount recalculated to full-time employees amounted to 26,443 in 2012, of which 15,972 employees represented ČD and 8,910 represented ČD Cargo. The year-on-year decrease amounting to 7,123 for ČD Group, out of which 6,668 employees for ČD,also reflects the transfer of the infrastructure operation staff to SŽDC s. o. as of 1 September 2011.

In 2012, the process of ČD's transformation into a modern and efficient company providing high-quality services in the area of railway transportation continued. The HR activities focused on optimising the staffing structure and the socially-sensitive reduction of the headcount while maintaining the employment rate necessary for the effective functioning of the Company and the increase in the quality of the services provided.

The staff costs of the ČD Group for the year 2012 amounted to CZK 12.8 billion, of which payroll costs amounted to CZK 9 million.

The staff costs for ČD, a.s. for the period from January to December 2012 amounted to CZK 7.6 billion, of which payroll costs amounted to CZK 5.5 billion. The average salary excluding other personnel costs in 2012 amounted to CZK 27,803, which represents a 2.74% increase in the nominal salary compared with the previous year. Other staff costs include severance pay for departing employees that exceeds Labour Code requirements (severance pay according to the Collective Agreement of ČD, a.s. and the costs of implementing the complementary social programme) totalling CZK 61,133 thousand.

The headcount optimisation will continue in 2013. In 2012, the realisation of payments under the complementary social programme pursuant to Government Decree No. 370/2007 Coll. was terminated. However, emphasis on the social acceptability of reducing the headcount in co-operation with trade unions will remain one of HR's priorities in 2013.

In line with legislation and in co-operation with the trade unions, another priority involved the monitoring of employees' medical fitness and the impact of performing their jobs on the employees' health. In 2012, 14,089 preventive medical examinations of ČD employees and 268 examinations as part of the preventive health care in the workplace were completed.

In 2012, ČD included 10 trade unions. During the course of the year, the trade unions participated in a social dialogue resulting in the conclusion of the 2013 corporate collective agreement that was performed during the year and evaluated by the social partners on a regular basis.

ČD's subsidiary "Dopravní vzdělávací institut, a.s." (Transport Education Institute, hereinafter "DVI"), which owns a certificate of quality according to ISO 9001:2009, provides education and training to railway transportation professionals, obligatory education, compulsory training courses, and courses both for the ČD Group operational staff and the external market where SŽDC, s.o. is the key client. In 2012, DVI obtained accreditation as a training centre for train drivers; it is an authorised entity for the education and examination of partial qualification of railway professions; it has a supplier qualification certificate of welding training and an accreditation for conducting psychological examinations. DVI is also engaged in other areas of education and services providing, for instance, psychological services, welding training, including the welding examination in its own welding school, intensive boarding courses and short-term courses in the Transportation Training Centre in Česká Třebová, language courses, soft skills training; it also ensures the development and operation of e-learning etc.

International Relations

In terms of the international relations, ČD's objective for 2012 was to enhance its involvement, including the participation of the ČD Group, in international organisations and in the entire European railway network.

ČD acted on behalf of the entire ČD Group in the most important international organisations (such as UIC, CER, OSJD). The relevant stances for the meetings of statutory and professional bodies were discussed with the subsidiaries according to the subject of their business activities.

With respect to EU legislation, special emphasis was put on preparing the content of the so-called "4th Railway Package" of the European Commission. ČD, as a member of the Community of European Railway and Infrastructure Companies (CER), enforced its standpoints to the individual subject matters of the forth-coming legislation. The key parts of the package include provisions concerning "unbundling", ie the requirement for member states to separate infrastructure management from the carriers. ČD, together with CER, made every effort so that all aspects of the issue, including the indisputable advantage of the synergic effects and demonstrable savings with respect to a holding establishment, were taken into account. Eventually, the endeavour had a positive impact on the final version of the proposal published by the European Commission in January 2013. The proposal equalises holding organisations and separate companies provided certain conditions are met.

In terms of the further liberalisation of the passenger railway transportation market, it is important that the entire process is balanced, primarily with respect to performances in the public interest.

At the end of the year, discussion concerning a further review of the "Eurovignette Directive" that addresses road network pricing and setting more-equal conditions in the area of infrastructure charges for the individual modes of transportation was re-opened. ČD continued to lobby for the consistent internalisation of external costs.

Within the International Union of Railways (UIC), ČD continued its efforts to make the internal processes of the UIC more transparent and to increase the effectiveness of its own involvement. The ČD Group experienced intense discussion concerning special projects (ie specific tasks funded outside the general budget) in order to select only significant activities with demonstrable benefits.

ČD welcomes the endeavour of the new President to make changes in the UIC policy, primarily with respect to the focus on the effective railway corridors between the East and the West and closer co-operation in freight railway transportation.

ČD signed a joint memorandum with Russian Railways (RŽD) specifying the areas of future co-operation between the ČD Group and RŽD. As part of the preparation of the Russian UIC chairmanship, a meeting of CEOs of European Railways was held in Moscow in July; Petr Žaluda, the Chairman of the Board of Directors and CEO of ČD, also participated in the meeting. The main topics of the meeting included the sustainable development of railway transportation, reform of the railway sector and the strategy for co-operation in the freight transportation in order to transfer the transportation of goods from roads to railways.

InnoTrans 2012 (International Trade Fair for Transport Technology), which took place in Berlin in September, was the most significant event in respect of fairs and exhibitions. A large number of ČD Group employees had an opportunity to see the latest products and trends in the railway transportation.

As part of the Organisation for Railway Cooperation (OSJD), ČD was involved, directly or via the Czech member of the Committee, in the activities of the professional bodies engaged in the preparation of technical and legislative conditions for the transportation between Europe and Asia. The outputs of the OSJD activities have a direct impact on realising business opportunities in the Eurasian area, mainly on the markets in Russia and China.

Marketing
In 2012, marketing communications focused on supporting the brand and the most significant relations, products and services – the areas which have been consistently strived for enhancing the parameters and the pro-customer approach. The business and marketing pillars set up in 2010 became the central motifs of ČD's marketing.

In order to facilitate the understanding of the portfolio of tariff products, several products were renamed after selected variants had been tested. For instance, the "Sporo tiket" was renamed "Včasná jízdenka" (Early Ticket).

Within the ČD Tiket pillar supporting travel along selected long-distance and regional lines, in which the quality of the travel experience increased, special price offers were communicated along with the major passenger benefits.

As part of the ČD IN pillar, which remained the key pillar also in 2012, a new "IN START" application within the customer card offering a 25% discount for a period of three months was launched and promoted.

Throughout the year, the ČD Trip pillar supported leisure travels by means of campaigns promoting relevant products, such as ČD Ski, ČD Bike, weekend travel and the nostalgia projects realised in co-operation with the individual regions.

As part of the ČD Business pillar, which focuses on coherent offers for business passengers, a number of promotions were realised along with the business team.

In 2012, the D1 Express project, focused on providing additional train connections between Prague and Brno, was an example of exploiting the potential of the current railways. The onset of the campaign and thus an increased demand for an alternative transportation between these two cities was thwarted by the decision of the Road and Motorway Directorate of the Czech Republic to postpone the reconstruction of the key motorway D1 to the following year.

In the second half of 2012, the focus was aimed on a new mobile e-shop and the SC Pendolino train. The top-quality wireless internet connection in SC Pendolino trains and the uniqueness of the fun portal that allows one to listen to music, read books, order of refreshments online, including warm dishes, with delivery to your seat, play on-line games and participate in competitions when travelling, was emphasised.

The process of applying a new visual image that concerns all areas of the Company's activities, including the reconstruction of train stations, where the elements of the new orientation and information system are applied, and also the new paint of traction vehicles and cars, continued.

The publication of the "ČD pro Vás" (ČD for you) customer magazine, which is distributed in selected trains and at ČD train stations across the Czech Republic with the edition of 130,000 copies, also still continued.

The positive image of the Company through organising event activities, typically including exhibitions, fairs and other supporting projects, which resulted in the festivities on the occasion of Railway Day in Brno, with 25 thousand people participating, has been successfully built on.

The preparations to provide marketing services on a centralised basis within ČD Group were initiated.

The research conducted last year also proved the increasing satisfaction of the travelling public and its high loyalty to ČD.

Environmental Protection
In the area of environmental protection, ČD focuses on minimising all possible risks and impacts related to the Company's principal activities in line with the requirements of the legislation and the related legislative measures.

The environmental activities in the area of water management included monitoring the quality of drinking and sewage water with the aim of observing compliance with the statutory limits, monitoring the consumption of the service and drinking water, including the amount of sewage discharge, updating emergency plans for establishments in which hazardous substances are handled, and updating the simplified emergency plans for all railway stations.

In the area of air protection, the authorised measurement of stationary sources of air pollution was conducted and the efficiency of combustion and the use of the energy from these sources were controlled. With respect to the change in legislation, the statutory obligations concerning air protection, energy management and fire safety were updated.

Waste management also included the monitoring of production with a special focus on the reduction of hazardous waste. Attention was also paid to waste sorting and ensuring the obligatory system of taking back selected used products.

Nature and landscape protection consisted of ČD's maintenance of greenery, with an emphasis on the safety of operation and the travelling public, and the killing of weeds, where a mechanical process was preferred to the use of chemicals.

In terms of the rehabilitation of soil and underground water, the consequences of the extraordinary emergency leakage of hazardous substances into the environment were eliminated and ecological pollution caused by accidents in line with the decision of the state administration was rehabilitated. In the event of achieving the rehabilitation limits, the consent of administration bodies to transfer to the post-rehabilitation monitoring was ensured.

The relevant employees participated in the regular training in the listed areas of the environmental protection.

The realisation of the project entitled "Elimination of the Pollution Focal Points in the Former Wood Impregnation Factory at the Premises of the Brodek u Přerova" was initiated on 9 January 2012. The costs of eliminating the environmental burden are co-financed from EU funds as part of the "Environment" Operational Programme (a subsidy amounting to 90% of the aggregate tax-deductible costs, ie approximately CZK 62.3 million; the estimated aggregate costs amount to CZK 74.4 million). In respect of the new findings detected during the course of the project realisation, it was necessary (with the consent of the State Environmental Fund of the Czech Republic) to partly change, or supplement, the technology applied so far and to update the schedule of project activities. The new deadline for the project's completion is 31 March 2013.

Research and Development

Professional services and comprehensive solutions in the area of research and development are provided by ČD's subsidiary Výzkumný ústav železniční, a.s., (Railway Research Institute, hereinafter "VUZ"). VUZ is a respected European company specialising in professional services and comprehensive solutions in the area of assessment, testing and expert activities for railway systems and railway transportation.

The Company's key products include:
— Specialised testing;
— Assessment of compliance with the interoperability requirements; and
— Expert activities in the field of railway systems and railway transportation.

In its Velim Test Centre, VUZ operates two of its own railway test rings, which are among the most important and recognised test centres of railway technology and railway facilities in Europe. VUZ co-operates closely with the leading producers, academic institutions and trade unions within and also outside the EU. VUZ is also a notified entity no. 1714 for assessing compliance with the requirements of the interoperability of the European railway system.

VUZ has also been actively involved in research projects financed or supported as part of national and European programmes. In 2012, VUZ participated in three new projects:

NOVIBRAIL (noise emissions and vibrations in the railway system) – proposal for the solution and review of the real usability of noise simulations in the testing and approval of rail vehicles for operations, particularly using the method of verification of simulation models on the reference rails, both in the Velim Test Centre an in the real railway lines;

EUREMCO (EUropean Railway ElectroMagnetic COmpatibility) – support of the interoperability of railway operations through the harmonisation and simplification of certification (homologation) procedures applied to railway vehicles from the EMC viewpoint; and

D-RAIL (Development of the Future Rail Freight System to Reduce the Occurrences and Impact of Derailment) – definition of the causes of the derailment of freight cars and the subsequent system changes and new security measures in order to reduce the number of derailments and to mitigate their consequences.

Through the technological platform entitled "Interoperability of the railway infrastructure", VUZ has been involved in the activities of the International Railway Research Board (IRRB) since 2012; VUZ's Executive Director holds the post of Vice-chairman at the IRRB. The IRRB's objective is to support the development of railway transportation, in particular lines connecting Europe and Asia, by means of railway research.

An extensive investment project entitled "Velim Test Centre Refurbishment" was successfully completed in 2012, using EU funds from the "Enterprise and Innovations" operational programme. As the technical parameters of the large railway test ring considerably improved, VUZ's prestige among Czech and foreign clients as well as experts increased significantly. The development of the Velim Test Centre in 2012 created new opportunities for expanding the commercial use of VUZ's authorised and accredited activities.

Information Technology

Information technology (IT) was also used to support the modernisation of the passenger transportation in 2012 and as a result the ČD's website, www.cd.cz, and the second-generation eShop is now also accessible via mobile phones. This trend will be continued in 2013, when ČD is going to offer separate applications for mobile phones. A growing number of passengers are using the mobile check-in system in trains with a year-on-year increase of approximately 90%, including the train tickets bought at the neighbouring German and Austrian railways (DB and ÖBB, respectively). All ČD ticket offices have new ticket printers using thermo-print technology both for domestic and international tickets. New visual aspects of all train documents include, for instance, a printed 2D code that train conductors use for check-in by means of personal portable cash registers (POP). The fact that ČD's project entitled "2D Codes on Travel Documents" received a prestigious award for the best IT project in 2012 proves that this major change was realised successfully. ČD also initiated changes in other check-in systems and in 2013 it plans to replace the cash registers, which will have an impact on the central systems. Fixed vending machines for the sale of travel documents are planned to be launched in 2013.

For planning the railway transportation timetable, a tender for the solution of the short-term and long-term planning was published. The objective is to plan transportation in the long term, both from the viewpoint of ordering parties and from the perspective of passengers' preferences, and to better predict the railway transportation economy. At the end of 2012, the implementation of Passenger transport dispatching was initiated, with the first phase to be finished in 2013. "IS Evita", an application to monitor diesel consumption, was launched and the fuel consumption may now be monitored at all ČD fuel stations. As part of the maintenance, a pilot project monitoring reliability of maintenance in SAP PM was launched. An electronic version of duty regulations using electronic reading devices is planned for 2013.

With regard to co-operation with the regions, ČD is integrating passenger check-in using an integrated transportation system. In 2012, the first phase of the project was completed in the Moravian-Silesian region, the Hradec Králové region and the Pardubice region. At the end of 2012, ČD signed an agreement with the Plzeň region that will result in an innovative change concerning the In-karta customer card and its incorporation into the "MAP karta" (MAP card) integrated transportation system.

In 2013, ČD is going to unite infrastructure in the area of PCs and printing solutions, including IT security. The consolidation of printing solutions is also the first project that is jointly prepared by all companies within the ČD Group, while "ČD Informační Systémy, a.s." (ČD Information Systems, hereinafter ČD-IS) plays the role of the unified integrator incorporating this service within the ČD Group. This project is one of the first instances of the unified management of IT services within the ČD Group. In 2012, ČD-IS became a wholly-owned subsidiary for the purpose of establishing a central provider of IT services for the ČD Group. Subsequently, this company was transformed so that it was able to take over and provide IT services for all Group members in the course of 2013. As part of this transformation, ČD-IS's organisational structure was changed, a new economic model of the company was set and the system of processing engagements within the company was modified. A gradual standardisation of all IT services and their transfer to ČD-IS is planned in 2013 in order to increase the effectiveness of providing these services and also to use the synergy of the joint procedure of purchasing, the integration of new systems and the operation of applications within the ČD Group.

ČD – Telematika a.s. (hereinafter "ČDT") is a major provider of IT solutions and a supplier of services in the administration, maintenance and development of telecommunication systems necessary to ensure the operation and operability of the railway infrastructure. The Company's clients include state administration and self-government bodies and large domestic companies. Until 29 February 2012, ČDT provided services to the clients within the ČD Group through its subsidiary ČDT – Information Systems, a.s. ČDT implemented projects focused on GSM-R cabin radios with values of nine figures; in the telecommunication area, ČDT also concluded a multi-annual contract with the prominent telecommunication operator. In 2012, ČDT retained the current ISO certification in the areas of providing IT services, environment, occupational safety and health; moreover, in the field of quality management, the Company succeeded in obtaining a follow-up certification of quality according to the Czech Defence Standard (ČOS 051622) that enables one to apply for army engagements from NATO member states. The Company's main strategy consists of the further reinforcement of the strategic partnership with SŽDC s.o. in respect of services concerning railway telecommunication infrastructure administration and maintenance and, last but not least, a growth in income outside the railway infrastructure and transportation sector.

Repair and Maintenance of Rail Vehicles
DPOV, a.s. is one of the leading companies active in the field of rail vehicle repairs in the Czech Republic. DPOV, a.s carries out periodical higher-grade repairs, modernisations, repair of damages and other regular repairs and maintenance of rail vehicles. In 2012, similarly to previous years, ČD Group companies were the largest customer. However, compared to previous periods, the work done for external customers has also increased.

In 2012, in reaction to ČD's massive launch of new modernised rail vehicles, DPOV, a.s. introduced a structural change in the range of repairs focussing mainly on the repairs of new and modernised ČD rail vehicles. In this respect, the construction of the new shop for repairing multiple-part diesel units in PSO Veselí nad Moravou is seen as highly important. In 2012, an optimisation process of the shop for repairing wheel sets in Operating centre for repairs (PSO) Nymburk began so as to provide the structure, facilities and efficiency necessary to meet the requirements of the entire ČD Group. The project and process management implementation within DPOV is based on the cost management model aimed at decreasing customer prices while increasing work efficiency.

Catering Services for Travelling Customers
JLV, a.s. is the largest provider of catering and retail services for travelling customers. JLV, a.s. ensures catering and retail services for ČD, the main partner, and DB AutoZug, a foreign company. On the Czech market, JLV is the leader in providing catering and retail services for travelling customers.

In 2012, the key opportunity for JLV, a.s was to win the tender announced by ČD for ensuring catering and accommodation services in special construction cars.

Travelling and Holidays
The services provided by the ČD travel, s.r.o. travel agency are not limited to rail employees only. ČD travel, s.r.o. provides good quality and affordable holidays for a wide range of clients. It organises holidays both in the Czech Republic and abroad. The offer includes wellness stays and stays designed for seniors (over 55 years old). Holidays abroad include transport service either by bus, plane or train. The agency plans sight-seeing tours in all parts of Europe. ČD travel, s.r.o is among the very few Czech companies employing the German DB KURS reservation system and sells tickets for all Europe (eg TGV, AVE, TALGO, Eurostar, trains to the Far East, etc). Owing to the high-quality services provided at an affordable price, the Company attracts an increasing number of clients who are not employees of the ČD Group (in 2011 they represented 47%, in 2012 they amounted to 52%). The average number of clients per year amounts to 17,000 clients, which makes it rank among middle-sized travel agencies.

Investment Development of the ČD Group

ČD and ČD Cargo invest in the renovation of the rolling stock, technical support, and IT technology facilitating railway transport. In 2012, as part of the rolling stock modernisation process, ČD received the last modernised Regionova diesel unit. As part of the Regional Operational Programmes co-financed from EU structural funds, the supplies of new RegioSpider diesel railcars, RegioShark diesel units and RegioPanter electric units continued. Investment in the rolling stock for long-distance and international passenger transport is continually increasing. It comprises mainly the supply of air-conditioned passenger carriages with a maximum speed of 160 km per hour. In 2012, the new key investment was related to the contract for the supply of 7 Viaggio Comfort train units which came into effect.

In 2012, ČD Cargo invested mainly in the renovation of the rolling stock, namely in the modernisation of four-axle high-sided freight cars designed for the transportation of aggregates such as sand and gravel, and four-axle-tank wagons. As to traction vehicles, ČD Cargo invested mainly in the modernisation of electric locomotives connected with their transformation from direct-current traction units into double-current vehicles. The renovation of the station building in Ústí nad Labem main station represents a significant component of investment activities in the area of construction. Investment in construction and in machinery in railway vehicle sector follows the necessity to ensure operational renovation, maintenance and repairs of new railway vehicles supplied to individual railway vehicle depots.

ČD Cargo's investment in machinery and construction focuses on the renovation and modernisation of repair and maintenance facilities. The renovation of rail swivels in the maintenance and repair centre in Ústí nad Labem, the reconstruction of the electric shops in the maintenance and repair centre in Ostrava and rail renovation in individual maintenance and repair centres represent a significant component of investment activities.

In the IT area, the investment activities of both ČD and ČD Cargo are in line with transformation and centralisation processes within the ČD Group related to the projects aimed at facilitating the requirements of passenger and freight railway transportation.

In 2012, the major investment activity comprised the modernisation process of the Velim Test Centre co-financed by the EU – "Reconstruction of the Shop for the Preparation of Tests" and "Modernisation of the Safety and Communication Facilities" of the large testing circuit, which currently offers the possibility of testing vehicles at speeds of up to 230 km per hour.

The investment activities of DPOV, a.s. include mainly investments in construction and machinery for the further development of repair and maintenance facilities. The investment in the renovation of maintenance and repair production shop in Veselí nad Moravou and in technology facilities in the paint production shop in Nymburk operational centre make up a significant component of investment activities.

The investment activities of ČD-IS and ČD Telematika include primarily investment in IT technology and the related infrastructure. The investment activities of ČD-IS focus primarily on the area of software and hardware with respect to the requirements of the ČD Group.

ČD Telematika's investments in construction and IT areas including telecommunication services and infrastructure arose in reaction to the needs of the ČD Group and largely as a result of contracts concluded with external customers.

Strategic Development of the ČD Group

Vision and Strategy
ČD will strive to become the number one option for travelling customers, and customers / orderers. Therefore, it must become the leader in the open market and take a steady position on the railway market as a competitive, customer-oriented and profit-making company. In this respect, ČD will focus on key success elements, ie customer orientation and the effort to make its services as simple and customer-friendly as possible. These efforts require investment in both rolling stock and in the implementation of modern technology for ticket sales and passenger check-in.

The strategic goals for the near future comprise primarily the formation of a holding within the ČD Group. This will require the distribution of activities among the holding, shared services centre and subsidiary. Coordination within the holding is expected to result in the definition of the Group's individual goals and in the use of mutual synergies in order to increase efficiency and lower costs.

Goals for the near future
In the last three years, ČD has adopted measures to improve the Company's economic situation, such as the renovation of rolling stock or obtaining further financial sources. Strategic goals for the coming period were defined for individual business activity segments, primarily the formation of a holding structure within ČD Group companies.
The formation of a functional holding structure is expected to bring savings resulting from synergies within the ČD Group. It is expected that certain activities will be managed centrally but performed by individual subsidiaries while other activities are considered to be performed centrally for the entire ČD Group.

The following subsidiaries for core business activities will be the basis for the future holding structure:
— Passenger railway transportation; and
— Freight railway transportation.

The aim is to form an efficient holding structure with strategic and methodological functions. The holding will be managed from the top, by the Board of Directors, and its pillar of centrally-governed methodology areas will include:
— Corporate Governance (security, compliance, internal audit, activities in the legal area, risk management); and
— Financial management (investment activities, controlling, procurement and treasury).
All supporting activities will be ensured by the centre of internal services. It is expected that there will be a sole provider for all supporting transaction activities in the entire Group – eg accounting, procurement and warehouse management.

19 comfortable trains

RegioPanter

Independent Auditor's Report to the Shareholders of České dráhy, a.s.

Having its registered office at: **Nábřeží L. Svobody 1222, 110 15 Praha 1**
Identification number: **709 94 226**

Report on the Financial Statements

(in accordance with International Financial Reporting Standards)

Based upon our audit, we issued the following audit report dated 16 April 2013 on the financial statements which are included in this annual report on pages 113 to 172:

We have audited the accompanying financial statements of České dráhy, a.s., which comprise the statement of financial position as of 31 December 2012, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements
The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of České dráhy, a.s. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matters
We draw attention to Notes 4.7. – 4.10. to the financial statements which describe uncertainties relating to legal and commercial disputes, sales of non-current assets and acquisition of non-current assets. The ultimate outcome of these disputes and future decisions of the Company's management cannot be anticipated as of the financial statements date. Our opinion is not modified in respect of these matters.

We additionally draw attention to Note 19.1. to the financial statements which describes the testing of the equity investment in ČD Cargo for impairment. The impairment testing is based on the assumptions of ČD Cargo's approved mid-term plan. Based on this testing, the Company believes that the subsidiary's value is greater than the reported carrying amount and hence no impairment of the equity investment needs to be recognised as of 31 December 2012. The likelihood of the mid-term plan being fulfilled cannot be presently anticipated. Our opinion is not modified in respect of this matter.

Report on the Consolidated Financial Statements

(in accordance with International Financial Reporting Standards)

Based upon our audit, we issued the following audit report dated 16 April 2013 on the financial statements which are included in this annual report on pages 49 to 111:

We have audited the accompanying consolidated financial statements of České dráhy, a.s. and its subsidiaries, which comprise the statement of financial position as of 31 December 2012, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements
The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of České dráhy, a.s. and its subsidiaries as of 31 December 2012, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matters
We draw attention to Notes 4.7. – 4.10. to the financial statements which describe uncertainties relating to legal and commercial disputes, sales of non-current assets, acquisition of non-current assets and measures relating to the subsidiary ČD Cargo a.s. The ultimate outcome of these disputes, future decisions of the Company's management and development in freight transportation cannot be anticipated as of the financial statements date. Our opinion is not modified in respect of these matters.

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of České dráhy, a.s. for the year ended 31 December 2012 which is included in this annual report on pages
176 to 180. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of České dráhy, a.s. for the year ended 31 December 2012 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2012 for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

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

This report includes the Report on the Quality of Provided Services on pages 181 to 184. The information in the Report on the Quality of Provided Services is not part of the Company's financial statements and hence our report in the above wording does not apply to it.

In our opinion, except for the effect of the matter discussed in the preceding paragraph, the information included in the annual report of the Company is consistent, in all material respects, with the financial statements referred to above.

In Prague on 16 April 2013

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. certificate no. 79	Václav Loubek certificate no. 2037

Consolidated Financial Statements for the Year Ended 31 December 2012

prepared under IFRS as adopted by the EU

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

Components of the Consolidated Financial Statements for 2012

Statement on Financial Position (Balance Sheet)
Statement of Profit or Loss
Statement of Comprehensive Income
Statement of Changes in Equity
Cash Flow Statement
Notes to the Financial Statements

Consolidated Financial Statements were prepared on 16 April 2013
Statutory body of the reporting entity

Petr Žaluda
Chairman of the Board of Directors and Chief Executive Officer

Statement of Financial Position (Balance Sheet) as of 31 December 2012

		31 Dec 2012 CZK thousand	31 Dec 2011 CZK thousand	1 Jan 2011 CZK thousand
Property, plant and equipment	16	73,545,823	69,682,502	65,037,154
Investment property	17	2,171,692	2,095,000	2,100,440
Intangible assets	18	571,451	567,896	607,538
Investments in joint ventures and associates	19	173,754	161,040	116,946
Deferred tax asset	13	6,439	0	5,441
Trade receivables	21	3,211	6,577	10,098
Other financial assets	22	724,517	947,075	626,571
Other assets	23	80,760	118,326	184,529
Total non-current assets		**77,277,647**	**73,578,416**	**68,688,717**
Inventories	20	1,178,752	1,130,194	1,330,580
Trade receivables	21	3,236,625	3,550,338	3,484,872
Tax receivables		10,279	4,024	67,789
Other financial assets	22	192,471	270,835	227,557
Other assets	23	872,348	1,321,604	784,591
Cash and cash equivalents	31	1,524,669	2,538,315	719,461
Assets held for sale	15	232,551	217,879	187,768
Total current assets		**7,247,695**	**9,033,189**	**6,802,618**
TOTAL ASSETS		**84,525,342**	**82,611,605**	**75,491,335**
Share capital	24	20,000,000	20,000,000	20,000,000
Reserve and other funds	24	16,393,703	16,616,402	16,567,630
Retained earnings		3,176,714	4,817,974	4,358,201
Equity attributable to equity holders of the parent company		**39,570,417**	**41,434,376**	**40,925,831**
Non-controlling interests		748,588	866,849	840,081
Total equity		**40,319,005**	**42,301,225**	**41,765,912**
Loans and borrowings	25	26,560,597	20,197,402	12,467,085
Deferred tax liability	13	364,298	167,861	75,072
Provisions	26	241,144	221,480	537,467
Other financial liabilities	28	808,282	694,545	1,064,266
Other liabilities	29	375,591	381,498	83,333
Total non-current payables		**28,349,912**	**21,662,786**	**14,227,223**
Trade payables	27	7,428,699	7,606,527	8,133,517
Loans and borrowings	25	3,030,771	6,194,071	6,044,566
Tax payables		19,004	21,448	0
Provisions	26	1,721,689	1,097,990	813,862
Other financial payables	28	769,166	819,598	237,314
Other payables	29	2,887,096	2,907,960	4,268,941
Payables arising from assets held for sale	15	0	0	0
Total current payables		**15,856,425**	**18,647,594**	**19,498,200**
TOTAL LIABILITIES		**84,525,342**	**82,611,605**	**75,491,335**

Statement of Profit or Loss for the Year ended 31 December 2012

		Year ended 31 Dec 2012 CZK thousand	Year ended 31 Dec 2011 CZK thousand
CONTINUING OPERATIONS			
Revenue from principal operations*)	5	33,580,016	33,287,062
Other operating income*)	6	4,110,312	4,366,501
Purchased consumables and services	7	-18,305,522	-17,781,304
Employee benefit costs	8	-12,848,172	-12,797,271
Depreciation and amortisation	9	-6,099,482	-5,673,463
Other operating losses, net	10	-973,760	-403,379
Profit (loss) before interest and tax		**-536,608**	**998,146**
Financial expenses	11	-926,976	-716,084
Other gains (losses), net	12	105,434	-58,029
Share of income of joint ventures and associates		15,012	15,065
Profit (loss) before tax		**-1,343,138**	**239,098**
Income tax expense	13	-251,190	-143,682
Profit (loss) for the period from continuing operations		**-1,594,328**	**95,416**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	15	0	395,781
Profit (loss) for the year		**-1,594,328**	**491,197**
Attributable to equity holders of the parent company		-1,622,629	465,611
Attributable to non-controlling interests		28,301	25,586

Statement of Comprehensive Income for the Year ended 31 December 2012

	Year ended 31 Dec 2012 CZK thousand	Year ended 31 Dec 2011 CZK thousand
Profit (loss) for the year	-1,594,328	491,197
Foreign exchange rate gains or losses from the transfer of foreign branches	-2,190	501
Cash flow hedging	-237,999	54,591
Relating income tax	-354	-12,230
Other comprehensive income (loss) for the year, net of tax	**-240,543**	**42,862**
Total comprehensive income (loss) for the year	**-1,834,871**	**534,059**
Attributable to equity holders of the parent company	-1,863,172	508,473
Attributable to non-controlling interests	28,301	25,586

*) Restated figures for the year ended 31 December 2011, refer to Note 2.21.

Statement of Changes in Equity for the Year ended 31 December 2012

	Share capital CZK thousand	Reserve and other funds CZK thousand	Retained earnings CZK thousand	Equity attributable to equity holders of the parent company CZK thousand	Non-controlling interests CZK thousand	Total equity CZK thousand
Balance at 1 Jan 2011	**20,000,000**	**16,567,630**	**4,358,201**	**40,925,831**	**840,081**	**41,765,912**
Profit for the year	0	0	465,611	465,611	25,586	491,197
Other comprehensive income for the year, net of tax	0	42,862	0	42,862	0	42,862
Allocation to the reserve fund	0	5,838	-5,838	0	0	0
Paid dividends	0	0	0	0	-6,602	-6,602
Other	0	72	0	72	7,784	7,856
Balance at 31 Dec 2011	**20,000,000**	**16,616,402**	**4,817,974**	**41,434,376**	**866,849**	**42,301,225**
Profit (loss) for the year	0	0	-1,622,629	-1,622,629	28,301	-1,594,328
Other comprehensive income for the year, net of tax	0	-240,543	0	-240,543	0	-240,543
Allocation to the reserve fund	0	18,631	-18,631	0	0	0
Paid dividends	0	0	0	0	-9,956	-9,956
Other	0	-787	0	-787	-136,606 *)	-137,393
Balance at 31 Dec 2012	**20,000,000**	**16,393,703**	**3,176,714**	**39,570,417**	**748,588**	**40,319,005**

*) Comments refer to Note 24.3.

Cash Flow Statement for the Year ended 31 December 2012

	Year ended 31 Dec 2012 CZK thousand	Year ended 31 Dec 2011 CZK thousand
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year before tax	-1,343,138	634,879
Dividend income	-3,491	-7,240
Financial expenses	926,976	716,084
Profit from the sale and disposal of non-current assets	-410,023	-1,116,832
Depreciation and amortisation of non-current assets	6,099,482	5,673,463
Impairment of non-current assets	-188,542	-135,046
Impairment of trade receivables	103,415	46,833
Foreign exchange rate gains (losses)	-219,165	160,815
Other	-31,626	-26,417
Cash flow from operating activities before changes in working capital	**4,933,888**	**5,946,539**
Decrease (increase) in trade receivables	84,006	-40,861
Decrease (increase) in inventories	-61,191	133,003
Decrease (increase) in other assets	580,569	-408,406
Increase (decrease) in trade payables	297,530	-1,191,961
Increase (decrease) in provisions	640,790	141,567
Increase (decrease) in other payables	-445,479	-758,990
Total changes in working capital	**1,096,225**	**-2,125,648**
Cash flows from operating activities	**6,030,113**	**3,820,891**
Interest paid	-666,633	-397,146
Income tax paid	-70,913	29,674
Net cash flows from operating activities	**5,292,567**	**3,453,419**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant and equipment	-9,988,263	-8,418,544
Proceeds from disposal of property, plant and equipment	524,375	856,223
Payments for investment property	-93,194	-14,965
Net cash flows from the sale of a business part	0	179,940
Costs of acquisition of intangible assets	-186,261	-169,228
Received interest	29,774	12,206
Received dividends	3,491	7,240
Net cash flows used in investment activities	**-9,710,078**	**-7,547,128**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	11,496,952	11,084,776
Repayments of loans and borrowings	-8,083,131	-5,165,611
Dividends paid	-9,956	-6,602
Net cash flows from financing activities	**3,403,865**	**5,912,563**
Net increase (decrease) in cash and cash equivalents	**-1,013,646**	**1,818,854**
Cash and cash equivalents at the beginning of the reporting period	2,538,315	719,461
Cash and cash equivalents at the end of the reporting period	**1,524,669**	**2,538,315**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2012

1 General Information

1–1 General Information

On the basis of Act 77/2002 Coll. on the Joint Stock Company Czech Railways, the State Organisation Railway Route Administration and the Changes to the Railways Act 266/1994 Coll., as amended, and the State Enterprise Act 77/1997 Coll. as amended, České dráhy, a. s. (the 'Parent Company' or 'ČD') was formed on 31 March 2002 and the state organisation Czech Railways discontinued its activities and operations on 1 January 2003 and the Company and the state organisation Railway Route Administration ('SŽDC') were formed as its legal successors. As of that date, the Parent Company was recorded in the Register of Companies.

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

The company is the Parent Company of the České dráhy Group (the 'Group'). The consolidated financial statements have been prepared as of and for the year ended 31 December 2012. The reporting period is the calendar year, i.e. from 1 January 2012 to 31 December 2012.

1–2 Principal Operations

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

The assets comprising the railway routes are in the ownership of the State, not the Group. The right of management of these assets rests with SŽDC. SŽDC secures the operability and servicing of the railway route.

1–3 Organisational Structure of the Parent Company

The Company is organised into sections overseen directly by the Chief Executive Officer (CEO) or Executive Directors, being: the section of the Company's CEO and sections of the Company's Executive Directors for Human Resources, Finance, Technology and Operations, Strategy and Sales, Marketing and Products and Asset Administration.

1–4 Bodies of the Parent Company

The Parent Company's bodies include the General Meeting, Board of Directors, Supervisory Board and Audit Committee. The General Meeting is the supreme body of the Company. The sole shareholder of the Company is the State which exercises the rights of the General Meeting through the Steering Committee.

The composition of Parent Company's Bodies as of 31 December 2012:

Steering Committee

Chairman	Lukáš Hampl
Vice Chairman	Jiří Žák
Member	Miloslav Hala
Member	Michael Hrbata
Member	Michal Janeba
Member	Miloslav Müller
Member	Petr Pelech

On 31 December 2011, the membership of Jakub Hodinář in the Steering Committee expired. On 31 January 2012, the membership of Petr Polák in the Steering Committee expired. On 7 June 2012, Ivo Vykydal resigned from the position of Chairman of the Steering Committee. Through its Resolution No. 401 dated 6 June 2012, the Government of the Czech Republic appointed Jiří Žák, Miloslav Hala and Petr Pelech new members of the Steering Committee with effect from 8 June 2012. Jiří Žák was appointed Vice Chairman and Lukáš Hampl was appointed Chairman pursuant to this resolution.

Board of Directors

Chairman	Petr Žaluda
Member	Roman Boček
Member	Ctirad Nečas
Member	Miroslav Šebeňa

On 26 April 2012, the position of Jiří Kolář expired following the discussion of his resignation letter at the meeting of the Supervisory Board on 26 April 2012. On 10 August 2012, Vladimír Bail submitted his resignation from the position of the first Vice Chairman and member of the Board of Directors, the resignation was discussed at the meeting of the Supervisory Board held on 16 August 2012 and it took immediate effect. At the meeting of the Supervisory Board held on 20 September 2012, Miroslav Šebeňa and Roman Boček were appointed members of the Board of Directors with effect from 21 September 2012 and 1 October 2012, respectively. On 30 October 2012, the Board of Directors discussed the resignation of Michal Nebeský from the position of a member of the Board of Directors on 31 October 2012. At its meeting held on 29 January 2013, the Supervisory Board appointed Petr Žaluda a member and Chairman of the Board of Directors of České dráhy, a. s. with effect from 1 February 2013 for another term in office.

Supervisory Board

Member	Michael Hrbata
Member	Antonín Leitgeb
Member	Miroslav Nádvorník
Member	Jaroslav Pejša
Member	Martin Riegl
Member	Vladislav Vokoun
Member	Josef Smýkal
Member	Miroslav Drobný

The membership in the Supervisory Board of Daniel Bartek expired following the discussion of his resignation at the meeting of the Steering Committee on 6 June 2012. At the meeting of the Supervisory Board held on 14 June 2012, Ivo Toman was appointed Chairman of the Supervisory Board with effect from 15 June 2012. On 19 July 2012, the Steering Committee discussed the resignation of Lukáš Hampl from the position of a member of the Supervisory Board with the expiration on 20 July 2012. Miroslav Drobný and Josef Smýkal were appointed new members of the Supervisory Board with effect from 20 July 2012. On 12 December 2012, the Steering Committee discussed the resignation of Ivo Toman from the position of Chairman and a member of the Supervisory Board with the expiration on 12 December 2012.

On 25 January 2013, the Steering Committee discussed the resignation of Miroslav Drobný and Martin Riegl from their positions of members of the Supervisory Board and Libor Antoš and Radim Jirout were appointed members of the Supervisory Board with effect from 26 January 2013.

Audit Committee

Chairman	Miroslav Zámečník
Member	Michael Hrbata
Member	Zdeněk Prosek

Through its Resolution No. 1495, the Supervisory Board established the Remuneration Committee of České dráhy, acting as a sub-committee of the Supervisory Board, on 8 September 2011.

Remuneration Committee

Member	Miroslav Nádvorník
Member	Martin Riegl

Ivo Toman’s position of a member and Chairman of the Remuneration Committee expired on 12 December 2012 concurrently with the expiration of his membership in the Supervisory Board. Martin Riegl’s position of a member of the Remuneration Committee expired concurrently with the expiration of his membership in the Supervisory Board on 25 January 2013.

As part of implementing the Corporate Governance project, the Company established the Risk Management Committee. The Committee is a permanent advisory body of the Board of Directors. The composition of the Risk Management Committee as of 31 December 2012:

Risk Management Committee

Chairman	Petr Vohralík
Member	Miroslav Šebeňa
Member	Jaroslav Král
Member	Roman Boček

The membership of Michal Nebeský in the Risk Management Committee expired on 31 October 2012. Antonín Hájek has been a new member of the Risk Management Committee since 1 January 2013.

1–5 Definition of the Consolidation Group

1–5–1 Entities Included in the Consolidation

Name of the entity	Registered office	Corporate ID	Ownership percentage*)	Degree of influence
České dráhy, a. s.	Prague 1, Nábřeží L. Svobody 12/1222	70994226		
ČD – Telematika a. s.	Prague 3, Pernerova 2819/2a	61459445	59.31	Control
Výzkumný Ústav Železniční, a. s.	Prague 4, Novodvorská 1698	27257258	100	Control
DPOV, a. s.	Přerov, Husova 635/1b	27786331	100	Control
ČD Cargo, a. s.	Prague 7, Jankovcova 1569/2c	28196678	100	Control
ČD – Informační Systémy, a. s.	Prague 3, Pernerova 2819/2a	24829871	100	Control
Dopravní vzdělávací institut, a. s.	Prague 3, Husitská 42/22	27378225	100	Control
ČD travel, s. r. o.	Prague 1, Na Příkopě 988/31	27364976	51.72	Control
CD Generalvertretung GmbH	Germany –Frankfurt n. Moh., Kaiserstrasse 60	DE 14191687	100	Control
CD – Generalvertretung Wien GmbH	Austria – Vienna, Rotenturmstraße 22/24	FN 291407s	100	Control
Koleje Czeskie Sp. z o.o.	Poland – Warsaw Ul. Grzybowska nr. 4, lok. 3	140769114	100	Control
Generálne zastúpenie ČD Cargo, s. r. o.	Slovakia – Bratislava Prievozská 4/B	44349793	100	Control
ČD Logistics, a. s.	Prague 1, Opletalova 1284/37	27906931	56	Control
Terminal Brno, a. s.	Brno, K terminálu 614/11	28295374	66.94	Control
ČD-DUSS Terminál, a. s.	Lovosice, Lukavecká 1189	27316106	51	Control
Smíchov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	27244164	51 **)	Joint control
Žižkov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	28209915	51 **)	Joint control
Centrum Holešovice, a. s.	Prague 1, Revoluční 767/25	27892646	51 **)	Joint control
Masaryk Station Development, a. s.	Prague 1, Na Příkopě 848/6, 110,00	27185842	34.00	Significant
JLV, a. s.	Prague 4, Chodovská 3/228,	45272298	38.79	Significant
RAILLEX, a. s.	Prague 5, Trnkovo náměstí 3, čp. 1112	27560589	50	Significant
BOHEMIAKOMBI, spol. s r.o.	Prague 1, Opletalova 6	45270589	30	Significant
Ostravská dopravní společnost, a. s.	Ostrava, Přívoz, U Tiskárny 616/9	60793171	20	Significant

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

**) 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.

Name of the entity	Principal activities
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.	Freight railway transportation
ČD – Informační Systémy, a. s.	Provision of telecommunication services, software and advisory
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 Generalvertretung GmbH	Business representation of ČD Cargo for Germany
CD – Generalvertretung Wien GmbH	Business representation of ČD Cargo for Austria, Italy, partially Hungary, Switzerland and former Yugoslavia
Koleje Czeskie Sp. z o.o.	Business representation for Poland, Lithuania, Latvia and Estonia
Generálne zastúpenie ČD Cargo, s. r. o.	Business representation of ČD Cargo for Slovakia
ČD Logistics, a. s.	Storage and handling of material
Smíchov Station Development, a. s.	Design, renovations, modernisation and development in the Smíchovské train station locality
Žižkov Station Development, a. s.	Design, renovations, modernisation and development in the Žižkov train station locality
Centrum Holešovice, a. s.	Renovations, modernisation and development in the Holešovice train station locality
Masaryk Station Development, a. s.	Development of the Masaryk railway station locality
JLV, a. s.	Provision of accommodation and catering services
RAILLEX, a. s.	Handling of cargo and technical services in transportation
BOHEMIAKOMBI, spol. s r.o.	Mediation of services in transportation except for the transportation by own vehicles
Ostravská dopravní společnost, a. s.	Operations of railway transportation and lease of locomotives

The consolidation group is hereinafter referred to as the "Group".

1–5–2 Changes in the Composition of the Group

On 29 February 2012, the process of the transfer of shares of ČD – Informační Systémy, a. s. from the original owner, ČD Telematika a. s., to the acquirer České dráhy, a. s. was completed. The subject matter of the transfer were shares representing the 100% investment in the share capital.

Investments in subsidiaries (Dopravní vzdělávací institut, a. s., ČD travel, s. r. o., Terminal Brno, a. s., ČD–DUSS Terminál, a. s.) and the associate Masaryk Station Development, a. s. were treated as immaterial in the prior period. In the consolidated financial statements for the year ended 31 December 2011, they were reported as other financial assets available for sale. In the consolidated financial statements for the year ended 31 December 2012, they are included in the consolidation group.

2 Significant Accounting Policies

2–1 Statement of Compliance

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

2–2 Basis of Preparation

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

2–3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The total comprehensive income is allocated to owners of the Company and non-controlling interests even if the result is a negative balance of non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2–4 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods and other assets is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership.

Sales of services are recognised when services are rendered to counterparties. Revenues related to transportation services are recognised in the period in which the services are provided by reference to the stage of completion of the service contract (eg period of validity of long-term travel documents).

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue 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.

2–5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2–5–1 The Group as a Lessor

Amounts due from lessees under finance leases are recognised as receivables at 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 outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2–5–2 The Group as a Lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2–6 Foreign Currencies

Each entity in the Group determines its functional currency according to the environment in which it 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 Parent Company.

Transactions denominated in foreign currencies are recorded at the ruling fixed exchange rate announced by the Czech National Bank. If the ruling exchange rate does not significantly change over time, the Company uses the foreign exchange rate promulgated as of the first day of the period for a longer period of time – usually one month. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the exchange rate of the Czech National Bank ruling as of that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 equity and reclassified to profit or loss when the hedged underlying item is settled.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into CZK using exchange rates prevailing at the end of each reporting period. 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 other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2–7 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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 such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the 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 Government Grants

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

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

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group 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 of the employer portion of statutory health insurance, social security, pension insurance and costs of other employee benefits resulting from the collective agreement.

The employee benefit obligations and provisions reported in the statement of financial position represent their present value as adjusted for unrecognised actuarial gains and losses. Additions to these obligations and provisions are reported as part of expenses after the employees render services for which they will have the right for such benefits.

2–10 Taxation

The income tax includes current tax payable and deferred tax.

2–10–1 Current Tax Payable

The tax currently payable is based on taxable profit for the year. The taxable profit differs from the profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2–10–2 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of 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.

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

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

2–10–3 Current Tax Payable and Deferred Tax for the Period

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

2–11 Property, Plant and Equipment

Property, plant and equipment are carried at cost reduced by accumulated losses from impairment, and by accumulated depreciation in respect of property and equipment. Freehold land is not depreciated.

Properties in the course of 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 other property 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, using 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. If there is no sufficient certainty that the lessee will acquire the ownership of an asset at the end of the lease, this asset is depreciated over the lease period if it is shorter than the anticipated useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item 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 rail vehicles. The costs of repairs are recorded as a separate asset item (component) and are depreciated over the useful life of repairs. The depreciation period of the components is determined for the series of rail vehicles and type of the components (periodical repairs – major, significant and overhaul). The average period of depreciation is six years.

2–12 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, the Group measures its investment property using the cost valuation model in accordance with the requirements of IAS 16 Property, plant and equipment.

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 their estimated useful lives. 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.

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

2–14 Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated 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 for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2–15 Investments in Joint Ventures and Associates

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

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 financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture or an associate is initially recognised in the consolidated statement of financial position at cost and subsequently adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

When a Group entity transacts with a joint venture or associate of the Group, profits and losses arising from the transactions with the joint venture or associate are reported in the Group's consolidated financial statements to the extent of the interest in the relevant associate that is not owned by the Group.

2–16 Investments in Subsidiaries and Associates Excluded from the Consolidation

Investments in subsidiaries and associates excluded from the consolidation are considered immaterial for the Group. They are reported as other financial assets available for sale in the financial statements. As their fair value cannot be reliably determined, they are measured at cost.

2–17 Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2–18 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined using the weighted arithmetic 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.

2–19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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, taking into account 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that 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 a valid expectation 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 arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2–20 Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following four categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

2–20–1 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income and expenses are recognised on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

2–20–2 Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

2–20–3 Financial Assets Available for Sale

Financial assets available for sale are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group holds equity investments that are not traded on an active market, classified as financial assets available for sale and carried at cost less any impairment losses as their fair value cannot be reliably determined.

Dividends on the AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

2–20–4 Loans and Receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

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

2–20–5 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The Group records impairment losses (allowances) based on an individual assessment of trade receivables and 20 percent allowances against receivables that are past due by greater than six months, full allowances against receivables that are past due by greater than twelve months and their value does not exceed CZK 30 thousand and full allowances against receivables registered for recovery under insolvency proceedings and receivables where court proceedings against the relevant debtor have been initiated. The Group does not recognise allowances against receivables from SŽDC.

With the exception of the AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of the AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

2–20–6 Derecognition of Financial Assets

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

2–20–7 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

2–20–8 Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

2–20–9 Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

2–20–10 Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments 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 event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2–20–11 Hedge Accounting

The Group designates certain hedging instruments as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedge 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. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents 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.

2–20–12 Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2–20–13 Financial Derivatives Held for Trading

Derivatives that do not meet the conditions for hedging derivatives are classified by the Group as derivatives held for trading.

The change in the fair value of derivatives held for trading is recognised as an expense or income from derivative transactions.

2–21 Changes in Accounting Policies

In the year ended 31 December 2012, ČD Cargo, a. s. changed the reporting of the short-term lease of traction vehicles and wagons.

In the consolidated financial statements for the year ended 31 December 2011, the above-stated lease of CZK 551 million was reported by the Group in the statement of profit or loss in the line 'Revenue from principal operations' in 'Other revenues from intrastate freight transportation'. In the consolidated financial statements for the year ended 31 December 2012, the above-stated lease of CZK 514 million is reported in the statement of profit or loss in the line 'Other operating income' under 'Rental income'.

In the consolidated financial statements for the year ended 31 December 2012, the Group reclassified the above-stated lease of CZK 551 million for the year ended 31 December 2011 from 'Revenue from principal operations' to 'Other operating income' for the sake of the comparability of the financial statements.

3 Adoption of New and Revised International Financial Reporting Standards

3–1 Standards and Interpretations Effective for Annual Periods Ended 31 December 2012

During the year ended 31 December 2012, the following standards, revised standards and interpretations became effective:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets	1 July 2011

The above standards and interpretations have no impact on the presentation and disclosures or the presented financial results.

3–2 Standards and Interpretations Adopted in Advance of their Effective Dates

The Group adopted no standards or interpretations before their effective dates.

3–3 Standards and Interpretations in Issue not yet Adopted

At the consolidated balance sheet date, the following standards and interpretations were issued but not yet effective and the Group did not adopt them in advance of their effective dates.

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 1 – Amendments to IFRS 1 Government Loans	1 January 2013
– Removal of Fixed Dates for First-time Adopters	1 July 2011
– Severe Hyperinflation	1 July 2011
IFRS 7 – Amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9	
– Financial Instruments – Classification and Measurement	1 January 2015
– Additions to IFRS 9 for Financial Liability Accounting	1 January 2015
IFRS 9 and IFRS 7 – Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 10, 11, 12 – Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance	1 January 2013
IFRS 10, 12, IAS 27 – Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014
IFRS 13 – Fair Value Measurement	1 January 2013
IAS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 12 – Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 – Employee Benefits	1 January 2013
IAS 27 (2011) – Separate Financial Statements	1 January 2013
IAS 28 (2011) – Investments in Associates and Joint Ventures	1 January 2013
IAS 32 – Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Improvements to IFRS cycle 2009 – 2011 – (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34)	1 January 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Management of the Group anticipates that the adoption of these standards, revised standards and interpretations will have no material impact on the Group in the following periods, except for more detailed presentation under IFRS 12 and IAS 1.

3–4 Standards and Interpretations that are Issued by the International Accounting Standard Board (IASB) but not yet Adopted by the European Union

At the consolidated balance sheet date, some of the standards and interpretations listed in the prior note have not been adopted by the European Union:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 1 – Amendments to IFRS 1 Government Loans	1 January 2013
Improvements to IFRS cycle 2009 – 2011	1 January 2013
IFRS 9	
– Financial Instruments – Classification and Measurement	1 January 2015
– Subsequent amendments to IFRS 9 and IFRS 7 (issued in December 2011)	1 January 2015
IFRS 10, 11, 12 – Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance	1 January 2013
IFRS 10, 12, IAS 27 – Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent 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 following are 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.

4–1 Useful Lives of Property, Plant and Equipment

The Group reviews the estimated useful lives of depreciated property, plant and equipment at the end of each annual reporting period. Although the Group identified no changes in the useful lives of property, plant and equipment, the situation may change in the following periods.

4–2 Impairment of Assets

The Group assesses the recoverable value of all asset components when there are indicators of their impairment (with the exception of intangible assets under construction, the recoverable value of which is assessed annually). This assessment is based on anticipated assumptions and may change in the future as the situation evolves and information is available.

4–3 Revenue and Expenses from International Transportation

Given the long intervals of settlement of mutual payments between transporters in the international transportation, the Parent Company has to estimate the amount of these expenses and revenues. The actual value confirmed by an international settlement institution may be different.

4–4 Measurement of Financial Derivatives

The Group uses financial derivatives for cash flow hedging. The measurement of derivatives in the financial statements is based on appropriate measurement techniques using identifiable market assumptions. If these assumptions changed, the measurement of financial derivatives would be different.

4–5 Income Taxation

The Group records significant deferred tax assets. The determination of the recoverable value of these assets depends on the estimate of their future realisation.

4–6 Provision for Employee Benefits

The Group recognises a provision for employee benefits. In calculating the provision, the Group uses an actuarial model which is based on the up-to-date employee information and anticipated parameters established on the basis of a reasonable estimate and publicly available statistical documents. A change in the anticipated parameters would impact the amount of the provision.

4–7 Provisions for Legal Disputes and Business Risks

The Group is involved in a number of court and out-of-court commercial disputes. Where the criteria for the recognition of provisions are 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.

4–8 Sale of Fixed Assets

The Parent Company owns a large quantity of fixed assets that are no longer used for its principal activities, ie passenger railway transportation. These are assets that are part of the railway infrastructure (train station buildings, land around the railroads) and assets that are used differently (eg commercial lease). Given its medium-term strategy, the Company plans to dispose of these assets, either by a transfer for consideration to SŽDC or sale to commercial interested parties. The specific manner and timing have not yet been determined.

4–9 ČD Cargo's Business Plan

In 2012, management of the subsidiary ČD Cargo undertook a series of measures designed to stabilise the liquidity of the company in the short-term and create conditions for achieving more favourable economic results in the medium-term and consequently ensure the stability of the company in the following years. The implemented measures have served a basis for preparing a medium-term business plan of the company.

4–10 Relations with Škoda Transportation a.s.

České dráhy, a.s. is involved in an arbitration with Škoda Transportation a.s. for the payment of CZK 660.8 million as a compensation for the costs incurred by delays in the supply of railway vehicles. Concurrently, Škoda Transportation a.s. is involved in an arbitration for the payment of CZK 216.5 million as an unpaid prepayment including default interest. The arbitrations have not yet been finalised. For this reason, the form and amount of the final settlement cannot be determined.

5 Revenue From Principal Operations

All of the below additional information on the statement of profit or loss relates to continuing operations. Profits and losses from discontinued operations are disclosed in a separate note (Note 15).

CZK '000	**2012**	**2011**
Revenue from passenger transportation – fare	7,069,518	6,838,390
– Intrastate passenger transportation	*5,105,097*	*5,031,938*
– International passenger transportation	*1,964,421*	*1,806,452*
Revenue from passenger transportation – payments from public service orderers	12,372,037	12,257,504
– Payment from the state budget	*4,024,168*	*4,081,091*
– Payment from the regional budget	*8,347,869*	*8,176,413*
Revenue from freight transportation	12,964,079	12,981,142
– Intrastate freight transportation	*4,756,602*	*5,749,501*
– International freight transportation	*8,207,477*	*7,231,641*
Other revenue from principal operations	1,174,382	1,210,026
Total revenue from principal operations – continuing operations	**33,580,016**	**33,287,062**

Payments from public service orderers relate to regional and long-distance intrastate passenger transportation. Other revenue from principal operations predominantly includes the revenue from railway transportation by other transporters and owners of railways, revenue from other transportation, revenue from the lease of wagons and other revenue from freight transportation.

6 Other Operating Income

CZK '000	**2012**	**2011**
Gain from disposal of property, plant and equipment and investment property	410,023	695,126
Gain from the sale of inventory	18,563	17,371
Sales of other services	2,075,903	1,844,377
Rental income	1,041,567	1,142,004
Compensations for deficits and damage	142,040	92,277
Gain on material	61,449	59,841
Other subsidies	33,136	24,310
Other	327,631	491,195
Total other operating income – continuing operations	**4,110,312**	**4,366,501**

In 2011, the line "Other" primarily includes a receivable from Škoda Transportation, a. s. arising from the contractual sanctions for the delay in supplies of the 380 series locomotive.

7 Purchased Consumables and Services

CZK '000	**2012**	**2011**
Traction costs	-4,753,731	-4,534,476
– Traction fuel (diesel)	-1,926,425	-1,931,048
– Traction electricity	-2,827,306	-2,603,428
Payment for the use of railway route	-3,885,674	-4,023,015
Other purchased consumables and services	-9,666,117	-9,223,813
– Consumed material	-1,347,208	-1,515,483
– Consumed other energy	-694,492	-757,404
– Consumed fuel	-106,357	-92,497
– Repairs and maintenance	-677,182	-653,434
– Travel costs	-158,839	-169,724
– Telecommunication, data and postal services	-315,829	-316,590
– Other rental	-253,440	-245,701
– Rental for rail vehicles	-1,229,039	-1,183,500
– Transportation charges	-1,918,065	-1,371,082
– Services of dining and sleeping carriages	-123,847	-104,850
– Services associated with the use of buildings	-318,939	-304,046
– Operational cleaning of rail vehicles	-404,976	-441,239
– Border area services	-409,754	-387,246
– Advertising and promotion costs	-238,927	-221,931
– Other services	-1,469,223	-1,459,086
Total purchased consumables and services – continuing operations	**-18,305,522**	**-17,781,304**

Other services predominantly include expenses related to the environment, commissions to ticket vendors, education, representation costs, IT services and other services.

8 Employee Benefit Costs

CZK '000	**2012**	**2011**
Payroll costs	-8,956,250	-8,938,857
Severance pay	-234,494	-119,933
Statutory social security and health insurance	-2,970,896	-3,060,442
Benefits resulting from the collective agreement	-132,446	-119,609
Other social costs	-504,754	-517,496
Other employee benefit costs	-49,332	-40,934
Total employees benefit costs – continuing operations	**-12,848,172**	**-12,797,271**
Average recalculated number of employees		
Employees	26,322	33,407
Managers	121	148
Total	**26,443**	**33,555**

In 2011, 9,326 employees were transferred to SŽDC as part of discontinued operations. The costs of employee benefits relating to the transfer of employees to SŽDC in 2011 are disclosed in Note 15.

9 Depreciation and Amortisation

CZK '000	**2012**	**2011**
Depreciation of property, plant and equipment	-5,859,296	-5,390,275
Depreciation of investment property	-74,939	-74,317
Amortisation of intangible assets	-165,247	-208,871
Total depreciation and amortisation – continuing operations	**-6,099,482**	**-5,673,463**

10 Other Operating Losses

CZK '000	**2012**	**2011**
Change in provisions	-657,084	-243,048
Losses from impaired receivables	-78,988	-15,634
Reversal of losses from impaired property, plant and equipment, investment property and assets held for sale	188,542	135,046
Write-down of inventories to their net realisable value	-7,056	-2,677
Taxes and fees	-39,382	-55,455
Other operating expenses	-379,792	-221,611
Total other operating losses – continuing operations	**-973,760**	**-403,379**

11 Financial Expenses

CZK '000	**2012**	**2011**
Interest on bank overdraft accounts and loans	-12,919	-22,187
Interest on the loan from ČSOB and loans from Eurofima	-57,044	-61,554
Interest on issued bonds	-739,563	-183,726
Interest on finance lease payables	-271,458	-246,109
Other interest	-111,972	-331,503
Less: amounts capitalised as part of the costs of an eligible asset	268,553	139,272
Unwinding of the discount of provisions	-2,573	-10,277
Total financial expenses – continuing operations	**-926,976**	**-716,084**

12 Other Gains (Losses)

CZK '000	**2012**	**2011**
Net foreign exchange gains (losses)	121,306	-104,448
Received dividends	3,491	7,240
Received interest	28,240	13,740
Gains from current financial assets	4,624	20,215
Banking fees	-19,903	-24,259
Actuarial gains (losses)	-18,242	-13,184
Loss from derivative transactions	-3,823	-260
Other	-10,259	42,927
Total other gains (losses) – continuing operations	**105,434**	**-58,029**

13 Income Taxation

13–1 Income Tax Reported in Profit or Loss

CZK '000	**2012**	**2011**
Current income tax for the period reported in the statement of profit or loss	-59,961	-57,916
Deferred tax recognised in the statement of profit or loss	-189,242	-85,991
Other *)	-1,987	225
Total tax charge relating to continuing operations	**-251,190**	**-143,682**

*) Predominantly taxes paid from the individual tax base, eg received dividends

Reconciliation of the total tax charge for the period to the accounting profit:

CZK '000	**2012**	**2011**
Profit (loss) from continuing operations before tax	-1,343,138	239,098
Income tax calculated using the statutory rate of 19%	255,196	-45,429
Effect of the unrecognised deferred tax asset	-90,660	11,763
Other*)	-415,726	-110,016
Income tax reported in profit or loss	**-251,190**	**-143,682**

*) The effect of permanently non-tax expenses and income, tax calculated from the individual tax base

The tax rate used in the reconciliation is the corporate income tax rate which has to be paid by Czech legal entities from their taxable profits according to Czech tax laws.

13–2 Income Tax Recognised in Other Comprehensive Income

CZK '000	**2012**	**2011**
Remeasurement of financial instruments recognised as cash flow hedging	-354	-12,230
Total income tax recognised in other comprehensive income	**-354**	**-12,230**

13–3 Deferred Tax

CZK '000	**Unutilised tax losses**	**Non-current assets**	**Provisions**	**Leases**	**Receivables**	**Derivatives**	**Other**	**Total**
Balance at 1 Jan 2011- calculated	**1,239,980**	**-1,276,662**	**208,492**	**-55,058**	**14,547**	**17,261**	**34,009**	**182,569**
Balance at 1 Jan 2011- recognised	120,362	-251,848	75,556	-89,062	6,050	27,996	41,315	-69,631
Deferred tax recognised in profit or loss:	-99,645	1,509	72,070	-51,754	-442	-7,632	-97	-85,991
– of which current changes in the deferred tax	*-434,226*	*352,503*	*59,086*	*-89,281*	*-1,254*	*-7,632*	*23,050*	*-97,754*
*– of which impairment *)*	*334,581*	*-350,994*	*12,984*	*37,527*	*812*	*0*	*-23,147*	*11,763*
Deferred tax recognised in other comprehensive income	0	0	0	0	0	-12230	0	-12,230
– of which current changes in the deferred tax	*0*	*0*	*0*	*0*	*0*	*-17,075*	*0*	*-17,075*
*– of which impairment *)*	*0*	*0*	*0*	*0*	*0*	*4,845*	*0*	*4,845*
Impacts of the change in the consolidation group	0	-9	0	0	0	0	0	-9
Balance at 31 Dec 2011- calculated	**805,754**	**-924,168**	**267,578**	**-144,339**	**13,293**	**-7,446**	**57,059**	**67,731**
Balance at 31 Dec 2011 – recognised	**20,717**	**-250,348**	**147,626**	**-140,816**	**5,608**	**8,134**	**41,218**	**-167,861**
– of which liability	*20,717*	*-250,348*	*147,626*	*-140,816*	*5,608*	*8,134*	*41,218*	*-167,861*
– of which asset	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Deferred tax recognised in the statement of profit or loss:	-13,621	-197,306	107,183	-91,281	3,037	0	2,746	-189,242
– of which current changes in the deferred tax	*-376,227*	*330,634*	*58,039*	*-124,160*	*7,534*	*0*	*5,598*	*-98,582*
*– of which impairment *)*	*362,606*	*-527,940*	*49,144*	*32,879*	*-4,497*	*0*	*-2,852*	*-90,660*
Deferred tax recognised in other comprehensive income	0	0	0	0	0	-354	0	-354
– of which current changes in the deferred tax	*0*	*0*	*0*	*0*	*0*	*38,992*	*0*	*38,992*
*– of which impairment *)*	*0*	*0*	*0*	*0*	*0*	*-39,346*	*0*	*-39,346*
Impacts of the change in the consolidation group	0	227	0	0	0	0	-629	-402
Balance at 31 Dec 2012 – calculated	**429,527**	**-593,307**	**325,617**	**-268,499**	**20,827**	**31,546**	**62,028**	**7,739**
Balance at 31 Dec 2012 – recognised	**7,096**	**-447,427**	**254,809**	**-232,097**	**8,645**	**7,780**	**43,335**	**-357,859**
– of which liability	*7,096*	*-452,209*	*254,676*	*-232,139*	*8,643*	*7,780*	*41,855*	*-364,298*
– of which asset	*0*	*4,782*	*133*	*42*	*2*	*0*	*1,480*	*6,439*

*) The decrease in the deferred tax asset recognised in the balance sheet (directly or indirectly as items decreasing deferred tax liabilities) to its recoverable value

According to the preliminary due corporate income tax return for the 2012 taxation period, the Parent Company records a utilisable tax loss for the 2009 taxation period in the aggregate amount of CZK 2,223,321 thousand. The tax losses can be carried forward for five taxation periods subsequent to the period in which the relevant loss was assessed, ie between 2013 and 2015.

Given the low anticipated taxable profits of the Parent Company, the realisation of deferred tax assets is uncertain. For this reason, the Parent Company attributes a zero recoverable value to this deferred tax asset when the resulting net position as of the balance sheet date is a deferred tax asset.

14 Segment Information

14–1 Products and Services from which Reportable Segments Derive their Revenues

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Parent Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Group's reportable segments under IFRS 8 are therefore as follows:

- Passenger transportation – other information on passenger railway transportation is disclosed in Note 14.3.
- Freight transportation – other information on freight railway transportation is disclosed in Note 14.3.
- Management of operations – the Group provided this activity for the operator of the railway route – SŽDC before 31 August 2011, other information is provided in Note 30.
- Administration of assets – the segment provides the administration and operations of real estate owned by the Group, including internal and external leases. Real estate predominantly includes station buildings and land surrounding the railroad.
- Other – predominantly activities of less significant subsidiaries and overhead activities that are not allocated to other segments.

14–2 Segment Revenues and Expenses

The following is an analysis of the Group's results from continuing operations by reportable segment in the format in which the financial statement is presented to the Parent Company's management. Results of individual segments are reported in accordance with Czech Accounting Standards. Adjustments made for reporting under IFRS are provided as part of the reconciliation of the segment statement with the statement of profit or loss.

2012

CZK million	Passenger transportation	Administration of assets	Freight transportation	Other	Elimination and reconciliation *)	Total
Revenue from principal operations						
Revenue from passenger transportation	7,125	0	0	0	-55	7,070
Revenue from securing railway routes	0	0	0	0	0	0
Payments from orderers	12,372	0	0	0	0	12,372
Other	2	0	15,337	3	-1,204	14,138
	19,499	**0**	**15,337**	**3**	**-1,259**	**33,580**
Purchased consumables and services						
Traction costs	-2,976	0	-1,826	0	48	-4,754
Payment for the use of the railway route	-1,621	0	-2,221	0	-44	-3,886
Other purchased consumables and services	-5,793	-607	-6,398	-3,098	6,230	-9,666
	-10,390	**-607**	**-10,445**	**-3,098**	**6,234**	**-18,306**
Staff costs						
Payroll costs	-4,891	-191	-3,225	-1,051	167	-9,191
Social security and health insurance	-1,633	-61	-1,050	-337	110	-2,971
Statutory social costs	-31	-2	-192	-32	-247	-504
Statutory social costs – benefits arising from the collective agreement	-230	-5	-27	-30	111	-181
	-6,785	**-259**	**-4,494**	**-1,450**	**141**	**-12,847**
Other operating income and expenses	787	1,072	313	3,835	-2,870	3,137
Intracompany income and expenses	-91	108	0	-17	0	0
Overhead costs – operating	-1,158	-70	0	1,228	0	0
Depreciation and amortisation	-2,022	-221	-2,587	-319	-950	-6,099
Other income and expenses	-404	0	-35	86	-706	-1,059
Overhead costs – financial and other	47	4	0	-51	0	0
Profit (loss) for the period from continuing operations	**-517**	**27**	**-1,911**	**217**	**590**	**-1,594**
Profit (loss) for the period from discontinued operations	0	0	0	0	0	0
Profit (loss) for the period	**-517**	**27**	**-1,911**	**217**	**590**	**-1,594**
Profit attributable to non-controlling interests	0	0	0	0	28	28
Profit (loss) attributable to owners of the parent company	-517	27	-1,911	217	562	-1,622

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

2011

CZK million	Passenger transportation	Management of operations	Administration of assets	Freight transportation**)	Other**)	Elimination and reconciliation *)	Total
Revenue from principal operations							
Revenue from passenger transportation	6,844	0	0	0	0	-6	6,838
Revenue from securing railway routes	0	3,267	0	0	0	-3,267	0
Payments from orderers	12,257	0	0	0	0	1	12,258
Other	79	8	1	15,290	22	-1,210	14,190
	19,180	**3,275**	**1**	**15,290**	**22**	**-4,482**	**33,286**
Purchased consumables and services							
Traction costs	-2,781	0	0	-1,836	0	83	-4,534
Payment for the use of the railway route	-1,636	0	0	-2,343	0	-44	-4,023
Other purchased consumables and services	-5,851	-183	-721	-5,446	-2,698	5,675	-9,224
	-10,268	**-183**	**-721**	**-9,625**	**-2,698**	**5,714**	**-17,781**
Staff costs							
Payroll costs	-4,961	-2,048	-191	-3,218	-1,062	2,421	-9,059
Social security and health insurance	-1,634	-683	-64	-1,060	-338	719	-3,060
Statutory social costs	-31	-22	-2	-196	-35	-231	-517
Statutory social costs – benefits arising from the collective agreement	-237	-100	-7	-23	-22	228	-161
	-6,863	**-2,853**	**-264**	**-4,497**	**-1,457**	**3,137**	**-12,797**
Other operating income and expenses	852	-21	1,446	207	3,502	-2,022	3,964
Intracompany income and expenses	-273	-18	317	0	-26	0	0
Overhead costs – operating	-894	-175	-60	0	1,122	7	0
Depreciation and amortisation	-1,854	-32	-230	-1,220	-321	-2,016	-5,673
Other income and expenses	-444	266	1	-189	28	-566	-904
Overhead costs – financial and other	-19	-3	-2	0	23	1	0
Profit (loss) for the period from continuing operations	**-583**	**256**	**488**	**-34**	**195**	**-227**	**95**
Profit (loss) for the period from discontinued operations	0	0	0	0	0	396	396
Profit (loss) for the period	**-583**	**256**	**488**	**-34**	**195**	**169**	**491**
Profit attributable to non-controlling interests	0	0	0	0	0	25	25
Profit (loss) attributable to owners of the parent company	-583	256	488	-34	195	144	466

*) The 'Elimination and reconciliation' column includes eliminations of intracompany relations and differences between balances under Czech Accounting Standards and IFRS. This principally involves the reclassification of the profit or loss of the Management of Operations segment into discontinued operations (refer to Note 15).
**) In 2012, the Group changed the methodology of internal segment reporting. For this reason, in comparative information for 2011, income and expenses of the subsidiaries of ČD Cargo, a. s. were transferred from "Other" to "Freight transportation".

14–3 Information on Principal Customers

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

By adopting Act No. 194/2010 Coll., on Public Services in Passenger Transportation and Changes in Other Acts, the Czech Republic has harmonised its public transport legislation with EU laws. The Parent Company has concluded contracts for the public service commitment for the period of 10 years and more which are governed by the legal regulations before the adoption of the Act referred to above. All contracts or their amendments were concluded before Regulation (EC) No. 1370/2007 entered into effect for the period of 10 years or more, ie before 3 December 2009. Similarly as the contract with the State, they are governed by legal regulations that were in effect before the Regulation became effective.

Governmental Resolution No. 1132/2009 dated 31 August 2009 secures the additional funding of the regional railway transportation through a special-purpose grant to regions, including the rules for the increase or decrease in the scope of ordered railway transportation and increase in the special-purpose grant in individual following years.

As of the 2012 financial statements date, intensive negotiations are pending with regard to amendments to long-term contracts for 2013. The amount of payments in 2013 will be substantially impacted by the launching of new vehicles, the result being a higher-than-inflationary increase in long-term payments from regional budgets. Management of the Parent Company believes that the conclusion of all the amendments is very likely in terms of the search for savings. In the context of the provision of public services in the transportation of passengers, this fact does not constitute any limitations – given the concluded long-term contracts, there is no threat regarding the interruption of their provision or their funding. Prepayments for the settlement of the provable loss are made – in respect of the not-yet-signed amendments for 2013 – in the amount of the prepayments from 2012.

ČD Cargo, a. s. provides its services to a significant number of business partners. The most important local customers in terms of the sales volume include AWT Čechofracht, ČEZ, a. s., CARBOSPED, spol. s r.o., MORAVIA STEEL a. s. and NH TRANS SE. Principal foreign customers are A.P. Möller, – Maersk A/S Express Slovakia "Mezinárodná preprava a. s.", DB Schenker Rail Automotive, BLG Auto Rail GmbH, and principal foreign railway customers are DB Schenker Rail Deutschland AG, Železničná spoločnost´ Cargo Slovakia, a. s., Rail Cargo Austria AG and PKP Cargo S.A.

15 Discontinued Operations and Assets Held for Sale

15–1 Spin-off of the Part of Business – Management of Operations

In 2008, part of the Parent Company's business relating to certain activities securing the operability of railway route operations (securing operability, preparation of the railway timetable and fire brigade activities) was spun-off and transferred to SŽDC. The provision of other services (railway route servicing and organising railway transport under extraordinary circumstances), including the relevant capacities, remained the responsibility of the Parent Company, which delivered the activities to SŽDC, the railway operator, as a contractor.

Pursuant to the resolution of the Czech Government, another contract for the sale of the part of business was concluded between the Parent Company and SŽDC as of 1 September 2011. It involves the sale of the Management of Operations. The selling price according to the contract for the sale of the part of business was determined on the basis of the valuation of an expert in the amount of CZK 389,940 thousand. As of 1 September 2011, 9,326 employees were transferred to SŽDC.

15–2 Analysis of the Result and Cash Flows from Discontinued Operations

The following table shows the profit from discontinued operations. The figures for the year ended 31 December 2011 include the profit or loss of the Management of Operations and the gain on its sale.

CZK '000	2012	2011
Revenue of principal activities	0	3,275,000
Other operating income	0	0
Purchased consumables and services	0	-175,442
Employee benefit costs	0	-2,901,518
Depreciation and amortisation	0	0
Other operating losses	0	-219,000
Profit (loss) before interest and tax	**0**	**-20,960**
Financial expenses	0	-1,143
Other gains (losses), net	0	-3,821
Profit (loss) before tax	**0**	**-25,924**
Income tax expense	0	0
Profit (loss) from discontinued operations	**0**	**-25,924**
Profit from the sale	**0**	**421,705**
– Received consideration	0	389,940
– Sold net assets	0	31,765
– Non-controlling interest	0	0
– Profit before tax	0	421,705
– Relevant tax on the profit recognised in expenses	0	0
Discount from the purchase price upon the transfer of the part of business to SŽDC in 2008	0	0
Total profit from discontinued operations	**0**	**395,781**

CZK '000	2012	2011
Cash flows from operating activities	0	23,000
Cash flows from investment activities	0	172,864
– Payments for property, plant and equipment	*0*	*-7,183*
– Costs of the acquisition of intangible assets	*0*	*0*
– Proceeds from the sale of property, plant and equipment	*0*	*180,047*)*
– Received interest	*0*	*0*
Cash flows from financing activities	0	0
Net cash flows from discontinued operations	**0**	**195,864**

*) The remaining CZK 210,000 thousand from the aggregate selling price of the Management of Operations segment was settled through the offset.

15–3 Assets Held for Sale

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Intangible assets	0	0	0
Land	60,000	90,000	40,000
Buildings	172,551	127,879	147,768
Total	**232,551**	**217,879**	**187,768**

16 Property, Plant and Equipment

CZK '000

Cost	Balance at 1 Jan 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012
Land	6,229,798	1,722	46,886	-82,846	6,101,788	108,212	5,048	-36,668	6,168,284
Structures	18,051,062	545,928	173,176	-329,759	18,094,055	546,643	148,601	-402,620	18,089,477
Individual movable assets	96,868,502	8,879,417	3,076,751	-141,232	102,529,936	10,027,457	2,867,331	16,343	109,706,405
– Machinery, equipment, and furniture and fixtures	*4,069,516*	*202,282*	*223,974*	*48,633*	*4,096,457*	*248,972*	*133,909*	*21,161*	*4,232,681*
– Vehicles	*83,047,884*	*7,538,791*	*2,548,831*	*40,664*	*88,078,508*	*8,781,439*	*2,551,945*	*-170,933*	*94,137,069*
– Vehicles acquired under finance leases	*9,502,965*	*1,067,279*	*252,067*	*-90,811*	*10,227,366*	*960,150*	*165,264*	*199,421*	*11,221,673*
– Other	*248,137*	*71,065*	*51,879*	*-139,718*	*127,605*	*36,896*	*16,213*	*-33,306*	*114,982*
Other assets	*28,761*	*26,388*	*6,609*	*0*	*48,540*	*3,348*	*3,065*	*-7,654*	*41,169*
Assets under construction	1,669,805	7,107,416	25,720	-6,600,822	2,150,679	9,091,829	403,465	-8,413,418	2,425,625
Prepayments	3,259,060	2,721,781	1,452,604	0	4,528,237	2,419,557	2,864,105	0	4,083,689
Total	**126,106,988**	**19,282,652**	**4,781,746**	**-7,154,659**	**133,453,235**	**22,197,046**	**6,291,615**	**-8,844,017**	**140,514,649**

CZK '000

Accumulated depreciation	Balance at 1 Jan 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012
Structures	7,970,597	418,949	111,550	-113,135	8,164,861	427,101	107,307	-142,374	8,342,281
Individual movable assets	51,940,984	4,966,013	2,229,349	-86,778	54,590,870	5,324,564	2,069,022	460	57,846,872
– Machinery, equipment, and furniture and fixtures	*2,878,320*	*201,161*	*204,164*	*-9,832*	*2,865,485*	*210,663*	*116,550*	*11,433*	*2,971,031*
– Vehicles	*47,075,469*	*4,190,827*	*1,729,696*	*-30,426*	*49,506,174*	*4,590,343*	*1,769,524*	*-224,039*	*52,102,954*
– Vehicles acquired under finance leases	*1,805,370*	*562,151*	*251,557*	*-14,629*	*2,101,335*	*520,611*	*166,824*	*215,070*	*2,670,192*
– Other	*181,825*	*11,874*	*43,932*	*-31,891*	*117,876*	*2,947*	*16,124*	*-2,004*	*102,695*
Other assets	1,053	12,461	6,028	0	7,486	10,303	2,988	-73	14,728
Total	**59,912,634**	**5,397,423**	**2,346,927**	**-199,913**	**62,763,217**	**5,761,968**	**2,179,317**	**-141,987**	**66,203,881**

CZK '000

Impairment	Balance at 1 Jan 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012
Land	3,817	0	0	0	3,817	35,697	0	0	39,514
Structures	54,878	0	10,044	0	44,834	0	1,401	0	43,433
Individual movable assets	1,098,505	102,646	247,680	0	953,471	152,740	424,722	0	681,489
– Machinery, equipment, and furniture and fixtures	*171*	*0*	*92*	*0*	*79*	*1,442*	*37*	*0*	*1,484*
– Vehicles	*1,098,334*	*102,646*	*247,588*	*0*	*953,392*	*151,298*	*424,685*	*0*	*680,005*
Other assets	0	1,694	0	0	1,694	0	1,262	0	432
Assets under construction	0	0	0	0	0	12,177	12,100	0	77
Prepayments	0	3,700	0	0	3,700	5,000	8,700	0	0
Total	**1,157,200**	**108,040**	**257,724**	**0**	**1,007,516**	**205,614**	**448,185**	**0**	**764,945**

Reclassifications predominantly include transfers of asset items between individual groups (IAS 16, IAS 40, IFRS 5), in assets under construction, these include assets put into use.

CZK '000

Net book value	Balance at 1 Jan 2011	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Land	6,225,981	6,097,971	6,128,770
Buildings	10,025,587	9,884,360	9,703,763
Individual movable assets	43,829,013	46,985,595	51,178,044
– Machinery, equipment, and furniture and fixtures	*1,191,025*	*1,230,893*	1,260,166
– Vehicles	*34,874,081*	*37,618,942*	41,354,110
– Vehicles acquired under finance leases	7,697,595	*8,126,031*	8,551,481
– Other	66,312	9,729	12,287
Other assets	27,708	39,360	26,009
Assets under construction	1,669,805	2,150,679	2,425,548
Prepayments	3,259,060	4,524,537	4,083,689
Total	**65,037,154**	**69,682,502**	**73,545,823**

Principal additions from 1 January 2011 to 31 December 2012 include the acquisition of railway vehicles as part of the renewal of the Parent Company's rolling stock. Given the long-term nature of the acquisition of this type of assets, significant balances are reported on the accounts of assets under construction and prepayments. As of 31 December 2012, this primarily involves the purchase of train sets for regional transportation and the 380 series locomotives.

In 2012, the Group acquired non-current assets financed through government grants in the amount of CZK 945,483 thousand (2011: CZK 850 thousand). The cost of the assets was reduced by the amount of the grant.

16–1 Impairment Losses Recognised in the Reporting Period

Vehicles predominantly include railway vehicles (locomotives, wagons, other railway vehicles) used for operating railway transportation. Pursuant to the inventory count and analyses, items of assets were identified for which there is a significant doubt about their future usability. The Group recognised an impairment loss for these items in the amount of the difference between the net book value and the estimated recoverable value. The recoverable value is usually determined as net proceeds from the sale less cost to sell.

The principal impairment loss as of 31 December 2012, 2011 and 1 January 2011 is the loss on the 680 series tilting trains (Pendolino) amounting to CZK 492,953 thousand, CZK 719,340 thousand and CZK 960,342 thousand, respectively. The impairment was determined on the basis of an independent expert's assessment reflecting the market value net of the costs of sale. The reversal of the impairment between 2009, 2010, 2011 and 2012 is due to the development of the railway transportation in the region and improvement in the operating use of the units. The costs and income associated with the Pendolino trains are reported in the Passenger Transportation segment.

Impairment losses are included in other operating expenses in the statement of profit or loss.

The following useful lives were used in the calculation of depreciation:

	Number of years
Buildings	30 – 50
Structures	20 – 50
Locomotives	20 – 30
Passenger coaches	20 – 30
Wagons	25 – 33
Machinery and equipment	8 – 20
Optical fibres	35

16–2 Assets Pledged as Collateral

The Parent Company holds assets at the net book value of CZK 3,318,007 thousand that were pledged as collateral, of which train sets of the 471 series amounted to CZK 2,309,717 thousand, the Ampz passenger coaches amounted to CZK 425,653 thousand and the Bmz passenger coaches amounted to CZK 582,637 thousand. The pledge was established in favour of EUROFIMA.

16–3 Redundant Immovable Assets

In the property, plant and equipment class, the Group reports assets of CZK 241,824 thousand which are currently not used. These are primarily vacant buildings. The Group anticipates selling the assets in the future but it did not report these assets as assets held for sale, as they have not yet complied with the criteria set out in IFRS 5.

17 Investment Property

Set out below is an analysis of investment property:

CZK '000	**2012**	**2011**
Balance at the beginning of the year	2,095,000	2,100,440
Additions from subsequent capitalised expenses	89,373	41,022
Disposals	-35,997	-102,173
Disposals, annual depreciation	-74,939	-74,317
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	181,839	301,159
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	-52,515	-35,847
Transfers to assets held for sale (from IAS 40 to IFRS 5)	-43,756	-79,335
Change in the value	288	348
Transfers of assets held for sale (from IFRS 5 to IAS 40)	12,399	-56,297
Balance at the end of the year	**2,171,692**	**2,095,000**

CZK '000	**Balance at 31 Dec 2012**	**Balance at 31 Dec 2011**	**Balance at 1 Jan 2011**
Cost	3,454,630	3,227,643	3,153,314
Accumulated depreciation	-1,282,650	-1,132,295	-1,049,795
Impairment	-288	-348	-3,079
Net book value	**2,171,692**	**2,095,000**	**2,100,440**

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

The property is located around the railway route, in train stations and depots of rail vehicles. The fair value based on market comparison cannot be determined with a reasonable certainty given the different nature and location of the property. The Parent Company used a valuation model in determining the fair value of investment property. In respect of land, the calculation includes the product of the market price for m2 for the specific locality and the area of the land. In respect of buildings, the calculation is based on the yield method from market rental. The estimate of the fair value as of 31 December 2012, 2011 and 1 January 2011 is CZK 5,281,562 thousand, CZK 4,357,846 thousand and CZK 3,493,240 thousand, respectively.

The Parent Company determines the depreciation method and useful lives of investment property on the same basis as for property included in property, plant and equipment.

18 Intangible Assets

CZK '000

Cost	Balance at 1 Jan 2011	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2011	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2012
Development costs	96,257	0	0	-350	95,907	0	0	0	95,907
Software	1,508,214	141,642	96,978	-156,186	1,396,692	125,985	10,293	-4,039	1,508,345
Valuable rights	567,728	62,638	7,148	10,233	633,451	27,563	0	577	661,591
Other assets	1,358	719	0	0	2,077	-1	0	0	2,076
Assets under construction	163,421	211,526	9,370	-190,955	174,622	198,841	1,551	-175,126	196,786
Prepayments	0	0	0	0	0	1075	0	0	1,075
Total	**2,336,978**	**416,525**	**113,496**	**-337,258**	**2,302,749**	**353,463**	**11,844**	**-178,588**	**2,465,780**

CZK '000

Accumulated amortisation	Balance at 1 Jan 2011	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2011	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2012
Development costs	95,737	520	0	-350	95,907	0	0	0	95,907
Software	1,293,174	145,205	96,715	-99,848	1,241,816	100,590	10,293	0	1,332,113
Valuable rights	339,686	59,857	3,352	-19	396,172	68,943	0	0	465,115
Other assets	843	115	0	0	958	236	0	0	1,194
Assets under construction	0	0	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0	0
Total	**1,729,440**	**205,697**	**100,067**	**-100,217**	**1,734,853**	**169,769**	**10,293**	**0**	**1,894,329**

CZK '000

Net book value	Balance at 1 Jan 2011	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Development costs	520	0	0
Software	215,040	154,876	176,232
Valuable rights	228,042	237,279	196,476
Other assets	515	1,119	882
Assets under construction	163,421	174,622	196,786
Prepayments	0	0	1,075
Total	**607,538**	**567,896**	**571,451**

The costs of amortisation were reported in the line 'Depreciation and amortisation' in the statement of profit or loss. The Group used useful lives of 1.5 – 6 years in calculating amortisation.

Intangible fixed assets include software used in business activities entitled ARES, In-card, UNIPOK, IS OPT, GSM-R, IS-ADPV and items related to the SAP R/3 accounting software and its modules.

Intangible assets under construction primarily relate to the development of software for train monitoring, train traffic management and expenditure relating to the SAP R/3, software used in business activities – MAVIS, IS-PRM, IS-ADPV, Projekt 602 and KASO.

19 Investments in Joint Ventures and Associates

CZK '000

Entity		Value of investment at 31 Dec 2012	Ownership percentage at 31 Dec 2012	Value of investment at 31 Dec 2011	Ownership percentage at 31 Dec 2011
RAILLEX, a. s.	Associate	9,694	50%	4,539	50 %
BOHEMIAKOMBI, spol. s r.o.	Associate	4,514	30%	4,421	30 %
Ostravská dopravní společnost, a. s.	Associate	37,955	20%	32,905	20 %
JLV, a. s.	Associate	120,665	38.79%	117,958	38,79 %
Masaryk Station Development, a. s.	Associate	0	34%	0	34%
Total – associates		**172,828**	**-**	**159,822**	**-**
Smíchov Station Development, a. s.	joint venture	0	51%	0	51%
Žižkov Station Development, a. s.	joint venture	798	51%	840	51%
Centrum Holešovice, a. s.	joint venture	128	51%	378	51%
Total – joint ventures		**926**		**1,218**	**-**
Total – investments in joint ventures and associates		**173,754**	**-**	**161,040**	**-**

Summary of financial information on associates:

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Total assets	1,031,095	850,389	377,882
Total liabilities	513,971	357,957	76,396
Net assets	517,124	492,432	301,486
Share of the Company in associates' net assets	**166,654**	**159,822**	**116,946**

CZK '000	2012	2011
Total income	1,986,685	1,542,670
Profit for the period	57,067	52,691
Share of the Company in associates' profit for the period	**16,363**	**16,400**

Summary of financial information on joint ventures:

CZK '000	31 Dec 2012	31 Dec 2011
Total assets	81,464	78,737
Total liabilities	90,468	85,091
Net assets	-9,004	-6,354
The Company's share of net assets	**-4,592**	**-3,240**

CZK '000	2012	2011
Total income	146	6,489
Loss for the period	-2,650	-2,617
The Company's share of loss	**-1,352**	**-1,335**

20 Inventories

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Spare parts for machinery and equipment	69,747	74,122	75,815
Spare parts and other components for rail vehicles and locomotives	758,118	685,163	739,905
Other machinery, tools and equipment and their spare parts	160,403	161,472	164,901
Fuels, lubricants and other oil products	31,834	25,154	25,116
Work clothes, work shoes, protective devices	125,478	146,715	252,377
Other	95,609	92,971	125,197
Total cost	**1,241,189**	**1,185,597**	**1,383,311**
Write-down of inventories to their net realisable value	-62,437	-55,403	-52,731
Total net book value	**1,178,752**	**1,130,194**	**1,330,580**

The Parent Company's inventories are gathered in the Supply Centre in Česká Třebová.

21 Trade Receivables

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Long-term	3,211	6,577	10,098
Short-term	3,236,625	3,550,338	3,484,872
Total	**3,239,836**	**3,556,915**	**3,494,970**

21–1 Aging of Trade Receivables

			Past due date (days)						
CZK '000	Category	Before due date	1 – 30 days	31 – 90	91 – 180	181 – 365	365 and more	Total past due date	Total
31 Dec 2012	Gross	2,998,858	85,275	53,910	35,739	34,370	225,183	434,477	3,433,335
	Allowances	-3,031	-418	-7,970	-8,074	-18,074	-155,932	-190,468	-193,499
	Net	**2,995,827**	**84,857**	**45,940**	**27,665**	**16,296**	**69,251**	**244,009**	**3,239,836**
31 Dec 2011	Gross	3,043,494	401,330	69,495	25,600	21,109	152,065	669,599	3,713,093
	Allowances	-1,832	-1,060	-9,846	-6,076	-11,729	-125,635	-154,346	-156,178
	Net	**3,041,662**	**400,270**	**59,649**	**19,524**	**9,380**	**26,430**	**515,253**	**3,556,915**
1 Jan 2011	Gross	3,168,138	148,889	58,959	14,379	33,097	212,642	467,966	3,636,104
	Allowances	-3,097	0	-1,797	-959	-7,891	-127,390	-138,037	-141,134
	Net	**3,165,041**	**148,889**	**57,162**	**13,420**	**25,206**	**85,252**	**329,929**	**3,494,970**

21–2 Movements in Allowances for Doubtful Receivables

CZK '000	2012	2011
Balance at the beginning of the year	156,178	141,134
Recognition of allowances	111,709	140,028
Use of allowances	-74,388	-124,984
Balance at the end of the year	**193,499**	**156,178**

22 Other Financial Assets

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Financial assets available for sale	335,323	384,934	406,509
Receivables from finance leases	109,132	113,751	120,713
Hedging derivatives	258,047	415,497	42,793
Other financial derivatives	0	2,975	0
Other	22,015	29,918	56,556
Total non-current financial assets	**724,517**	**947,075**	**626,571**
Receivables from finance leases	-6,784	-6,375	-6,658
Hedging derivatives	46,920	44,373	15,497
Other financial derivatives	0	1,262	0
Other	152,335	231,575	218,718
Total current financial assets	**192,471**	**270,835**	**227,557**
Total	**916,988**	**1,217,910**	**854,128**

22–1 Receivables from Finance Leases

The Parent Company has leased the station buildings at the Brno – hlavní nádraží and Prague – Dejvice stations under finance leases. In respect of the Prague – Dejvice station, the original contract was discontinued in December 2011, the criteria of finance lease recognition were no longer met as of 31 December 2011. The figures as of 31 December 2011 and 2012 include only Brno – hlavní nádraží.

	Minimum lease payments			Present value of minimum lease payments		
CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011	31 Dec 2012	31 Dec 2011	1 Jan 2011
Under 1 year	4,131	3,861	3,707	-6,784	-6,375	-6,658
From 1 to 5 years	26,569	24,376	24,823	-27,694	-25,183	-25,137
5 years and more	463,430	438,706	456,402	136,826	138,934	145,850
Total	**494,130**	**466,943**	**484,932**	**102,348**	**107,376**	**114,055**
Less: unrealised financial income	-391,782	-359,567	-370,877	0	0	0
Present value of receivables of minimum lease payments	**102,348**	**107,376**	**114,055**	**102,348**	**107,376**	**114,055**
In the statement of financial position as:						
– Other current financial assets				*-6,784*	*-6,375*	*-6,658*
– Other non-current financial assets				*109,132*	*113,751*	*120,713*
Total				**102,348**	**107,376**	**114,055**

The fair value of receivables from finance leases approximates their carrying amount. Negative values in certain lines of the table indicate that lease payments in the period are lower than unrealised financial income, hence the present value of the minimum lease payments increases in this period.

23 Other Assets

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Total non-current assets	**80,760**	**118,326**	**184,529**
Prepayments made	180,935	205,119	195,513
Tax receivables (except for the corporate income tax)	516,941	900,554	362,518
Prepaid expenses	118,433	161,472	152,496
Other	56,039	54,459	74,064
Total current assets	**872,348**	**1,321,604**	**784,591**
Total	**953,108**	**1,439,930**	**969,120**

24 Equity

24–1 Share Capital

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

24–2 Reserve and Other Funds

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Share premium	16,439,605	16,439,605	16,439,605
Statutory reserve fund	211,064	189,647	182,030
Cash flow hedging reserve	-247,525	-9,172	-51,533
Foreign currency translation fund	-1,689	501	0
Other	-1,903	0	571
Non-controlling interests	-5,849	-4,179	-3,043
Total	**16,393,703**	**16,616,402**	**16,567,630**

Allocations are made to the statutory reserve fund in accordance with the national legislation.

24–2–1 Cash Flow Hedging Reserve

CZK '000	2012	2011	2010
Balance at the beginning of the year	-9,172	-51,533	-604,780
Profit (loss) from revaluation	-224,258	-58,341	264,472
Settled deferred derivatives	-6,285	49,945	9,127
Reclassifications to profit or loss upon settlement	-7,456	62,987	386,878
Total change in the cash flow hedging reserve	**-237,999**	**54,591**	**660,477**
Relating income tax	-354	-12,230	-107,230
Balance at the year-end	**-247,525**	**-9,172**	**-51,533**

The cash flow hedging reserve includes accumulated gains and losses from the effective hedging of cash flows. The accumulated accrued profit or loss from hedging derivatives is reclassified to the profit or loss only if the hedging transaction impacts the profit or loss or is included as an adjustment to the base in the hedged non-financial item in accordance with relevant accounting principles.

Gains and losses reclassified during the year from equity are included in the statement of profit or loss lines 'Revenue from principal activities', 'Purchased consumables and services' and 'Financial expenses'.

24–2–2 Foreign Currency Translation Fund

CZK '000	**2012**	**2011**
Balance at the beginning of the year	501	0
Foreign exchange rate gains or losses arising from translation of foreign operations	-2,190	501
Tax on the profit relating to profits arising from translation of net assets of foreign operations	0	0
Balance at the year-end	**-1,689**	**501**

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

24–3 Equity – Non-Controlling Interests

In 2012, the share capital of ČD – Telematika a. s. was decreased, the decrease in the equity attributable to non-controlling interests is CZK (166,197) thousand.

The equity attributable to non-controlling interest in 2012 was increased by CZK 29,591 thousand due to the extension of the consolidation group to include ČD travel, s. r. o., Terminal Brno, a. s. and ČD–DUSS Terminál, a. s.

25 Loans and Borrowings

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Short-term bank loans	277,617	304,381	256,798
Short-term issued bills of exchange	0	2,556,573	2,877,117
Payables from finance leases	1,185,723	982,619	767,719
Payable to EUROFIMA	377,100	0	0
Overdraft accounts	859,505	349,709	2,136,140
Issued bonds	314,342	1,993,924	0
Other received short-term loans and borrowings	16,484	6,865	6,792
Total short-term	**3,030,771**	**6,194,071**	**6,044,566**
Payable to EUROFIMA	3,770,950	4,256,948	4,134,850
Issued bonds	17,490,291	9,843,618	1,982,412
Other – received loans and borrowings – long-term	58,018	13,723	13,522
Loan from ČSOB – long-term	257,617	528,761	770,392
Payables from finance leases	4,983,721	5,554,352	5,565,909
Total long-term	**26,560,597**	**20,197,402**	**12,467,085**
Total	**29,591,368**	**26,391,473**	**18,511,651**

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

The Parent Company received in several tranches a long-term loan from EUROFIMA to finance the purchase of railway vehicles. Interest rate is determined based on the Euribor reference rate. The amount of capitalised interest on the loan from EUROFIMA for the year ended 31 December 2012 was CZK 13,445 thousand (2011: CZK 12,259 thousand, 2010: CZK 10,255 thousand). The maturity of the loan is 10 years for each individual tranche.

On 14 December 2012, the bonds issued in December 2009 in the amount of CZK 2 billion were redeemed.

On 24 June 2011, the Parent Company issued Eurobonds with the nominal value of EUR 300 million with a five-year maturity and fixed coupon of 4.5% p.a. The issue rate was 99.479%. These are bonds listed on the Luxembourg stock exchange. The joint lead managers of the issue were Barclays Capital, Erste Group and Société Générale. The funds are intended for the modernisation of the rolling stock.

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

The Parent Company has entered into a loan agreement with a consortium of banks led by Československá obchodní banka, a. s. Other members of the consortium include Kreditanstalt für Wiederaufbau, Bayerische Landesbank, Česká spořitelna, a. s. and Deutsche Bank Filiale Prag, org. složka. The loan has been provided to finance the renovation of the Parent Company's rolling stock and is collateralised by a state guarantee issued by the Czech Finance Ministry. This guarantee serves to collateralise the principal balance and interest. The interest rate of the loan is determined based on the Euribor reference rate plus a usual market mark-up. The Parent Company makes repayments on a semi-annual basis on 25 May and 25 November each year. The final maturity date of the loan is 25 November 2014.

DPOV Přerov, a. s. obtained a long-term investment loan provided by KB, a. s. Přerov. As of 31 December 2012, CZK 6,731 thousand (2011: CZK 13,523 thousand, 2010: CZK 20,315 thousand) was drawn. The loan was collateralised by a Letter of Comfort from the Parent Company.

ČD Cargo, a. s. has an approved bond programme in the maximum amount of CZK 6 billion for 10 years under which it placed to the first issue of five-year bonds with a fixed coupon of 3.183% p.a. for the first three years and 5% p.a. for the remaining two years on 20 June 2011. The issue amounted to CZK 1 billion with the issue rate of 98.025%.

On 21 December 2011, in the second issue, ČD Cargo, a. s. issued five-year bonds in the aggregate amount of CZK 500 million with the issue rate of 99.941 % and the fixed interest yield of 3.8% p. a. The third issue was placed on 22 December 2011 when ČD Cargo issued four-year bonds with the aggregate nominal value of CZK 500 million, with the issue rate of 97.464 % and a variable interest yield based on the 6M PRIBOR reference rate. The interest on these bonds is paid twice a year.

In 2012, ČD Cargo placed two issues of bonds worth CZK 500 million through Československá obchodní banka, a. s. Both issues are due on 22 December 2015. The nominal value of the issued bonds is CZK 1. The interest rate attached to the bonds is variable.

The supplier of Výzkumný Ústav Železniční, a. s., Chládek a Tintěra, provided the entity with the commercial loan of CZK 61,200 thousand. The loan is due in mid-2014 and bears interest at 0.1% p.a.

The Group breached no loan covenants in the reporting period.

25–1 Finance Lease Payables

The finance lease applies to railway vehicles, software, vehicles and equipment for computers and servers. The value of finance leases is as follows:

	Minimum lease payments			Present value of minimum lease payments		
CZK '000	**31 Dec 2012**	**31 Dec 2011**	**1 Jan 2011**	**31 Dec 2012**	**31 Dec 2011**	**1 Jan 2011**
Less than 1 year	1,429,443	1,257,765	969,759	1,185,723	982,619	767,719
From 1 to 5 years	3,668,208	3,977,568	3,819,478	3,037,859	3,268,771	3,129,026
5 years and more	2,111,597	2,516,608	2,719,499	1,945,862	2,285,581	2,436,883
Total	**7,209,248**	**7,751,941**	**7,508,736**	**6,169,444**	**6,536,971**	**6,333,628**
Less future finance expenses	-1,039,804	-1,214,970	-1,175,109			
Present value of minimum lease payments	**6,169,444**	**6,536,971**	**6,333,627**	**6,169,444**	**6,536,971**	**6,333,628**
In the statement of financial position as:						
– short-term loans				*1,185,723*	*982,619*	*767,719*
– long-term loans				*4,983,721*	*5,554,352*	*5,565,909*
Total				**6,169,444**	**6,536,971**	**6,333,628**

The fair value of finance lease payables approximates their carrying amount.

The acquisition of fixed assets under finance leases is reported as a non-cash transaction in the statement of cash flows. Finance leases are not presented as a loan provided to purchase tangible assets according to the substance of the transaction but only according to the actual cash flow from financing.

26 Provisions

CZK '000	Balance at 1 Jan 2011	Charge	Use	Balance at 31 Dec 2011	Charge	Use	Balance at 31 Dec 2012
Provision for discounts and refunds	22,165	20,588	22,165	20,588	52,823	20,587	52,824
Provision for rents	11,223	0	3,001	8,222	1,006	2,717	6,511
Provision for legal disputes	283,199	24,233	21,050	286,382	70,928	21,151	336,159
Provision for outstanding vacation days	75,542	68,149	75,543	68,148	74,726	69,279	73,595
Provision for removal of the environmental burden	223,703	0	150,035	73,668	0	39,364	34,304
Provisions for employees benefits	494,760	98,946	238,650	355,056	163,349	144,623	373,782
Provisions for business risks	240,000	150,000	0	390,000	149,988	0	539,988
Provisions for restructuring	0	110,365	0	110,365	535,125	110,365	535,125
Other provisions	737	7,041	737	7,041	11,074	7,570	10,545
Total provisions	**1,351,329**	**479,322**	**511,181**	**1,319,470**	**1,059,019**	**415,656**	**1,962,833**
– long-term	*537,467*			*221,480*			241,144
– short-term	*813,862*			*1,097,990*			1,721,689

The provision for employee benefits includes the claim of employees for a financial contribution when they celebrate important birthdays, financial contribution upon retirement and payment of treatment fees including salary refunds in wellness stays. In calculating the provision, the Group used an actuarial model which is based on the up-to-date employee information (number of employees, date of the old-age pension claim, average salary, amount of the financial contribution) and anticipated parameters established on the basis of a reasonable estimate and publicly available statistical documents: anticipated fluctuation of employees of 5%, anticipated increase in salaries of 2%, anticipated inflation level of 2%, likelihood of death or disablement according to the data of the Czech Statistical Office. A change in the amount of the provision due to the change in these parameters is reported as actuarial gains (losses) in the statement of profit or loss. Cash flows are discounted to the present value using the discount rate derived from the yield level of 10-year government bonds.

The provision for the removal of the environmental burden is recognised for the clean-up of the locality in Brodek u Přerova. Following the selection of the contractor, the originally determined budget was decreased to CZK 74,395 thousand; CZK 62,984 thousand is paid from the EU. A provision was recognised in respect of these aggregate costs in the financial statements for the year ended 31 December 2012; the claim for the subsidy is reported under 'Other non-current assets'. The Group does not recognise provisions for other environmental burdens as it is unable to estimate the scope of these burdens and the level, if any, of its share in their removal.

The provision for legal disputes principally consists of the amount of CZK 254 million which relates to the fine from the Anti-Monopoly Office from 2007 for the breach of antimonopoly rules in freight transportation.

After having considered all existing legal analyses and results of negotiations in existing legal disputes and having assessed all potential risks, current developments in legal disputes and in accordance with the inherent level of prudence, management of ČD Cargo has decided to increase the amount of the non-tax deductible provision by CZK 149,988 thousand to the total amount of CZK 539,988 thousand to cover potential expenses relating to potential risks for business transactions.

As of 31 December 2012, the management of ČD Cargo, a. s. decided to make organisational changes based on the prepared restructuring plan, the principal features of which were communicated in the company. The future costs of restructuring were estimated in the plan at CZK 535,000 thousand. The restructuring involves revising the rolling stock and scrapping redundant wagons and traction vehicles.

27 Trade Payables

CZK '000

Year	Category	Before due date	Past due date (days) 1 – 30 days	31 – 90 days	91–180 days	181-365 days	365 and more	Total past due date	Total
31 Dec 2012	Short-term	7,153,972	188,347	16,043	3,155	24,607	42,575	274,727	**7,428,699**
31 Dec 2011	Short-term	7,439,039	98,673	43,841	18,755	3,276	2,943	167,488	**7,606,527**
1 Jan 2011	Short-term	7,589,620	479,437	35,527	15,276	6,719	6,938	543,897	**8,133,517**

Supplier invoices typically mature in 90 days.

28 Other Financial Liabilities

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Hedging derivatives	377,018	75,968	0
Other financial derivatives	0	301	0
Other long-term liabilities	431,264	618,276	1,064,266
Total long-term	**808,282**	**694,545**	**1,064,266**
Hedging derivatives	50,687	20,238	148,452
Other financial derivatives	41,661	919	0
Other	676,818	798,441	88,862
Total short-term	**769,166**	**819,598**	**237,314**
Total	**1,577,448**	**1,514,143**	**1,301,580**

Other long-term liabilities predominantly include repayments according to repayment schedules, assignment of liabilities and rebilled liabilities. Other short-term liabilities predominantly include short-term portions of supplier loans.

29 Other Liabilities

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Total long-term	**375,591**	**381,498**	**83,333**
Received prepayments	298,239	320,070	227,343
Payables from the transition period (SŽDC-transformation)	12,585	34,715	435,865
Payables to employees	1,110,783	1,145,826	1,613,043
Social security and health insurance payables	355,374	355,214	509,414
Subsidies	6,041	2,580	1,104
Other	1,104,074	1,049,555	1,482,172
Total short-term	**2,887,096**	**2,907,960**	**4,268,941**
Total	**3,262,687**	**3,289,458**	**4,352,274**

Other short-term liabilities predominantly include leases received in advance, tax withheld from employees and other deferred income. The Group carries no payables to taxation authorities, social security authorities or health insurers past their due dates.

30 Related Party Transactions

30–1 Loans to Related Parties

The Group provided no loans to related parties as of 31 December 2012, 31 December 2011 and 1 January 2011.

30–2 Key Management Members Compensation

Directors and other members of key management received short-term employee benefits of CZK 173,826 thousand (2011: CZK 169,621 thousand).

The members of the Parent Company's statutory and supervisory bodies had the possibility of using reduced fares. Cash bonuses to the members of the Parent Company's statutory and supervisory bodies in the years ended 31 December 2012 and 2011 amounted to CZK 49,332 thousand and CZK 40,933 thousand, respectively. Management of the Parent Company is provided with a benefit-in-kind taking the form of the use of company cars for private purposes.

30–3 Transactions with SŽDC and the ČEZ Group

The Parent Company is wholly owned by the state. In accordance with the exemption listed in paragraphs 25 – 27 of IAS 24, the Parent Company does not include other state-owned entities among related parties. The table below presents only transactions with SŽDC and the ČEZ group as a result of their significant position in the Company's activities. The most significant transactions with these entities include operations of the railway route (only in 2011), use of the railway route, purchase of electricity and freight transportation revenues. The expenses and income resulting from the transactions conducted with SŽDC and the ČEZ group were as follows:

CZK '000		**2012**		**2011**
	SŽDC	ČEZ group	SŽDC	ČEZ group
Expenses	4,782,497	979,044	4,932,436	850,512
Income	890,282	1,337,667	3,842,177	1,741,310

Receivables and payables of the Group resulting from the transactions with SŽDC and the ČEZ group were as follows:

CZK '000		**31 Dec 2012**		**31 Dec 2011**		**1 Jan 2011**
	SŽDC	ČEZ group	SŽDC	ČEZ group	SŽDC	ČEZ group
Receivables ("Trade receivables" line)	184,577	198,122	219,353	262,065	535,207	167,987
Payables ("Trade payables" line)	959,897	255,360	1,052,436	238,627	1,498,768	3,033
Prepayments made ("Other assets" short-term line)	47,492	724	47,935	976	27,929	877
Received prepayments ("Other liabilities" short-term line)	122,374	2,829	45,105	1,956	31,356	821
Estimated payables ("Trade payables" line)	15,064	3,069	29,350	1,269	27,018	588
Estimated receivables ("Trade receivables" line)	49,826	287	4,673	0	11,172	0

31 Cash and Cash Equivalents

For cash flow reporting purposes, cash and cash equivalents include cash on hand, cash at bank and investments in the money market instruments after reflecting negative balances on overdraft accounts. Cash and cash equivalents at the end of the reporting period reported in the cash flows statement can be reconciled to the relevant items in the statement of financial position as follows:

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Cash on hand and cash in transit	92,806	79,700	55,692
Cash at bank	1,431,863	2,150,112	433,569
Depository bills of exchange	0	308,503	230,200
Total	**1,524,669**	**2,538,315**	**719,461**

32 Contracts for Operating Leases

32–1 The Group as a Lessee

Assets under operating leases which are reported off balance sheet as of 31 December 2012, 31 December 2011 and 1 January 2011 amount to CZK 52,665 thousand, CZK 45,933 thousand and CZK 207,139 thousand, respectively. Assets include a number of individually immaterial contracts for the lease of office equipment, vehicles and non-residential premises. Payments recognised in expenses in the years ended 31 December 2012 and 2011 amounted to CZK 58,350 thousand and CZK 61,116 thousand, respectively.

The Group as a lessee has not concluded any irrevocable lease contracts, contingent lease contracts or onerous contracts.

32–2 The Group as a Lessor

Operating leases apply to investment property and movable assets held by the Group with various lease periods.

The revenue that the Group generated from investment property based on the operating leases amounts to CZK 554,335 thousand in 2012 (2011: CZK 550,535 thousand).

Direct operating expenses relating to investment property for the period amounted to CZK 186,655 thousand (2011: CZK 194,844 thousand).

Income from operating leases of movable assets in 2012 amounts to CZK 553,892 thousand (2011: CZK 623,399 thousand).

The Group as a lessor concluded no irrevocable contracts for operating leases.

33 Contractual Obligations Relating to Expenses

As of the consolidated balance sheet date, the Group concluded contracts for the purchase of land, buildings and equipment and investment property in the amount of CZK 22,818,427 thousand, of which CZK 8,334,791 thousand relates to supplies contracted for 2013 and CZK 2,971,040 thousand relates to supplies contracted for the following years. The remaining CZK 11,512,596 thousand was paid as of 31 December 2012. A significant portion of the obligations relating to expenses (CZK 21,209,041 thousand) include investments in railway vehicles.

34 Contingent Liabilities and Contingent Assets

In the year ended 31 December 2012, two bank guarantees were renewed for the Parent Company in respect of the appropriate performance of the Contract for the Public Services in Railway Transport in the Public Interest to Provide for Transportation Needs of the State on the:

- Pardubice – Liberec railway track, in respect of the contract entitled "Ordered Transportation between Pardubice and Liberec", CZK 15 million, maturity on 9 December 2013; and
- Plzeň – Most railway track, in respect of the contract entitled "Ordered Transportation between Plzeň and Most", maturity on 9 December 2013, CZK 15 million.

The Parent Company holds a 1% equity investment in EUROFIMA. Shareholders of the entity are European national railway transporters and the purpose of this entity is to acquire funds for funding of railway vehicles purchases. According to Article 5 of the Articles of Association, shareholders pay to EUROFIMA only 20% of the equity investment value and the remaining 80 % can be required by EUROFIMA as needed pursuant to the resolution of the Board of Directors according to Point 6, Article 21, of the Articles of Association. The nominal value of unpaid shares as of 31 December 2012 was CHF 20,800 thousand . The likelihood that the Parent Company will be asked to pay the nominal value of the unpaid portion of the equity investment is considered to be low by the Parent Company's management.

ČD Cargo reports a bank guarantee in favour of WestInvest Waterfront Towers s. r. o. for the compliance with all liabilities and obligations of a lessee resulting from the lease contract with WestInvest Waterfront Towers s. r. o. – Lighthouse in the amount of EUR 227 thousand with maturity on 30 September 2013.

ČD Cargo reports a bank guarantee in favour of HYPARKOS, s. r. o. which is held to cover the situation where ČD Cargo would not comply with the obligations stipulated in the Contract for the Lease of Buildings and Land in the Lovosice Logistics Centre. The guarantee amounts to CZK 16,517 thousand and is valid until 30 June 2012.

ČD Cargo records two received bank guarantees issued in respect of ŠKODA TRANSPORTATION, A.S. pursuant to the arising from contract for work dated 11 December 2008 for the "Modernisation of locomotives from 163 series to 363 series" project.

- The provider of the first guarantee is Komerční banka, a. s., the guarantee amounts to CZK 179,550 thousand, the guarantee is due on 31 December 2013; and
- The provider of the second guarantee is Československá obchodní banka, a. s., the guarantee amounts to CZK 179,550 thousand, the guarantee is due on 31 March 2013.

The Parent Company's aggregate costs of clean-ups in 2012 and 2011 were CZK 90 million and CZK 48 million, respectively. The Parent 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 reserves for clean-ups of other environmental burdens are not recognised as the Parent Company is unable to estimate the scope of these burdens and its potential involvement in their removal. The Parent Company has not prepared an overall strategy and plan of clean-ups according to which it could recognise the reserves.

35 Financial Instruments

35–1 Capital Risk Management

The Group manages its capital to ensure that it is able to continue as a going concern while optimising the debt and equity balance. The Board of Directors and the Supervisory Board of the Parent Company are regularly informed about the development of debt. Any additional debt is subject to approval by the Parent Company's statutory bodies, ie the Board of Directors and the Supervisory Board.

In 2011 and 2012, the Parent Company significantly strengthened its capital structure, primarily through the funds obtained as a result of the first issue of Eurobonds with five-year and seven-year maturities. By implementing these transactions, the Parent Company established itself on the Eurobond markets and issues of bonds will be used in the future as one of the principal sources of its long-term funding.

35–2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted for each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

35–3 Categories of Financial Instruments

CZK '000

Financial assets	**31 Dec 2012**	**31 Dec 2011**	**1 Jan 2011**
Cash and bank accounts	1,513,949	964,515	489,261
Derivative instruments in designated hedge accounting relationships	304,967	459,870	58,290
Other financial derivatives	0	4,237	0
Held-to-maturity investments (term deposits and bills of exchange)	10,720	1,573,800	230,200
Loans and receivables	3,516,534	3,925,784	3,884,299
Available-for-sale financial assets	335,323	384,934	406,509
Total	**5,681,493**	**7,313,140**	**5,068,559**

CZK '000

Financial liabilities	**31 Dec 2012**	**31 Dec 2011**	**1 Jan 2011**
Derivative instruments in designated hedge accounting relationships	427,705	96,207	118,605
Other financial derivative instruments	41,661	1,219	29,847
Measured at amortised cost	38,128,149	35,414,717	27,798,296
Total	**38,597,515**	**35,512,143**	**27,946,748**

Available-for-sale financial assets include investments in equity investments that do not have listed market values on an active market and are measured at cost as their fair value cannot be reliably determined.

Income from individual categories of financial assets is as follows:

CZK '000

Financial assets	2012	2011	Reported in the statement of profit or loss line
Interest on cash in bank accounts	8,900	3,367	Other gains
Interest on investments held to maturity (term deposits and bills of exchange)	13,382	20,215	Other gains
Dividends from available-for-sale financial assets	3,491	7,240	Other gains
Total	**25,773**	**30,822**	

Impairment losses on financial assets are presented in the Note 'Trade receivables'. No impairment was noted in respect of any other class of financial assets.

35–4 Financial Risk Management Objectives

The Group's Treasury function provides services to the Parent Company, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

35–5 Currency Risk Management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. These transactions predominantly include income from international transportation, received loans and issued bonds. The Group seeks to maintain the proportion of long-term funding in the foreign currency unhedged against the currency risk at the maximum level of 50%.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

CZK '000

31 Dec 2012	EUR	USD	Other	Total
Financial assets	2,200,954	16,173	60,067	2,277,194
Financial liabilities	-21,609,983	-109,450	-779	-21,720,212
Total	**-19,409,029**	**-93,277**	**59,288**	**-19,443,018**

CZK '000

31 Dec 2011	EUR	USD	Other	Total
Financial assets	3,502,682	33,083	77,919	3,613,684
Financial liabilities	-14,339,600	-2,223	-50,086	-14,391,909
Total	**-10,836,918**	**30,860**	**27,833**	**-10,778,225**

CZK '000

1 Jan 2011	EUR	USD	Other	Total
Financial assets	1,713,910	6,875	1,657	1,722,442
Financial liabilities	-7,119,759	-6,810	-694	-7,127,263
Total	**-5,405,849**	**65**	**963**	**-5,404,821**

35–5–1 Foreign Currency Sensitivity Analysis

The exposure to currency risks is measured by a sensitivity analysis. The Group is exposed to the currency risk due to:
– Changes in the value of unhedged cash items denominated in foreign currencies; and
– Changes in the fair value of concluded financial derivatives.

The following table shows the impact that the strengthening of the Czech currency by one crown in respect of the relevant foreign currencies would have on the profit and other comprehensive income. A positive number indicates an increase in the profit and other comprehensive income, a negative number indicates the decrease in the profit and other comprehensive income:

CZK '000	**2012**	**2011**
Translation of unhedged items denominated in foreign currencies at the end of the period	785,549	425,213
Change in the fair value of derivatives at the end of the period	-500,190	-245,518
Total impact on the profit for the period	**285,359**	**179,695**
Change in the fair value of derivatives at the end of the period	-48,057	-57,873
Total impact on other comprehensive income	**-48,057**	**-57,873**

35–5–2 Currency Forwards and Options

In line with its principles, the Group enters into currency forwards and options to cover the received payments denominated in foreign currencies.

The table shows outstanding foreign currency forwards and options for the sale of the foreign currency as of:

CZK '000

Sale	Average currency exchange rate	Foreign currency	Nominal value	Fair value
31 Dec 2012	25.17 – 26.20	EUR	12,000	3,123
	25.626	EUR	23,000	12,560
31 Dec 2011	25.62	EUR	41,561	-6,923
1 Jan 2011	23.83	EUR	147,000	-187,130

The table shows outstanding foreign currency forwards and options for the purchase of the foreign currency as of:

CZK '000

Purchase	Average currency exchange rate	Foreign currency	Nominal value	Fair value
31 Dec 2012	24.84	EUR	205	-7
	19.32	USD	70	-20
31 Dec 2011	24,93	EUR	1,020	869
	19.05	USD	440	393
1 Jan 2011	-	EUR	0	0

35–5–3 Cross-currency Interest Rate Swaps

Given the Group's overall strategy in managing the interest rate and currency risks, the risk management policies require the minimisation of the exposure (in respect of the changes in the amount) of cash flows arising from the Group's business activities and the fair values of its foreign currency denominated assets and liabilities. In accordance with these requirements, the Group has entered into a cross-currency interest rate swaps which reduce the risk of the change in the future cash flows resulting from the bond funding in EUR and the risk of the change in the fair value of those bonds.

The table shows the terms of contracts for cross-currency interest rate swaps that were opened at the end of the reporting period. The Group had no contracts for cross-currency interest rate swaps as of 1 January 2011:

31 Dec 2012	Nominal value (EUR thousand)	Collected interest rate (annual)	Nominal value (CZK thousand)	Average paid interest rate (annual)	Fair value of assets (liabilities) in CZK thousand
Less than 1 year	490,000	4.31%	-12,177,715	4.36%	-8,464
1 to 5 years	490,000	4.31%	-12,177,715	4.36%	100,777
5 years and more	250,000	4.48%	-6,350,000	4.478%	-65,000
Total					**27,313**

31 Dec 2011	Nominal value (EUR thousand)	Collected interest rate (annual)	Nominal value (CZK thousand)	Average paid interest rate (annual)	Fair value of assets (liabilities) in CZK thousand
Less than 1 year	240,000	4.5%	– 5,827,715	4.231%	27,265
1 to 5 years	240,000	4.5%	- 5,827,715	4.231%	414,331
5 years and more	-	-	-	-	0
Total					**441,596**

The exchanges of payments under the cross-currency interest rate swaps and coupon payments from issued bonds occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the coupon payments from the issued bonds affect the profit or loss.

35–6 Interest Rate Risk Management

The Group is exposed to the risk of interest rate changes because it borrows funds at both fixed and floating interest rates. The Group manages the interest rate risk by maintaining an appropriate mix between fixed and floating rate financing, ie the proportion long-term external sources of funding with floating interest rates should not exceed the maximum level of 50%.

Concurrently, the Group concludes interest rate swap contracts in order to hedge future cash flows resulting from loans and borrowings with variable rates. The hedging is regularly assessed to bring the opinions on the development of interest rates into line with the defined level of acceptable risk. This treatment provides for the application of the economically most effective hedging strategies.

35–6–1 Interest Rate Sensitivity Analysis

The exposure to changes in interest rates is measured by the sensitivity analysis. The Group is exposed to the interest rate risk due to:
– Changes in interest expenses from loans and lease with a variable rate;
– Changes in the present value of long-term provisions resulting from the change in the discount rate; and
– Change in the fair value of concluded financial derivatives.

The following table shows the impact that an increase in interest rates of 200 basis points would have on the profit and other comprehensive income. A positive value indicates the increase in the profit and other comprehensive income, a negative value indicates the decrease in the profit and other comprehensive income:

CZK '000	**2012**	**2011**
Interest from loans and lease with variable rate for the period	-6,820	-8,109
Change in the present value of long-term provisions at the end of the period	30,587	27,787
Change in the fair value of derivatives at the end of the period	67,982	66,471
Total impact on the profit for the period	**91,749**	**86,149**
Change in the fair value of derivatives at the end of the period	237,700	140,041
Total impact on other comprehensive income	**237,700**	**140,041**

35–6–2 Interest Rate Swaps

Based on interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to eliminate the risk of changing cash flows on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following table details the terms of interest rate swap contracts outstanding at the end of the reporting period.

31 Dec 2012	**Average contracted fixed interest rate**	**Principal**	**Fair value of assets (liabilities) in CZK thousand**
Less than 1 year	1.13%	EUR 170,000 thousand	-33,016
	3.07%	CZK 1,677,979 thousand	-24,984
1 to 5 years	1.19%	EUR 160,000 thousand	-83,762
	3.13%	CZK 2,432,545 thousand	-55,689
5 years and more	3.27%	CZK 477,901 thousand	-8,055
Total	**-**	**-**	**-205,506**

31 Dec 2011	**Average contracted fixed interest rate**	**Principal**	**Fair value of assets (liabilities) in CZK thousand**
Less than 1 year	2.43%	EUR 60,000 thousand	-8,880
	2.69%	CZ 1,315,943 thousand	-5,355
1 to 5 years	2.43%	EUR 60,000 thousand	-44,862
	2.69%	CZK 1,224,474 thousand	-28,987
5 years and more	2.43%	EUR 60,000 thousand	342
	2.69%	CZK 330,143 thousand	-2,761
Total	**-**	**-**	**-90,503**

1 Jan 2011	**Average contracted fixed interest rate**	**Principal**	**Fair value of assets (liabilities) in CZK thousand**
Less than 1 year	2.43%	EUR 60,000 thousand	0
1 to 5 years	2.43%	EUR 60,000 thousand	17,564
5 years and more	2.43%	EUR 60,000 thousand	17,397
Total	**-**	**-**	**34,961**

The Group settles the difference between the fixed and variable 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 variable interest rates on debt affect the profit or loss.

35–6–3 Interest Rate Options

In 2011, the Group concluded hedging of interest rates in respect of three lease transactions with floating interest rates. The hedging took the form of a collar, in three individual tranches. The hedging will be effective from 2013 to 2019. These are trading derivatives.

	Hedged range	Principal in CZK thousand	Fair value of assets (liabilities) in CZK thousand at 31 Dec 2012	Fair value of assets (liabilities) in CZK thousand at 31 Dec 2011
Less than 1 year	1.13% – 3.13%	762,150	-3,971	0
1 to 5 years	1.13% – 3.13%	686,457	-6,282	733
5 years and more	1.13% – 3.13%	331,369	31	2,242
Total			**-10,222**	**2,975**

35–7 Commodity Risk Management

The Group is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically oil and electricity, is a significant cost item of the Group. The Group manages this risk using the combination of several instruments as follows:
– Conclusion of hedging derivatives for oil purchase;
– In the event of an increase in the price of the commodities listed above of more than 10% the Group has the possibility of asking the regions and the state for increased payments for transportation;
– Negotiating a fixed price of electricity from the relevant supplier always for the following calendar year; and
– Conclusion of hedging derivatives for the purchase of electricity.

35–7–1 Analysis of Sensitivity to Changes in Commodity Prices

The exposure to the change in the price of commodities is measured by the sensitivity analysis. The Group is exposed to the risk of changes in prices of commodities due to:
– Change in the fair value of concluded financial derivatives; and
– Changes in prices of purchases of unhedged use of commodities.

The following table shows the impact that an increase in the oil price of 10% would have on the profit and other comprehensive income. A positive value indicates the increase in the profit and other comprehensive income, a negative value indicates a decrease in the profit and other comprehensive income:

CZK '000	2012	2011
Costs of oil consumption for the period	-157,285	-121,392
Change in the fair value of derivatives at the end of the period	5,874	0
Total impact on the profit for the period	**-151,411**	**-121,392**
Change in the fair value of derivatives at the end of the period	40,534	10,627
Total impact on other comprehensive income	**40,534**	**10,627**

35–7–2 Commodity Derivatives

The table shows outstanding commodity contracts for the purchase of oil as of:

CZK ’000

Purchase of oil	Hedged value	Volume of contracts (mt)	Fair value (CZK thousand)
31 Dec 2012	CZK 17277	21,650	7,350
	17,010 – 19,300 (CZK/mt)	8,640	-986
	670 – 820 (USD/mt)	786	1,996
31 Dec 2011	635 – 820 USD/mt	5,501	18,274
1 Jan 2011	550 – 820 USD/mt	22,807	61,802

35–8 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The concentration of the Parent Company’s credit risk is low as a significant portion of the Parent Company’s revenues (passenger transportation fare) is collected in cash. In other transactions, the Group seeks to deal only with creditworthy counterparties whom the Group reviews on an ongoing basis using publicly available information. The maximum unhedged exposure to one counterparty in common business activities is determined at CZK 50 million. The Group’s exposure and the credit ratings of its counterparties are continuously monitored.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned (the investment grade is required).

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group’s maximum exposure to credit risk.

35–9 Liquidity Risk Management

The ultimate responsibility for liquidity risk management rests with the Board of Directors of the Parent Company which has established an appropriate liquidity risk management framework for the management of the Company’s short-, medium- and long-term funding and liquidity management requirements. The Parent Company manages its liquidity risk via an established bill-of-exchange programme and agreed overdraft loans and by continuously monitoring forecasted and actual cash flows. In order to minimise the risk of insufficient operating funding, the Parent Company concludes binding lending limits with banks with the minimum period of 12 months.

The Group’s short-term liabilities significantly exceed its short-term assets as of 31 December 2012. The reason predominantly relates to the urgent necessity for capital expenditure and the use of easily available short-term funds for this purpose. The Group believes that it is able to manage this situation in the short-term through managing relationships with its suppliers and using all available short-term funds. In the mid-term financial plan, the Group anticipates further increasing its long-term funds.

35–9–1 Liquidity and Interest Rate Risk Tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of 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 rate, 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 estimates. The contractual maturity is based on the earliest date on which the Group may be required to pay.

CZK '000

31 Dec 2012	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	3,585,937	3,441,813	1,052,857	299,015	57,332	8,436,954
Derivatives	1,108	16,740	101,807	276,656	73,055	469,366
Finance lease liabilities	135,377	249,379	1,044,687	3,668,208	2,111,597	7,209,248
Variable interest rate instruments	861,215	408,825	368,505	6,237,116	0	7,875,661
Fixed interest rate instruments	626	1,367	714,250	10,429,526	8,155,549	19,301,318
Total	**4,584,263**	**4,118,124**	**3,282,106**	**20,910,521**	**10,397,533**	**43,292,547**

CZK '000

31 Dec 2011	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2,999,378	4,137,906	1,265,775	533,937	81,988	9,018,984
Derivatives	1,471	2,760	16,926	73,850	2,419	97,426
Finance lease liabilities	102,109	205,324	950,332	3,977,568	2,516,608	7,751,941
Variable interest rate instruments	390,064	25,978	349,759	4,729,969	777,741	6,273,511
Fixed interest rate instruments	537,196	1,111,299	3,456,081	10,792,471	1,573	15,898,620
Total	**4,030,218**	**5,483,267**	**6,038,873**	**20,107,795**	**3,380,329**	**39,040,482**

CZK '000

1 Jan 2011	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	3,244,923	3,999,209	1,157,347	1,012,514	28,285	9,442,278
Derivatives	42,094	25,193	80,987	178	0	148,452
Finance lease liabilities	78,670	159,051	732,038	3,819,478	2,719,499	7,508,736
Variable interest rate instruments	1,414,280	14,978	1,059,822	3,641,756	1,523,590	7,654,426
Fixed interest rate instruments	50,613	2,215,263	723,429	2,091,381	0	5,080,686
Total	**4,830,580**	**6,413,694**	**3,753,623**	**10,565,307**	**4,271,374**	**29,834,578**

The following tables present the Group's expected maturity for its financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets reflecting the anticipated maturity period. The table includes cash flows from the interest and principal.

CZK '000

31 Dec 2012	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	3,577,524	793,869	566,832	18,575	335,344	5,292,144
Derivatives	4,619	6,523	35,778	258,047	0	304,967
Finance lease assets	4,064	0	67	26,569	463,430	494,130
Fixed interest rate instruments	2,096	4,192	4,432	10,772	0	21,492
Total	**3,588,303**	**804,584**	**607,109**	**313,963**	**798,774**	**6,112,733**

CZK '000

31 Dec 2011	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2,546,082	1,323,599	556,997	20,918	385,462	4,833,058
Derivatives	5,339	3,038	37,258	416,230	2,242	464,107
Finance lease assets	3,794	0	67	24,376	438,706	466,943
Fixed interest rate instruments	1,573,800	308,503	0	0	0	1,882,303
Total	**4,129,015**	**1,635,140**	**594,322**	**461,524**	**826,410**	**7,646,411**

CZK '000

1 Jan 2011	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1,977,371	1,848,746	463,550	9,300	348,644	4,647,611
Derivatives	3,064	1,501	10,932	25,396	17,397	58,290
Finance lease assets	3,550	0	157	24,823	456,402	484,932
Fixed interest rate instruments	81,000	149,200	0	0	18,401	248,601
Total	**2,064,985**	**1,999,447**	**474,639**	**59,519**	**840,844**	**5,439,434**

35–9–2 Financing Facilities

The Group has access to the below loan facilities:

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Overdraft loan facilities:			
– amount of the loan facility	3,430,000	*3,430,000*	*3,420,000*
– amount unused	2,570,495	*3,080,291*	*688,374*
Bills of exchange programme:			
– amount of the loan facility	6,500,000	*6,500,000*	*6,500,000*
– amount unused	6,500,000	*3,943,427*	*3,622,883*

35–10 Fair Value of Financial Instruments

35–10–1 Fair Values of Financial Instruments Carried at Amortised Cost

The Parent Company issued publicly traded bonds with the carrying amount of CZK 15,003,808 thousand as of 31 December 2012. Pursuant to the market information from March 2013, their fair value is CZK 16,472,024 thousand. However, the liquidity of the bonds and the frequency of transactions is low. Management of the Group considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

35–10–2 Valuation Techniques Applied for the Purposes of Measuring Fair Value

The fair values of financial assets and financial liabilities are determined as follows:
– The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
– The fair values of other financial assets and financial liabilities (except for financial derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions, dealer quotes for similar instruments and an appropriate yield curve with the corresponding duration as appropriate.
– The fair values of financial derivatives are calculated using quoted prices. If these prices are not available, linear derivatives are measured using discounted cash flows with the use of quoted foreign exchange currency rates, quoted prices of commodities and an appropriate yield curve corresponding to the validity of contracts. An option valuation model is used for derivatives that include an option.

35–10–3 Fair Value Measurements Recognised in the Statement of Financial Position

Financial instruments measured at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:
– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments measured at fair value recognised by the Group as of 31 December 2012, 31 December 2011 and 1 January 2011 are included in Level 3. Financial assets available for sale include equity investments the fair value of which cannot be reliably determined and hence are measured at cost.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities:

CZK '000	**Available-for-sale financial assets**	**Derivatives**	**Total**
Balance at 1 Jan 2011	**406,509**	**-90,162**	**316,347**
Total gains (losses) from revaluation	21,076	394,061	415,137
– in profit or loss	*21,076*	*400,700*	*421,776*
– in other comprehensive income	*0*	*-6,639*	*-6,639*
Purchases	3,920	0	3,920
Sales/settlement	-46,571	62,782	16,211
Balance at 31 Dec 2011	**384,934**	**366,681**	**751,615**
Total gains (losses) from revaluation	4,913	-505,683	-500,770
– in profit or loss	*4,913*	*-281,425*	*-276,512*
– in other comprehensive income	*0*	*-224,258*	*-224,258*
Purchases	*200*	*0*	200
Sales/settlement	-54,724	-25,396	-80,120
Balance at 31 Dec 2012	**335,323**	**-164,399**	**170,924**

36 Post Balance Sheet Events

On 21 March 2013, the Board of Directors of ČD Cargo, a. s. approved the intention to sell its 100% equity investment in ČD Generalvertretung Wien GmbH to ČD Generalvetretung GmbHand and its 100% equity investment in Generálne zastúpenie ČD Cargo, s. r. o. to Koleje Czeskie Sp. z o.o. As of the consolidated financial statements approval date, the prices of transferring the equity investments referred to above have not yet been established, these will be determined based on expert appraisals. The transactions are anticipated to be completed by 30 June 2013.

In February 2013, the rating agency Moody's launched a review of České dráhy's rating at the Baa1 grade with a possible downgrade.

No significant events occurred subsequent to the balance sheet date.

37 Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2013.

Separate Financial Statements for the Year Ended 31 December 2012

prepared under IFRS as adopted by the EU

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

Components of the Separate Financial Statements for 2012

Statement on Financial Position (Balance Sheet)
Statement of Profit or Loss
Statement of Comprehensive Income
Statement of Changes in Equity
Cash Flow Statement
Notes to the Financial Statements

Separate Financial Statements were prepared on 16 April 2013
Statutory body of the reporting entity

Petr Žaluda
Chairman of the Board of Directors and Chief Executive Officer

Statement of Financial Position (Balance Sheet) as of 31 December 2012

		31 Dec 2012 CZK thousand	31 Dec 2011 CZK thousand	1 Jan 2011 CZK thousand
Property, plant and equipment	16	56,283,856	53,399,330	48,185,530
Investment property	17	2,171,692	2,095,000	2,100,440
Intangible assets	18	308,932	347,943	414,706
Investments in subsidiaries and associates and joint ventures	19	10,715,122	10,821,836	10,819,834
Other financial assets	22	705,606	884,782	541,406
Other assets	23	33,922	65,614	173,594
Total non-current assets		**70,219,130**	**67,614,505**	**62,235,510**
Inventories	20	959,596	926,362	1,116,735
Trade receivables	21	1,328,502	1,508,777	1,766,113
Tax receivables		0	357	357
Other financial assets	22	90,649	122,175	65,026
Other assets	23	638,144	889,314	586,019
Cash and cash equivalents	31	802,238	1,832,926	169,612
Assets held for sale	15	232,551	217,879	187,768
Total current assets		**4,051,680**	**5,497,790**	**3,891,630**
TOTAL ASSETS		**74,270,810**	**73,112,295**	**66,127,140**
Share capital	24	20,000,000	20,000,000	20,000,000
Reserve and other funds	24	16,325,183	16,556,983	16,587,992
Retained earnings		6,664,800	7,510,848	7,196,661
Total equity		**42,989,983**	**44,067,831**	**43,784,653**
Loans and borrowings	25	21,774,856	15,799,100	9,507,421
Provisions	26	168,960	150,439	469,358
Other financial liabilities	28	422,406	167,979	66,951
Total non-current payables		**22,366,222**	**16,117,518**	**10,043,730**
Trade payables	27	5,176,882	5,342,009	5,633,230
Loans and borrowings	25	1,347,622	5,192,058	3,249,569
Provisions	26	457,711	480,882	484,302
Other financial payables	28	99,493	38,059	19,578
Other payables	29	1,832,897	1,873,938	2,912,078
Total current payables		**8,914,605**	**12,926,946**	**12,298,757**
TOTAL LIABILITIES		**74,270,810**	**73,112,295**	**66,127,140**

Statement of Profit or Loss for the Year ended 31 December 2012

		Year ended 31 Dec 2012 CZK thousand	Year ended 31 Dec 2011 CZK thousand
CONTINUING OPERATIONS			
Revenue from principal operations	5	19,518,103	19,122,209
Other operating income	6	1,927,644	2,339,413
Purchased consumables and services	7	-9,909,897	-9,851,285
Employee benefit costs	8	-7,755,493	-7,781,759
Depreciation and amortisation	9	-4,019,460	-3,597,340
Other operating profits (losses), net	10	-192,764	150,453
Profit (loss) before interest and tax		**-431,867**	**381,691**
Financial expenses	11	-652,580	-412,734
Other gains (losses), net	12	246,949	-50,366
Loss before tax		**-837,498**	**-81,409**
Income tax expense	13	-486	282
Loss for the period from continuing operations		**-837,984**	**-81,127**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	15	0	395,781
Profit (loss) for the year		**-837,984**	**314,654**

Statement of Comprehensive Income for the Year ended 31 December 2012

	Year ended 31 Dec 2012 CZK thousand	Year ended 31 Dec 2011 CZK thousand
Profit (loss) for the year	-837,984	314,654
Cash flow hedging	-239,864	-31,476
Relating income tax	0	0
Other comprehensive income (loss) for the year, net of tax	**-239,864**	**-31,476**
Total comprehensive income (loss) for the year	**-1,077,848**	**283,178**

Statement of Changes in Equity for the Year ended 31 December 2012

	Share capital CZK thousand	**Reserve and other funds** CZK thousand	**Retained earnings** CZK thousand	Total equity
Balance at 1 January 2011	**20,000,000**	**16,587,992**	**7,196,661**	**43,784,653**
Profit for the period	0	0	314,654	314,654
Other comprehensive income for the year, net of tax	0	-31,476	0	-31,476
Allocation to the reserve fund	0	467	-467	0
Balance at 31 December 2011	**20,000,000**	**16,556,983**	**7,510,848**	**44,067,831**
Loss for the period	0	0	-837,984	- 837,984
Other comprehensive income for the year, net of tax	0	-239,864	0	-239,864
Allocation to the reserve fund	0	8,064	-8,064	0
Balance at 31 December 2012	**20,000,000**	**16,325,183**	**6,664,800**	**42,989,983**

Cash Flow Statement for the Year ended 31 December 2012

	Year ended 31 Dec 2012 CZK thousand	Year ended 31 Dec 2011 CZK thousand
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year before tax	-837,498	314,372
Dividend income	-129,953	-83,267
Financial expenses	652,580	412,734
Profit from the sale and disposal of non-current assets	-391,853	-1,125,166
Depreciation and amortisation of non-current assets	4,019,460	3,597,340
Impairment of non-current assets	-139,989	-243,746
Impairment of trade receivables	56,662	33,050
Foreign exchange rate gains (losses)	-223,784	176,917
Other	-15,766	-28,071
Cash flows from operating activities before changes in working capital	**2,989,859**	**3,054,163**
Decrease (increase) in trade receivables	89,407	405,305
Decrease (increase) in inventories	-41,632	125,414
Decrease (increase) in other assets	307,840	-195,259
Increase (decrease) in trade payables	193,147	-955,410
Increase (decrease) in provisions	-5,734	-148,913
Increase (decrease) in other payables	35,622	-776,673
Total changes in working capital	**578,650**	**-1,545,536**
Cash flows from operating activities	**3,568,509**	**1,508,627**
Interest paid	-511,087	-188,136
Income tax paid	-485	282
Net cash flows from operating activities	**3,056,937**	**1,320,773**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant and equipment	-7,017,079	-7,027,203
Proceeds from disposal of property, plant and equipment	509,315	839,026
Payments for investment property	-93,195	-14,965
Net cash flows on disposal of a subsidiary	0	0
Net cash flows on disposal of a business part	0	179,940
Costs of acquisition of intangible assets	-76,413	-74,808
Received interest	27,111	9,846
Received dividends	129,953	83,267
Net cash flows (used in) from investment activities	**-6,520,308**	**-6,004,897**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of loans and borrowings	7,628,551	7,754,800
Repayments of loans and borrowings	-5,195,868	-1,407,362
Net cash flows from financing activities	**2,432,683**	**6,347,438**
Net increase (decrease) in cash and cash equivalents	**-1,030,688**	**1,663,314**
Cash and cash equivalents at the beginning of the reporting period	1,832,926	169,612
Cash and cash equivalents at the end of the reporting period	**802,238**	**1,832,926**

Notes to the Separate Financial Statements for the Year ended 31 December 2012

1 General Information

1–1 Formation of the Company

On the basis of Act 77/2002 Coll. on the Joint Stock Company Czech Railways, the State Organisation Railway Route Administration and the Changes to the Railways Act 266/1994 Coll., as amended, and the State Enterprise Act 77/1997 Coll. as amended, České dráhy, a. s. (the 'Company' or 'ČD') was formed on 31 March 2002 and the state organisation Czech Railways discontinued its activities and operations on 1 January 2003 and the Company and the state organisation Railway Route Administration ('SŽDC') were formed as its legal successors. As of that date, the Company was recorded in the Register of Companies.

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

The financial statements have been prepared as of and for the year ended 31 December 2012. The reporting period is the calendar year, i.e. from 1 January 2012 to 31 December 2012. The Company additionally prepares the consolidated financial statements under IFRS that will be approved as of the same date as the separate financial statements.

1–2 Principal Operations

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

The assets comprising the railway routes are in the ownership of the State, not the Company. The right of management of these assets rests with SŽDC. SŽDC secures the operability and servicing of the railway route.

1–3 Organisational Structure

The Company is organised into sections overseen directly by the Chief Executive Officer (CEO) or Executive Directors, being: the section of the Company's CEO and sections of the Company's Executive Directors for Human Resources, Finance, Technology and Operations, Strategy and Sales, Marketing and Products and Asset Administration.

1–4 Bodies of the Company

The Company's bodies include the General Meeting, Board of Directors, Supervisory Board and Audit Committee. The General Meeting is the supreme body of the Company. The sole shareholder of the Company is the State which exercises the rights of the General Meeting through the Steering Committee. The composition of Company's Bodies as of 31 December 2012:

Steering Committee	
Chairman	Lukáš Hampl
Vice Chairman	Jiří Žák
Member	Miloslav Hala
Member	Michael Hrbata
Member	Michal Janeba
Member	Miloslav Müller
Member	Petr Pelech

On 31 December 2011, the membership of Jakub Hodinář in the Steering Committee expired. On 31 January 2012, the membership of Petr Polák in the Steering Committee expired. On 7 June 2012, Ivo Vykydal resigned from the position of Chairman of the Steering Committee. Through its Resolution No. 401 dated 6 June 2012, the Government of the Czech Republic appointed Jiří Žák, Miloslav Hala and Petr Pelech new members of the Steering Committee with effect from 8 June 2012. Jiří Žák was appointed Vice Chairman and Lukáš Hampl was appointed Chairman pursuant to this resolution.

Board of Directors	
Chairman	Petr Žaluda
Member	Roman Boček
Member	Ctirad Nečas
Member	Miroslav Šebeňa

On 26 April 2012, the position of Jiří Kolář expired following the discussion of his resignation letter at the meeting of the Supervisory Board on 26 April 2012. On 10 August 2012, Vladimír Bail submitted his resignation from the position of the first Vice Chairman and member of the Board of Directors, the resignation was discussed at the meeting of the Supervisory Board held on 16 August 2012 and it took immediate effect. At the meeting of the Supervisory Board held on 20 September 2012, Miroslav Šebeňa and Roman Boček were appointed members of the Board of Directors with effect from 21 September 2012 and 1 October 2012, respectively. On 30 October 2012, the Board of Directors discussed the resignation of Michal Nebeský from the position of a member of the Board of Directors on 31 October 2012. At its meeting held on 29 January 2013, the Supervisory Board appointed Petr Žaluda a member and Chairman of the Board of Directors of České dráhy, a. s. with effect from 1 February 2013 for another term in office.

Supervisory Board	
Member	Michael Hrbata
Member	Antonín Leitgeb
Member	Miroslav Nádvorník
Member	Jaroslav Pejša
Member	Martin Riegl
Member	Vladislav Vokoun
Member	Josef Smýkal
Member	Miroslav Drobný

The membership in the Supervisory Board of Daniel Bartek expired following the discussion of his resignation at the meeting of the Steering Committee on 6 June 2012. At the meeting of the Supervisory Board held on 14 June 2012, Ivo Toman was appointed Chairman of the Supervisory Board with effect from 15 June 2012. On 19 July 2012, the Steering Committee discussed the resignation of Lukáš Hampl from the position of a member of the Supervisory Board with the expiration on 20 July 2012. Miroslav Drobný and Josef Smýkal were appointed new members of the Supervisory Board with effect from 20 July 2012. On 12 December 2012, the Steering Committee discussed the resignation of Ivo Toman from the position of Chairman and a member of the Supervisory Board with the expiration on 12 December 2012.

On 25 January 2013, the Steering Committee discussed the resignation of Miroslav Drobný and Martin Riegl from their positions of members of the Supervisory Board and Libor Antoš and Radim Jirout were appointed members of the Supervisory Board with effect from 26 January 2013.

Audit Committee	
Chairman	Miroslav Zámečník
Member	Michael Hrbata
Member	Zdeněk Prosek

Through its Resolution No. 1495, the Supervisory Board established the Remuneration Committee of České dráhy, acting as a sub-committee of the Supervisory Board, on 8 September 2011.

Remuneration Committee	
Member	Miroslav Nádvorník
Member	Martin Riegl

Ivo Toman's position of a member and Chairman of the Remuneration Committee expired on 12 December 2012 concurrently with the expiration of his membership in the Supervisory Board. Martin Riegl's position of a member of the Remuneration Committee expired concurrently with the expiration of his membership in the Supervisory Board on 25 January 2013.

As part of implementing the Corporate Governance project, the Company established the Risk Management Committee. The Committee is a permanent advisory body of the Board of Directors. The composition of the Risk Management Committee as of 31 December 2012:

Risk Management Committee	
Chairman	Petr Vohralík
Member	Miroslav Šebeňa
Member	Jaroslav Král
Member	Roman Boček

The membership of Michal Nebeský in the Risk Management Committee expired on 31 October 2012. Antonín Hájek has been a new member of the Risk Management Committee since 1 January 2013.

2 Significant Accounting Policies

2–1 Statement of Compliance

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

2–2 Basis of Preparation

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

2–3 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods and other assets is recognised when the Company has transferred to the buyer the risks and rewards of ownership.

Sales of services are recognised when services are rendered to counterparties. Revenues related to transportation services are recognised in the period in which the services are provided by reference to the stage of completion of the service contract (eg period of validity of long-term travel documents).

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue 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.

2–4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2–4–1 The Company as a Lessor

Amounts due from lessees under finance leases are recognised as receivables at 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 outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2–4–2 The Company as a Lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2–5 Foreign Currencies

Given the economic substance of transactions and the environment in which the Company operates, the functional and presentation currency used is the Czech crown (CZK).

Transactions denominated in foreign currencies are recorded at the ruling fixed exchange rate announced by the Czech National Bank. If the ruling exchange rate does not significantly change over time, the Company uses the foreign exchange rate promulgated as of the first day of the period for a longer period of time – usually one month. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the exchange rate of the Czech National Bank ruling as of that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 equity and reclassified to profit or loss when the hedged underlying item is settled.

2–6 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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 such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the 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.

2–7 Government Grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as a reduced cost of non-current assets in the statement of financial position.

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

2–8 Employee Benefit Costs

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

The employee benefit obligations and provisions reported in the statement of financial position represent their present value as adjusted for unrecognised actuarial gains and losses. Additions to these obligations and provisions are reported as part of expenses after the employees render services for which they will have the right for such benefits.

2–9 Taxation

The income tax includes current tax payable and deferred tax.

2–9–1 Current Tax Payable

The tax currently payable is based on taxable profit for the year. The taxable profit differs from the profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2–9–2 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of 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.

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

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

2–9–3 Current Tax Payable and Deferred Tax for the Period

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

2–10 Property, Plant and Equipment

Property, plant and equipment are carried at cost reduced by accumulated losses from impairment, and by accumulated depreciation in respect of property and equipment. Freehold land is not depreciated.

Properties in the course of 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 other property 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, using 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. If there is no sufficient certainty that the lessee will acquire the ownership of an asset at the end of the lease, this asset is depreciated over the lease period if it is shorter than the anticipated useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item 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 rail vehicles. The costs of repairs are recorded as a separate asset item (component) and are depreciated over the useful life of repairs. The depreciation period of the components is determined for the series of rail vehicles and type of the components (periodical repairs – major, significant and overhaul). The average period of depreciation is six years.

2–11 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, the Company measures its investment property using the cost valuation model in accordance with the requirements of IAS 16 Property, Plant and Equipment.

2–12 Intangible Assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. 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.

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

2–13 Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated 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 for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2–14 Investments in Subsidiaries, Associates and Joint Ventures

A subsidiary is an entity in which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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 the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

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.

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. The value of the equity investment is determined in this case through an analysis based on the multiple of the expected EBITDA (earnings before interest and taxation (EBIT) from continuing operations + depreciation and amortisation from continuing operations) reflecting the current status and the mid-term plan of the subsidiary less net debt.

2–15 Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2–16 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined using the weighted arithmetic 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.

2–17 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2–18 Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.¨

2–18–1 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income and expenses are recognised on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

2–18–2 Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Upon initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

2–18–3 Financial Assets Available for Sale

Financial assets available for sale are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Company holds equity investments (other than subsidiaries and associates) that are not traded on an active market, classified as financial assets available for sale and carried at cost less any impairment losses as their fair value cannot be reliably determined.

Dividends on the AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

2–18–4 Loans and Receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

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

2–18–5 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The Company records impairment losses (allowances) based on an individual assessment of trade receivables and 20 percent allowances against receivables that are past due by greater than six months, full allowances against receivables that are past due by greater than twelve months and their value does not exceed CZK 30 thousand and full allowances against receivables registered for recovery under insolvency proceedings and receivables where court proceedings against the relevant debtor have been initiated. The Company does not recognise allowances against receivables from its subsidiaries and SŽDC.

With the exception of the AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of the AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

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.

2–18–7 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2–18–8 Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

2–18–9 Derecognition of Financial Liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. 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 derivative financial instruments 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 event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2–18–11 Hedge Accounting

The Company designates certain hedging instruments as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedge 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. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents 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.

2–18–12 Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3 Adoption of New and Revised International Financial Reporting Standards

3–1 Standards and Interpretations Effective for Annual Periods Ending 31 December 2012

During the year ended 31 December 2012, the following standards, revised standards and interpretations took effect:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets	1 July 2011

The above standards and interpretations have no impact on the presentation and disclosures or the presented financial results.

3–2 Standards and Interpretations Used before their Effective Dates

The Company used no standards or interpretations before their effective dates.

3–3 Standards and Interpretations in Issue not yet Adopted

At the balance sheet date, the following standards and interpretations were issued but not yet effective and the Company did not adopt them in advance of their effective dates.

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 1 – Amendments to IFRS 1 Government Loans	1 January 2013
– Removal of Fixed Dates for First-time Adopters	1 July 2011
– Severe Hyperinflation	1 July 2011
IFRS 7 – Amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9	
– Financial Instruments – Classification and Measurement	1 January 2015
– Additions to IFRS 9 for Financial Liability Accounting	1 January 2015
IFRS 9 and IFRS 7 – Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 10, 11, 12 – Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance	1 January 2013
IFRS 10, 12, IAS 27 – Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014
IFRS 13 – Fair Value Measurement	1 January 2013
IAS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 12 – Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 – Employee Benefits	1 January 2013
IAS 27 (2011) – Separate Financial Statements	1 January 2013
IAS 28 (2011) – Investments in Associates and Joint Ventures	1 January 2013
IAS 32 – Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Improvements to IFRS cycle 2009 – 2011 – (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34)	1 January 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Management of the Company anticipates that the adoption of these standards, revised standards and interpretations will have no material impact on the Company in the following periods, except for the more detailed presentation under IFRS 12 and IAS 1.

3–4 Standards and Interpretations that are Issued by the International Accounting Standard Board (IASB) but not yet Adopted by the European Union

At the balance sheet date, some of the standards and interpretations disclosed in the prior note have not been adopted by the European Union:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 1 – Amendments to IFRS 1 Government Loans	1 January 2013
Improvements to IFRS cycle 2009 - 2011	1 January 2013
IFRS 9	
– Financial Instruments – Classification and Measurement	1 January 2015
– Subsequent amendments to IFRS 9 and IFRS 7 (issued in December 2011)	1 January 2015
IFRS 10, 11, 12 – Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance	1 January 2013
IFRS 10, 12, IAS 27 – Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent 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 following are 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.

4–1 Useful Lives of Property, Plant and Equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Although the Company identified no changes in the useful lives of property, plant and equipment, the situation may change in the following periods.

4–2 Impairment of Assets

The Company assesses the recoverable value of all asset components when there are indicators of their impairment (with the exception of intangible assets under construction, the recoverable value of which is assessed annually). This assessment is based on anticipated assumptions and may change in the future as the situation evolves and information is available.

4–3 Revenue and Expenses from International Transportation

Given the long intervals of settlement of mutual payments between transporters in the international transportation, the Company has to estimate the amount of these expenses and revenues. The actual value confirmed by an international settlement institution may be different.

4–4 Measurement of Financial Instruments

The Company uses financial derivatives for cash flow hedging. The measurement of derivatives in the financial statements is based on appropriate measurement techniques using identifiable market assumptions. If these assumptions changed, the measurement of financial derivatives would be different.

4–5 Income Taxation

The Company records significant deferred tax assets. The determination of the recoverable value of these assets depends on the estimate of their future realisation.

4–6 Provision for Employee Benefits

The Company recognises a provision for employee benefits. In calculating the provision, the Company uses an actuarial model which is based on the up-to-date employee information and anticipated parameters established on the basis of a reasonable estimate and publicly available statistical documents. A change in the anticipated parameters would impact the amount of the provision.

4–7 Provisions for Legal Disputes and Business Risks

The Company is involved in a number of court and out-of-court commercial disputes. Where the criteria for the recognition of provisions are 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.

4–8 Sale of Fixed Assets

The Company owns a large quantity of fixed assets that are no longer used for its principal activities, ie passenger railway transportation. These are assets that are part of the railway infrastructure (train station buildings, land around the railroads) and assets that are used differently (eg commercial lease). Given its medium-term strategy, the Company plans to dispose of these assets, either by a transfer for consideration to SŽDC or sale to commercial interested parties. The specific manner and timing have not yet been determined.

4–9 Cargo's Business Plan

In 2012, management of the subsidiary ČD Cargo undertook a series of measures designed to stabilise the liquidity of the company in the short-term and create conditions for achieving more favourable economic results in the medium-term and consequently ensure the stability of the company in the following years. The implemented measures have served a basis for preparing a medium-term business plan of the company. Fulfilling this plan may have an impact on the value of ČD's equity investment in ČD Cargo.

4–10 Relations with Škoda Transportation a. s.

České dráhy, a. s. is involved in an arbitration with Škoda Transportation a. s. for the payment of CZK 660.8 million as a compensation for the costs incurred by delays in the supply of railway vehicles. Concurrently, Škoda Transportation a. s. is involved in an arbitration for the payment of CZK 216.5 million as an unpaid prepayment including default interest. The arbitrations have not yet been finalised. For this reason, the form and amount of the final settlement cannot be determined.

5 Revenue From Principal Operations

All of the below additional information on the statement of profit or loss relates to continuing operations. Profits and losses from discontinued operations are disclosed in a separate note.

CZK '000	2012	2011
Revenue from passenger transportation – fare	7,124,541	6,844,060
– Intrastate passenger transportation	*5,160,120*	*5,037,608*
– International passenger transportation	*1,964,421*	*1,806,452*
Revenue from passenger transportation – payments from public service orderers	12,372,037	12,257,504
– Payment from the state budget	*4,024,168*	*4,081,091*
– Payment from the regional budget	*8,347,869*	*8,176,413*
Other revenue from principal operations	21,525	20,645
Total revenue from principal operations – continuing operations	**19,518,103**	**19,122,209**

Payments from public service orderers relate to regional and long-distance intrastate passenger transportation. Other revenue from principal operations predominantly includes the revenue from railway transportation by other transporters and owners of railways and revenue from other transportation.

6 Other Operating Income

CZK '000	2012	2011
Gain from property, plant and equipment and investment property	391,853	703,459
Gain from the sale of inventory	72,434	71,928
Sales of other services	471,650	482,943
Rental income	628,550	607,556
Compensations for deficits and damage	93,394	65,840
Gain on material	27,091	27,581
Other subsidies	33,084	397
Other	209,588	379,709
Total other operating income – continuing operations	**1,927,644**	**2,339,413**

In 2011, "Other" includes a receivable from Škoda Transportation, a. s. arising from the contractual sanctions for the delay in supplies of the 380 series locomotive.

7 Purchased Consumables and Services

CZK '000	**2012**	**2011**
Traction costs	-2,976,271	-2,781,019
– Traction fuel (diesel)	*-1,400,328*	*-1,357,224*
– Traction electricity	*-1,575,943*	*-1,423,795*
Payment for the use of railway route	-1,665,079	-1,680,149
Other purchased consumables and services	-5,268,547	-5,390,117
– Consumed material	*-882,922*	*-1,011,560*
– Consumed other energy	*-514,051*	*-602,051*
– Consumed fuel	*-87,345*	*-76,027*
– Repairs and maintenance	*-541,631*	*-619,869*
– Travel costs	*-109,080*	*-115,418*
– Telecommunication, data and postal services	*-272,639*	*-321,421*
– Other rental	*-88,900*	*-97,868*
– Rental for rail vehicles	*-506,243*	*-428,062*
– Transportation charges	*-210,425*	*-221,179*
– Services of dining and sleeping carriages	*-123,847*	*-104,850*
– Services associated with the use of buildings	*-279,163*	*-268,272*
– Operational cleaning of rail vehicles	*-395,788*	*-432,064*
– Border area services	*-228,572*	*-208,392*
– Advertising and promotion costs	*-150,877*	*-117,877*
– Other services	*-877,064*	*-765,207*
Total purchased consumables and services – continuing operations	**-9,909,897**	**-9,851,285**

Other services predominantly include expenses related to the environment, commissions to ticket vendors, education, and similar services.

8 Employee Benefit Costs

CZK '000	**2012**	**2011**
Payroll costs	-5,485,854	-5,521,037
Severance pay	-87,226	-67,116
Statutory social security and health insurance	-1,812,318	-1,824,942
Benefits resulting from the collective agreement	-83,036	-72,793
Other social costs	-282,301	-290,221
Other employee benefit costs	-4,758	-5,650
Total employees benefit costs – continuing operations	**-7,755,493**	**-7,781,759**

Average recalculated number of employees		
Employees	15,912	22,549
Managers	60	91
Total	**15,972**	**22,640**

In 2011, 9,326 employees were transferred to SŽDC as part of discontinued operations. The costs of employee benefits relating to the transfer of employees to SŽDC in 2011 are disclosed in Note 15.

9 Depreciation and Amortisation

CZK '000	**2012**	**2011**
Depreciation of property, plant and equipment	-3,861,214	-3,381,452
Depreciation of investment property	-74,939	-74,317
Amortisation of intangible assets	-83,307	-141,571
Total depreciation and amortisation – continuing operations	**-4,019,460**	**-3,597,340**

10 Other Operating Profits (Losses)

CZK '000	**2012**	**2011**
Change in other provisions	-5,463	36,112
losses from impaired receivables	-39,191	-8,757
Reversal of losses from impaired property, plant and equipment, investment property and assets held for sale	139,989	243,746
Reversal of the write-down (write-down) of inventories to their net realisable value	-5,243	740
Taxes and fees	-33,296	-44,295
Other operating expenses	-249,560	-77,093
Total other operating profits (losses) – continuing operations	**-192,764**	**150,453**

11 Financial Expenses

CZK '000	**2012**	**2011**
Interest on bank overdraft accounts and loans	-209	-3,235
Interest on the loan from ČSOB and loans from Eurofima	-57,044	-61,554
Interest on issued bonds	-591,680	-271,564
Interest on finance lease payables	-137,363	-88,318
Other interest	-56,670	-98,882
Less: amounts capitalised as part of the costs of an eligible asset	191,470	117,838
Unwinding of the discount of provisions	-1,084	-7,019
Total financial expenses – continuing operations	**-652,580**	**-412,734**

12 Other Gains (Losses)

CZK '000	**2012**	**2011**
Net foreign exchange gains (losses)	140,636	-130,809
Received dividends	129,953	83,267
Received interest	25,577	27,521
Banking fees	-13,913	-17,334
Actuarial losses	-20,694	-2,061
Other	-14,610	-10,950
Total other gains (losses) – continuing operations	**246,949**	**-50,366**

13 Income Taxation

13–1 Income Tax Reported in Profit or Loss

CZK ‘000	**2012**	**2011**
Current income tax for the period reported in the statement of profit or loss	0	0
Deferred tax recognised in the statement of profit or loss	0	0
Other *)	-486	282
Total tax charge relating to continuing operations	**-486**	**282**

*) Predominantly taxes paid from the individual tax base, eg received dividends, overpayments and arrears

Reconciliation of the total tax charge for the period to the accounting profit:

CZK ‘000	**2012**	**2011**
Loss from continuing operations before tax	-837,498	-81,409
Income tax calculated using the statutory rate of 19%	159,125	15,468
Effect of the unrecognised deferred tax asset	-90,660	11,763
Other*)	-68,951	-26,949
Income tax reported in profit or loss	**-486**	**282**

*) The effect of permanently non-tax expenses and income, tax calculated from the individual tax base

The tax rate used in the reconciliation is the corporate income tax rate which has to be paid by Czech legal entities from their taxable profits according to Czech tax laws.

13–2 Deferred Tax

CZK ‘000	**Unutilised tax losses**	**Non-current assets**	**Provisions**	**Leases**	**Receivables**	**Other**	**Total**
Balance at 1 Jan 2011 – calculated	**1,119,618**	**-1,024,814**	**132,936**	**34,004**	**8,497**	**-18,041**	**252,200**
Balance at 1 Jan 2011 – recognised	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Deferred tax recognised in profit or loss:	0	0	0	0	0	0	0
– of which current changes in the deferred tax	*-334,581*	*350,994*	*-12,984*	*-37,527*	*-812*	*23,147*	*-11,763*
*– of which impairment *)*	*334,581*	*-350,994*	*12,984*	*37,527*	*812*	*-23,147*	*11,763*
Deferred tax recognised in other comprehensive income	0	0	0	0	0	0	0
– of which current changes in the deferred tax	*0*	*0*	*0*	*0*	*0*	*-4,845*	*-4,845*
*– of which impairment *)*	*0*	*0*	*0*	*0*	*0*	*4,845*	*4,845*
Balance at 31 Dec 2011 – calculated	**785,037**	**-673,820**	**119,952**	**-3,523**	**7,685**	**261**	**235,592**
Balance at 31 Dec 2011 – recognised	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Deferred tax recognised in profit or loss:	0	0	0	0	0	0	0
– of which current changes in the deferred tax	*-362,606*	*527,940*	*-49,144*	*-32,879*	*4,497*	*2,852*	*90,660*
*– of which impairment *)*	*362,606*	*-527,940*	*49,144*	*32,879*	*-4,497*	*-2,852*	*-90,660*
Deferred tax recognised in other comprehensive income	0	0	0	0	0	0	0
– of which current changes in the deferred tax	*0*	*0*	*0*	*0*	*0*	*39,346*	*39,346*
*– of which impairment *)*	*0*	*0*	*0*	*0*	*0*	*-39,346*	*-39,346*
Balance at 31 Dec 2012 – calculated	**422,431**	**-145,880**	**70,808**	**-36,402**	**12,182**	**42,459**	**365,598**
Balance at 31 Dec 2012 – recognised	**0**	**0**	**0**	**0**	**0**	**0**	**0**

*) The decrease in the deferred tax asset recognised in the balance sheet (directly or indirectly as items decreasing deferred tax liabilities) to its recoverable value

According to the preliminary due corporate income tax return for the 2012 taxation period, the Company records a utilisable tax loss for the 2009 taxation period in the amount of CZK 2,223,321 thousand. The tax loss is utilisable always in five taxation periods subsequent to the period in which the relevant loss was assessed, ie between 2013 and 2015.

Given the low anticipated taxable profits, the realisation of deferred tax assets is uncertain. For this reason, the Company attributes a zero recoverable value to this deferred tax asset when the resulting net position as of the balance sheet date is a deferred tax asset.

14 Segment Information

14–1 Products and Services from which Reportable Segments Derive their Revenues

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Company's reportable segments under IFRS 8 are therefore as follows:

– Passenger transportation – other information on passenger railway transportation is disclosed in Note 14.3.
– Management of operations – the Company provided this activity for the operator of the railway route, SŽDC, before 31 August 2011, other information is provided in Note 30.
– Administration of assets – the segment provides the administration and operations of real estate owned by the Company, including internal and external leases. Real estate predominantly includes station buildings and land surrounding the railroad.
– Other – predominantly overhead activities that are not allocated to other segments.

14–2 Segment Revenues and Expenses

The following is an analysis of the Company's results from continuing operations by reportable segment in the format in which the financial statement is presented to the Company's management. Results of individual segments are reported in accordance with Czech Accounting Standards. Adjustments made for reporting under IFRS are provided as part of the reconciliation of the segment statement with the statement of profit or loss.

2012

CZK million	Passenger transportation	Administration of assets	Other	Elimination and reconciliation *)	Total
Revenue from principal operations					
Revenue from passenger transportation	7,125	0	0	0	7,125
Revenue from securing railway routes	0	0	0	0	0
Payments from orderers	12,372	0	0	0	12,372
Other	2	0	3	16	21
	19,499	**0**	**3**	**16**	**19,518**
Purchased consumables and services					
Traction costs	-2,976	0	0	0	-2,976
Payment for the use of the railway route	-1,621	0	0	-44	-1,665
Other purchased consumables and services	-5,793	-607	-622	1,753	-5,269
	-10,390	**-607**	**-622**	**1,709**	**-9,910**
Staff costs					
Payroll costs	-4,891	-191	-430	-61	-5,573
Social security and health insurance	-1,633	-61	-132	14	-1,812
Statutory social costs	-31	-2	-2	-247	-282
Statutory social costs – benefits arising from the collective agreement	-230	-5	-12	159	-88
	-6,785	**-259**	**-576**	**- 135**	**-7,755**
Other operating income and expenses	787	1,072	-16	-109	1,734
Intracompany income and expenses	-91	108	-17	0	0
Overhead costs – operating	-1,158	-70	1,228	0	0
Depreciation and amortisation	-2,022	-221	-81	-1,695	-4,019
Other income and expenses	-404	0	132	-134	-406
Overhead costs – financial and other	47	4	-51	0	0
Loss for the period from continuing operations	**-517**	**27**	**0**	**-348**	**-838**
Profit for the period from discontinued operations	0	0	0	0	0
Loss for the period	**-517**	**27**	**0**	**-348**	**-838**

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

2011

CZK million	Passenger transportation	Management of operations (before 31 August 2011)	Administration of assets	Other	Elimination and reconciliation *)	Total
Revenue from principal operations						
Revenue from passenger transportation	6,844	0	0	0	0	6,844
Revenue from securing railway routes	0	3,267	0	0	-3,267	0
Payments from orderers	12,257	0	0	0	1	12,258
Other	79	8	1	22	-90	20
	19,180	**3,275**	**1**	**22**	**– 3,356**	**19,122**
Purchased consumables and services						
Traction costs	-2,781	0	0	0	0	-2,781
Payment for the use of the railway route	-1,636	0	0	0	-44	-1,680
Other purchased consumables and services	-5,851	-183	-721	-681	2,046	-5,390
	-10,268	**-183**	**-721**	**-681**	**2,002**	**-9,851**
Staff costs						
Payroll costs	-4,961	-2,048	-191	-477	2,089	-5,588
Social security and health insurance	-1,634	-683	-64	-140	696	-1,825
Statutory social costs	-31	-22	-2	-4	-231	-290
Statutory social costs – benefits arising from the collective agreement	-237	-100	-7	-9	274	-79
	-6,863	**-2,853**	**-264**	**-630**	**2,828**	**-7,782**
Other operating income and expenses	852	-21	1,446	185	27	2,489
Intracompany income and expenses	-273	-18	317	-26	0	0
Overhead costs – operating	-894	-175	-60	1,129	0	0
Depreciation and amortisation	-1,854	-32	-230	-101	-1,380	-3,597
Other income and expenses	-444	266	1	78	-363	-462
Overhead costs – financial and other	-19	-3	-2	24	0	0
Profit (loss) for the period from continuing operations	**-583**	**256**	**488**	**0**	**-242**	**-81**
Profit for the period from discontinued operations	0	0	0	0	396	396
Profit (loss) for the period	**-583**	**256**	**488**	**0**	**154**	**315**

*) The 'Elimination and reconciliation' column includes eliminations of intracompany relations and differences between balances under Czech Accounting Standards and IFRS. This principally involves the reclassification of the profit or loss of the Management of Operations segment into discontinued operations (refer to Note 15).

14–3 Information on Principal Customers

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

By adopting Act No. 194/2010 Coll., on Public Services in Passenger Transportation and Changes in Other Acts, the Czech Republic has harmonised its public transport legislation with EU laws. The Company has concluded contracts for the public service commitment for the period of 10 years and more which are governed by the legal regulations before the adoption of the Act referred to above. All contracts or their amendments were concluded before Regulation (EC) No. 1370/2007 entered into effect for the period of 10 years or more, ie before 3 December 2009. Similarly as the contract with the State, they are governed by legal regulations that were in effect before the Regulation became effective.

Governmental Resolution No. 1132/2009 dated 31 August 2009 secures the additional funding of the regional railway transportation through a special-purpose grant to regions, including the rules for the increase or decrease in the scope of ordered railway transportation and the increase in the special-purpose grant in individual following years.

As of the 2012 financial statements date, intensive negotiations are pending with regard to amendments to long-term contracts for 2013. The amount of payments in 2013 will be substantially impacted by the launching of new vehicles, the result being a higher-than-inflationary increase in long-term payments from regional budgets. Management of the Company believes that the conclusion of all the amendments is very likely in terms of the search for savings. In the context of the provision of public services in the transportation of passengers, this fact does not constitute any limitations – given the concluded long-term contracts, there is no threat regarding the interruption of their provision or their funding. Prepayments for the settlement of the provable loss are made – in respect of the not-yet-signed amendments for 2013 – in the amount of the prepayments from 2012.

15 Discontinued Operations and Assets Held for Sale

15–1 Spin-off of the Part of Business – Management of Operations

In 2008, part of the Company's business relating to certain activities securing the operability of railway route operations (securing operability, preparation of the railway timetable and fire brigade activities) was spun-off and transferred to SŽDC. The provision of other services (railway route servicing and organising railway transport under extraordinary circumstances), including the relevant capacities, remained the responsibility of the Company, which delivered the activities to SŽDC, the railway operator, as a contractor.

Pursuant to the resolution of the Czech Government, another contract for the sale of the part of business was concluded between the Company and SŽDC as of 1 September 2011. It involves the sale of the Management of Operations. The selling price according to the contract for the sale of the part of business was determined on the basis of the valuation of an expert in the amount of CZK 389,940 thousand. As of 1 September 2011, 9,326 employees were transferred to SŽDC.

15–2 Analysis of the Profit (Loss) and Cash Flows from Discontinued Operations

The table shows the profit (loss) from discontinued operations. The figures for 2011 include the profit or loss of Management of Operations and the profit from the sale of the part of business – Management of Operations.

CZK '000	2012	2011
Revenue of principal activities	*0*	*3,275,000*
Other operating income	*0*	*0*
Purchased consumables and services	*0*	*-175,442*
Costs of employee benefits	*0*	*-2,901,518*
Depreciation and amortisation	*0*	*0*
Other operating losses	*0*	*-219,000*
Loss before interest and tax	0	-20,960
Financial expenses	0	-1,143
Other gains(losses)	0	-3,821
Loss before tax	0	-25,924
Income tax expense	*0*	*0*
Profit or loss of the part of business – Management of Operations	**0**	**-25,924**
– Received consideration	*0*	*389,940*
– Transferred net assets to SŽDC (2011)	*0*	*31,765*
– Relevant income tax recognised in expenses	*0*	*0*
Profit from the sale of discontinued operations	**0**	**421,705**
Discount from the purchase price upon the transfer of the part of business to SŽDC in 2008	0	0
Total profit from discontinued operations	**0**	**395,781**

CZK '000	2012	2011
Cash flows from operating activities	0	23,000
Cash flows from investment activities	**0**	**172,864**
– Net cash flows on disposal of a business part/a subsidiary	*0*	*179,940 *)*
– Proceeds from disposal of property, plant and equipment	*0*	*107*
– Payments for property, plant and equipment	*0*	*-7,183*
Cash flows from financing activities	0	0
Net cash flows from discontinued operations	**0**	**195,864**

*) The remaining CZK 210,000 thousand from the aggregate selling price was settled through the offset

15–3 Assets Held for Sale

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Intangible assets	0	0	0
Land	60,000	90,000	40,000
Buildings	172,551	127,879	147,768
Investments in subsidiaries and associates	0	0	0
Total	**232,551**	**217,879**	**187,768**

16 Property, Plant and Equipment

CZK '000

Cost	Balance at 1 Jan 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012
Land	6,158,568	1,718	46,885	-82,846	6,030,555	32,899	5,047	-36,681	6,021,726
Structures	14,128,986	389,843	172,750	-328,397	14,017,682	311,769	145,162	-394,560	13,789,729
Individual movable assets	59,222,747	7,564,666	1,905,134	-138,893	64,743,386	6,615,321	1,101,955	1,614	70,258,366
- Machinery, equipment, and furniture and fixtures	*2,381,847*	*48,375*	*142,460*	*-37,833*	*2,249,929*	*125,539*	*88,980*	*-507*	*2,285,981*
- Vehicles	*53,320,381*	*6,494,775*	*1,730,867*	*10,170*	*58,094,459*	*6,440,261*	*998,294*	*15,767*	*63,552,193*
- Vehicles acquired under finance leases	*3,420,903*	*959,967*	*17,917*	*-17,834*	*4,345,119*	*15,970*	*9,009*	*19,941*	*4,372,021*
- Other	*99,616*	*61,549*	*13,890*	*-93,396*	*53,879*	*33,551*	*5,672*	*-33,587*	*48,171*
Other assets	3,831	908	581	-6	4,152	0	77	-972	3,103
Assets under construction	1,514,392	5,550,116	25,720	-5,196,506	1,842,282	6,341,990	27,411	-6,028,393	2,128,468
Prepayments	3,018,282	2,685,645	1,429,784	0	4,274,143	922,200	1,222,497	0	3,973,846
Total	**84,046,806**	**16,192,896**	**3,580,854**	**-5,746,648**	**90,912,200**	**14,224,179**	**2,502,149**	**-6,458,992**	**96,175238**

CZK '000

Accumulated depreciation	Balance at 1 Jan 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012
Structures	6,503,276	287,084	110,887	-113,196	6,566,277	285,827	104,774	-142,374	6,604,956
Individual movable assets	28,215,995	3,000,230	1,082,525	-86,717	30,046,983	3,470,243	936,780	460	32,580,906
- Machinery, equipment, and furniture and fixtures	*1,744,636*	*90,091*	*122,641*	*-31,762*	*1,680,324*	*91,759*	*77,578*	*-1,064*	*1,693,441*
- Vehicles	*26,014,808*	*2,716,451*	*928,452*	*-31,559*	*27,771,248*	*3,155,491*	*843,217*	*-728*	*30,082,794*
- Vehicles acquired under finance leases	*371,646*	*192,127*	*17,407*	*0*	*546,366*	*221,630*	*10,569*	*2,536*	*759,963*
- Other	*84,905*	*1,561*	*14,025*	*-23,396*	*49,045*	*1,363*	*5,416*	*-284*	*44,708*
Other assets	74	60	0	0	134	0	0	-73	61
Total	**34,719,345**	**3,287,374**	**1,193,412**	**-199,913**	**36,613,394**	**3,756,070**	**1,041,554**	**-141,987**	**39,185,923**

CZK '000

Impairment	Balance at 1 Jan 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012
Land	3,817	0	0	0	3,817	35,697	0	0	39,514
Structures	54,878	0	10,044	0	44,834	0	1,401	0	43,433
Individual movable assets	1,083,236	0	232,411	0	850,825	93,763	322,076	0	622,512
- Machinery, equipment, and furniture and fixtures	*171*	*0*	*92*	*0*	*79*	*1,442*	*37*	*0*	*1,484*
- Vehicles	*1,083,065*	*0*	*232,319*	*0*	*850,746*	*92,321*	*322,039*	*0*	*621,028*
Total	**1,141,931**	**0**	**242,455**	**0**	**899,476**	**129,460**	**323,477**	**0**	**705,459**

Reclassifications predominantly include transfers of asset items between individual groups (IAS 16, IAS 40, IFRS 5); in assets under construction, these include assets put into use.

CZK '000

Net book value	Balance at 1 Jan 2011	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Land	6,154,751	6,026,738	5,982,212
Buildings	7,570,832	7,406,571	7,141,340
Individual movable assets	29,923,516	33,845,578	37,054,948
– Machinery, equipment, and furniture and fixtures	*637,040*	*569,526*	*591,056*
– Vehicles	*26,222,508*	*29,472,465*	*32,848,371*
– Vehicles acquired under finance leases	*3,049,257*	*3,798,753*	*3,612,058*
– Other	*14,711*	*4,834*	*3,463*
Other assets	3,757	4,018	3,042
Assets under construction	1,514,392	1,842,282	2,128,468
Prepayments	3,018,282	4,274,143	3,973,846
Total	**48,185,530**	**53,399,330**	**56,283,856**

Principal additions from 1 January 2011 to 31 December 2012 include the acquisition of railway vehicles as part of the renewal of the Company's rolling stock. Given the long-term nature of the acquisition of this type of assets, significant balances are reported on the accounts of assets under construction and prepayments. As of 31 December 2012, this primarily involves the purchase of train sets for regional transportation and the 380 series locomotives.

In 2012, the Company acquired fixed assets financed through government grants in the amount of CZK 945,483 thousand (2011: CZK 850 thousand). The cost of the assets was reduced by the amount of the grant.

16–1 Impairment Losses Recognised in the Reporting Period

Vehicles predominantly include railway vehicles (locomotives, passenger coaches, other railway vehicles) used for operating passenger railway transportation. Pursuant to the inventory count and analyses, the Company identified items of assets for which there is a significant doubt about their future usability. The Company recognised an impairment loss for these items in the amount of the difference between the net book value and the estimated recoverable value. The recoverable value is usually determined as net proceeds from the sale less cost to sell.

The principal impairment loss as of 31 December 2012, 2011 and 1 January 2011 is the loss on the 680 series tilting trains (Pendolino) amounting to CZK 492,953 thousand, CZK 719,340 thousand and CZK 960,342 thousand, respectively. The impairment was determined on the basis of an independent expert's assessment reflecting the market value net of the costs of sale. The reversal of the impairment between 2009, 2010, 2011 and 2012 is due to the development of the railway transportation in the region and improvement in the operating use of the units. The costs and income associated with the Pendolino trains are reported in the Passenger Transportation segment.

Impairment losses are included in other operating expenses in the statement of profit or loss.

The following useful lives were used in the calculation of depreciation:

	Number of years
Buildings	30 – 50
Structures	20 – 50
Locomotives	20 – 30
Passenger coaches	20 – 30
Wagons	25 – 33
Machinery and equipment	8 – 20

16–2 Assets Pledged as Collateral

The Company holds assets at the net book value of CZK 3,318,007 thousand that were pledged as collateral, of which train sets of the 471 series amounted to CZK 2,309,717 thousand, the Ampz passenger coaches amounted to CZK 425,653 thousand and the Bmz passenger coaches amounted to CZK 582,637 thousand. The pledge was established in favour of EUROFIMA.

16–3 Redundant Immovable Assets

In the property, plant and equipment class, the Company reports assets of CZK 241,824 thousand which are currently not used. These are primarily vacant buildings. The Company anticipates selling the assets in the future but it did not report these assets as assets held for sale, as they have not yet complied with the criteria set out in IFRS 5.

17 Investment Property

CZK '000	**2012**	**2011**
Balance at the beginning of the year	2,095,000	2,100,440
Additions from subsequent capitalised expenses	89,373	41,022
Disposals	-35,997	-102,173
Disposals, annual depreciation	-74,939	-74,317
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	181,839	301,159
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	-52,515	-35,847
Transfers to assets held for sale (from IAS 40 to IFRS 5)	-43,756	-79,335
Change in the value	288	348
Transfers of assets held for sale (from IFRS 5 to IAS 40)	12,399	-56,297
Balance at the end of the year	**2,171,692**	**2,095,000**

CZK '000	**Balance at 31 Dec 2012**	**Balance at 31 Dec 2011**	**Balance at 1 Jan 2011**
Cost	3,454,630	3,227,643	3,153,314
Accumulated depreciation	-1,282,650	- 1,132,295	-1,049,795
Impairment	-288	-348	-3,079
Net book value	**2,171,692**	**2,095,000**	**2,100,440**

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

The property is located around the railway route, in train stations and depots of rail vehicles. The fair value based on market comparison cannot be determined with a reasonable certainty given the different nature and location of the property. The Company used a valuation model in determining the fair value of investment property. In respect of land, the calculation includes the product of the market price for m2 for the specific locality and the area of the land. In respect of buildings, the calculation is based on the yield method from market rental. The estimate of the fair value as of 31 December 2012, 2011 and 1 January 2011 is CZK 5,281,562 thousand, CZK 4,357,846 thousand and CZK 3,493,240 thousand, respectively.

The Company determines the depreciation method and useful lives of investment property on the same basis as for property included in property, plant and equipment.

18 Intangible Assets

CZK '000

Cost	Balance at 1 Jan 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012
Development costs	96,258	0	0	-351	95,907	0	0	0	95,907
Software	594,120	69,524	15,653	-153,418	494,573	46,703	151	0	541,125
Valuable rights	472,244	47,933	7,048	7,465	520,594	23,074	0	0	543,668
Other assets	760	0	0	0	760	0	0	0	760
Assets under construction	132,192	132,385	9,370	-119,577	135,630	58,862	0	-84,344	110,148
Total	**1,295,574**	**249,842**	**32,071**	**-265,881**	**1,247,464**	**128,639**	**151**	**-84,344**	**1,291,608**

CZK '000

Accumulated amortisation	Balance at 1 Jan 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012
Development costs	95,737	520	0	-350	95,907	0	0	0	95,907
Software	492,036	83,898	15,390	-99,755	460,789	25,983	151	0	486,621
Valuable rights	292,335	53,094	3,252	-112	342,065	57,323	0	0	399,388
Other assets	760	0	0	0	760	0	0	0	760
Total	**880,868**	**137,512**	**18,642**	**-100,217**	**899,521**	**83,306**	**151**	**0**	**982,676**

CZK '000

Net book value	Balance at 1 Jan 2011	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Development costs	521	0	0
Software	102,084	33,784	54,504
Valuable rights	179,909	178,529	144,280
Other assets	0	0	0
Assets under construction	132,192	135,630	110,148
Total	**414,706**	**347,943**	**308,932**

The costs of amortisation were reported in the line 'Depreciation and amortisation' in the statement of profit or loss. The Company used useful lives of 1.5 – 6 years in calculating amortisation.

Intangible fixed assets include software used in business activities entitled ARES, In-card, UNIPOK, IS OPT, GSM-R, IS-ADPV and items relating to the SAP R/3 accounting software and its modules.

Intangible assets under construction primarily relate to the development of software for train monitoring, train traffic management and expenditure relating to the SAP R/3, software used in business activities – MAVIS, IS-PRM, IS-ADPV, Projekt 602 and KASO.

19 Investments in Subsidiaries, Associates and joint ventures

19–1 Information on Subsidiaries

CZK '000

Name of the entity	Registered office	Value of investment as of 31 Dec 2012	Value of investment as of 31 Dec 2011	Value of investment as of 1 Jan 2011
Výzkumný Ústav Železniční, a. s.	Prague	382,711	382,711	382,711
ČD – Telematika a. s.	Prague	939,905	1,182,129	1,182,129
DPOV, a. s.	Přerov	385,291	385,291	385,291
ČD Cargo, a. s.	Prague	8,760,000	8,760,000	8,760,000
ČD – Informační systémy, a. s.	Prague	121,880	0	0
Dopravní vzdělávací institut, a. s.*)	Prague	6,009	0	0
ČD travel, s. r. o. *)	Prague	7,621	0	0
Total		**10,603,417**	**10,710,131**	**10,710,131**

*) Investments in these entities were treated as immaterial in the prior reporting period. In the financial statements as of 31 December 2011 and as of 1 January 2011, they were reported as other financial assets available for sale. In the financial statements as of 31 December 2012, they are reported as subsidiaries.

The Supervisory Boards of České dráhy, a. s. and ČD – Telematika a. s. approved the intended sale of ČDT – Informační Systémy, a. s. from the original owner, ČD – Telematika a. s., to the acquirer, České dráhy, a. s. The subject of the transfer were the shares representing the 100% investment in the share capital.

In 2012, the Board of Directors of ČD – Telematika a. s. presented and subsequently implemented the proposal for decreasing the share capital of the entity. The nominal value of each share was decreased and the amount corresponding to the share capital decrease was distributed among shareholders. The share capital decrease was recorded in the Register of Companies on 13 November 2012.

As of 31 December 2012, the Company tested the equity investment in ČD Cargo for impairment. The value of the equity investment is determined by reference to an analysis that is based on the 7.9 multiple of the 2012 EBITDA and the expected 2013 EBITDA of CZK 2,554 million according to the approved mid-term plan of the entity. The multiple applied in the test is based on the current values published for the transportation sector. Based on this testing, the Company believes that the entity's value is greater than the reported carrying amount and hence no impairment of the equity investment needs to be recognised as of 31 December 2012.

Name of the entity	Principal activities	Investment as of 31 Dec 2012	Investment as of 31 Dec 2011	Investment as of 1 Jan 2011
Výzkumný Ústav Železniční, a. s.	Research and development in rail vehicles	100%	100%	100%
ČD – Telematika a. s.	Provision of ITC services	59.31%	59.31%	59.31%
DPOV, a. s.	Repairs and renovations of rail vehicles	100%	100%	100%
ČD Cargo, a. s.	Operations of railway freight transportation	100%	100%	100%
ČD – Informační systémy, a. s.	Provision of ITC services	100%	0%	0%
Dopravní vzdělávací institut, a. s.	Provision of educational services	100%	100%	100%
ČD travel, s. r. o.	Travel agency	51.72%	51.72%	51.72%

19–2 Information on Associates

CZK '000

Name of the entity	Registered office	Value of investment as of 31 Dec 2012	Value of investment as of 31 Dec 2011	Value of investment as of 1 Jan 2011
JLV, a. s.	Prague	109,703	109,703	109,703
Masaryk Station Development, a. s.	Prague	0	0	0
Total		**109,703**	**109,703**	**109,703**

Name of the entity	Principal activities	Investment as of 31 Dec 2012	Investment as of 31 Dec 2011	Investment as of 1 Jan 2011
JLV, a. s.	Catering services	38.79%	38.79%	38.79%
Masaryk Station Development, a. s.	Development of the Masaryk train station locality	34 %	34 %	34 %

Summary of financial information on associates:

CZK '000

31 December 2012	Masaryk Station Development, a. s.	JLV, a. s.	Total
Total assets	104,204	369,511	473,715
Total liabilities	122,361	58,438	180,799
Net assets	-18,157	311,073	292,916
Share of the Company in associates' net assets	**-6,173**	**120,665**	**114,492**
Total income	7,243	323,158	330,401
Profit for the period	-5,767	12,527	6,760
Share of the Company in associates' profit for the period	**-1,961**	**4,859**	**2,898**

CZK '000

31 December 2011	Masaryk Station Development, a. s.	JLV, a. s.	Total
Total assets	105,022	375,451	480,473
Total liabilities	117,412	71,358	188,770
Net assets	-12,390	304,093	291,703
Share of the Company in associates' net assets	**-4,213**	**117,958**	**113,745**
Total income	5,129	308,613	313,742
Profit for the period	-3,200	11,941	8,741
Share of the Company in associates' profit for the period	**-1,088**	**4,632**	**3,544**

19–3 Information on Joint Ventures

CZK '000

Name of the entity	Registered office	Investment as of 31 Dec 2012	Investment as of 31 Dec 2011	Investment as of 1 Jan 2011
Smíchov Station Development, a. s.	Prague	0	0	0
Žižkov Station Development, a. s.	Prague	1,020	1,020	0
Centrum Holešovice, a. s.	Prague	982	982	0
Total		**2,002**	**2,002**	**0**

Name of the entity	Principal activities	Investment as of 31 Dec 2012	Investment as of 31 Dec 2011	Investment as of 1 Jan 2011
Smíchov Station Development, a. s.	Development of the Smíchov railway station locality	51%	51%	51%
Žižkov Station Development, a. s.	Development of the Žižkov railway station locality	51%	51%	51%
Centrum Holešovice, a. s.	Development of the Holešovice railway station locality	51%	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.

Investments in these entities were considered immaterial in the prior reporting period. In the financial statements for the year ended 31 December 2010, they were reported as other financial assets available for sale. In the financial statements for the years ended 31 December 2011 and 2012, they are reported as joint ventures.

Summary of financial information on joint ventures:

CZK '000

31 Dec 2012	Smíchov Station Development, a. s.	Žižkov Station Development, a. s.	Centrum Holešovice, a. s.	Total
Total assets	47,504	7,480	26,480	81,464
Total liabilities	58,324	5,915	26,229	90,468
Net assets	-10,820	1,565	251	-9,004
The Company's share of net assets	**-5,518**	**798**	**128**	**-4,592**
Total income	0	2	144	146
Profit for the period	-2,078	-83	-489	-2,650
The Company's share of profit	**-1,060**	**-42**	**-249**	**-1,352**

CZK '000

31 Dec 2011	Smíchov Station Development, a. s.	Žižkov Station Development, a. s.	Centrum Holešovice, a. s.	Total
Total assets	45,591	6,808	26,338	78,737
Total liabilities	54,333	5,160	25,598	85,091
Net assets	-8,742	1,648	740	-6,354
The Company's share of net assets	**-4,458**	**840**	**378**	**-3,240**
Total income	2	6	6,481	6,489
Profit for the period	-1,970	-126	-521	-2,617
The Company's share of profit	**-1,005**	**-64**	**-266**	**-1,335**

20 Inventories

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Spare parts for machinery and equipment	67,563	72,158	74,000
Spare parts and other components for rail vehicles and locomotives	600,414	542,104	581,991
Other machinery, tools and equipment and their spare parts	84,628	85,871	99,169
Fuels, lubricants and other oil products	26,993	22,637	20,888
Work clothes, work shoes, protective devices	123,680	145,233	250,735
Other	69,324	66,145	98,484
Total cost	**972,602**	**934,148**	**1,125,267**
Write-down of inventories to their net realisable value	-13,006	-7,786	- 8,532
Total net book value	**959,596**	**926,362**	**1,116,735**

The Company's inventories are principally gathered in the Supply Centre in Česká Třebová.

21 Trade Receivables

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Long-term	0	0	0
Short-term	1,328,502	1,508,777	1,766,113
Total	**1,328,502**	**1,508,777**	**1,766,113**

21–1 Aging of Trade Receivables

			Past due date (days)						
CZK '000	Category	Before due date	1 – 30 days	31 – 90 days	91 – 180 days	181 – 365 days	365 and more	Total past due date	Total
31 Dec 2012	Gross	1,249,736	34,605	14,776	10,402	13,740	67,420	140,943	1,390,679
	Allowances		0	-2,804	-1,085	-10,650	-47,638	-62,177	-62,177
	Net	**1,249,736**	**34,605**	**11,972**	**9,317**	**3,090**	**19,782**	**78,766**	**1,328,502**
31 Dec 2011	Gross	1,468,362	11,598	14,754	7,362	13,115	58,631	105,460	1,573,822
	Allowances	0	0	0	-67	-7,435	-57,543	-65,045	-65,045
	Net	**1,468,362**	**11,598**	**14,754**	**7,295**	**5,680**	**1,088**	**40,415**	**1,508,777**
1 Jan 2011	Gross	1,608,064	108,318	22,557	10,824	14,821	59,528	216,048	1,824,112
	Allowances	0	0	0	0	-3,205	-54,794	-57,999	-57,999
	Net	**1,608,064**	**108,318**	**22,557**	**10,824**	**11,616**	**4,734**	**158,049**	**1,766,113**

21–2 Movements in Allowances for Doubtful Receivables

CZK '000	2012	2011
Balance at the beginning of the year	65,045	57,999
Recognition of allowances	49,585	86,893
Use of allowances	-52,453	-79,847
Balance at the end of the year	**62,177**	**65,045**

22 Other Financial Assets

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Financial assets for sale	327,184	341,664	339,746
Receivables from finance leases	109,132	113,751	120,713
Hedging derivatives	258,047	415,497	42,793
Other	11,243	13,870	38,154
Total non-current financial assets	**705,606**	**884,782**	**541,406**
Receivables from finance leases	-6,784	-6,375	-6,658
Hedging derivatives	29,397	44,373	15,497
Other	68,036	84,177	56,187
Total current financial assets	**90,649**	**122,175**	**65,026**
Total	**796,255**	**1,006,957**	**606,432**

22–1 Receivables from Finance Leases

The Company leased the station buildings at the Brno – hlavní nádraží and Prague – Dejvice stations under finance leases. In respect of the Prague – Dejvice station, the original contract was discontinued in December 2011, the criteria of finance lease recognition were no longer met as of 31 December 2011. The figures as of 31 December 2011 and 2012 include only Brno – hlavní nádraží.

	Minimum lease payments			**Present value of minimum lease payments**		
CZK '000	**31 Dec 2012**	**31 Dec 2011**	**1 Jan 2011**	**31 Dec 2012**	**31 Dec 2011**	**1 Jan 2011**
Under 1 year	4,131	3,861	3,707	-6,784	-6,375	-6,658
From 1 to 5 years	26,569	24,376	24,823	-27,694	-25,183	-25,137
5 years and more	463,430	438,706	456,402	136,826	138,934	145,850
Total	**494,130**	**466,943**	**484,932**	**102,348**	**107,376**	**114,055**
Less: unrealised financial income	-391,782	-359,567	-370,877	0	0	0
Present value of receivables of minimum lease payments	**102,348**	**107,376**	**114,055**	**102,348**	**107,376**	**114,055**
In the statement of financial position as:						
– Other current financial assets				-6,784	-6,375	-6,658
– Other non-current financial assets				109,132	113,751	120,713
Total				**102,348**	**107,376**	**114,055**

The fair value of receivables from finance leases approximates their carrying amount. Negative values in certain lines of the table indicate that lease payments in the period are lower than unrealised financial income, hence the present value of the minimum lease payments increases in this period.

23 Other Assets

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Total non-current assets	**33,922**	**65,614**	**173,594**
Prepayments made	102,076	121,596	130,621
Tax receivables (except for the corporate income tax)	431,258	677,021	342,737
Prepaid expenses	51,433	38,915	40,168
Other	53,377	51,782	72,493
Total current assets	**638,144**	**889,314**	**586,019**
Total	**672,066**	**954,928**	**759,613**

24 Equity

24–1 Share Capital

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

24–2 Reserve and Other Funds

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Share premium	16,438,594	16,438,594	16,438,594
Statutory reserve fund	100,951	92,887	92,420
Cash flow hedging reserve	-214,362	25,502	56,978
Total	**16,325,183**	**16,556,983**	**16,587,992**

Allocations to the statutory reserve fund are made in accordance with the national legislation.

24–2–1 Cash Flow Hedging Reserve

CZK '000	2012	2011
Balance at the beginning of the year	25,502	56,978
Revaluation loss	-214,763	-17,290
Settled deferred derivatives	-6,290	0
Reclassification to profit or loss	-18,811	-14,186
Total change in the cash flow hedging reserve	**-239,864**	**-31,476**
Relating income tax	0	0
Balance at the year-end	**-214,362**	**25,502**

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

Gains and losses reclassified during the year from equity are included under 'Purchased consumables and services' and 'Financial expenses' in the statement of profit or loss.

25 Loans and Borrowings

CZK '000	**31 Dec 2012**	**31 Dec 2011**	**1 Jan 2011**
Loan from ČSOB	257,617	264,381	256,798
Payable to EUROFIMA	377,100	0	0
Short-term issued bills of exchange	0	2,556,573	2,064,000
Payables from finance leases	398,563	377,180	204,888
Overdraft accounts	0	0	723,883
Issued bonds	314,342	1,993,924	0
Total short-term	**1,347,622**	**5,192,058**	**3,249,569**
Payable to EUROFIMA	3,770,950	4,256,948	4,134,850
Issued bonds	15,003,808	7,863,509	1,982,412
Loan from ČSOB	257,617	528,761	770,392
Payables from finance leases	2,742,481	3,149,882	2,619,767
Total long-term	**21,774,856**	**15,799,100**	**9,507,421**
Total	**23,122,478**	**20,991,158**	**12,756,990**

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

The Company received in several tranches a long-term loan from EUROFIMA to finance the purchase of railway vehicles. The interest rate is determined based on the Euribor reference rate. The amount of capitalised interest on the loan from EUROFIMA for the years ended 31 December 2012 was CZK 13,445 thousand (2011: CZK 12,259 thousand, 2010: CZK 10,255 thousand). The maturity of the loan is 10 years for each individual tranche.

On 14 December 2012, the bonds issued in December 2009 in the amount of CZK 2 billion were redeemed.

On 24 June 2011, the Company issued Eurobonds with the nominal value of EUR 300 million with a five-year maturity and fixed coupon of 4.5% p.a. The issue rate was 99.479%. These are bonds listed on the Luxembourg stock exchange. The joint lead managers of the issue were Barclays Capital, Erste Group and Société Générale. The funds are intended for the modernisation of the rolling stock.

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

The Company entered into a loan agreement with a consortium of banks led by Československá obchodní banka, a. s. Other members of the consortium include Kreditanstalt für Wiederaufbau, Bayerische Landesbank, Česká spořitelna, a. s. and Deutsche Bank Filiale Prag, org. složka. The loan has been provided to finance the renovation of the Company's rolling stock and is collateralised by a state guarantee issued by the Czech Finance Ministry. This guarantee serves to collateralise the principal balance and interest. The interest rate of the loan is determined based on the EURIBOR reference rate plus a usual market mark-up. The Company makes repayments on a semi-annual basis on 25 May and 25 November each year. The final maturity date of the loan is 25 November 2014.

The Company breached no loan covenants in the reporting period.

25–1 Finance Lease Payables

Finance leases relate to railway vehicles with the lease period of 10 and more years. The Company gradually assumed railway vehicles renovated pursuant to the lease contracts concluded in 2010, older contracts are still effective. Payables arising from finance leases are as follows:

	Minimum lease payments			Present value of minimum lease payments		
CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011	31 Dec 2012	31 Dec 2011	1 Jan 2011
Less than 1 year	517,007	519,727	252,998	398,563	377,180	204,888
From 1 to 5 years	1,972,854	2,091,162	1,590,510	1,642,237	1,670,475	1,264,504
5 years and more	1,193,438	1,640,764	1,518,748	1,100,244	1,479,407	1,355,263
Total	**3,683,299**	**4,251,653**	**3,362,256**	**3,141,044**	**3,527,062**	**2,824,655**
Less future finance expenses	-542,255	-724,591	-537,601			
Present value of minimum lease payments	**3,141,044**	**3,527,062**	**2,824,655**	**3,141,044**	**3,527,062**	**2,824,655**
In the statement of financial position as:						
– short-term loans				398,563	377,180	204,888
– long-term loans				2,742,481	3,149,882	2,619,767
Total				**3,141,044**	**3,527,062**	**2,824,655**

The fair value of finance lease payables approximates their carrying amount.

The acquisition of fixed assets under finance leases is reported as a non-cash transaction in the statement of cash flows. Finance leases are not presented as a loan provided to purchase tangible assets according to the substance of the transaction but only according to the actual cash flow from financing.

26 Provisions

CZK '000	Balance at 1 Jan 2011	Charge	Use	Balance at 31 Dec 2011	Charge	Use	Balance at 31 Dec 2012
Provision for rents	11,223	0	3,001	8,222	1,006	2,717	6,511
Provision for legal disputes	275,601	5,917	12,680	268,838	16,296	4,249	280,885
Provision for outstanding vacation days	47,645	41,488	47,645	41,488	44,088	41,488	44,088
Provision for removal of the environmental burden	223,703	0	150,035	73,668	0	39,364	34,304
Provisions for employees benefits	395,488	81,873	238,256	239,105	104,814	83,036	260,883
Total provisions	**953,660**	**129,278**	**451,617**	**631,321**	**166,204**	**170,854**	**626,671**
– long-term	*469,358*			*150,439*			168,960
– short-term	*484,302*			*480,882*			457,711

The provision for employee benefits includes the claim of employees for a financial contribution when they celebrate important birthdays, financial contribution upon retirement and payment of treatment fees including salary refunds in wellness stays. In calculating the provision, the Company used an actuarial model which is based on the up-to-date employee information (number of employees, date of the old-age pension claim, average salary, amount of the financial contribution) and anticipated parameters established on the basis of a reasonable estimate and publicly available statistical documents: anticipated fluctuation of employees of 5%, anticipated increase in salaries of 2%, anticipated inflation level of 2%, likelihood of death or disablement according to the data of the Czech Statistical Office. A change in the amount of the provision due to the change in these parameters is reported as actuarial gains (losses) in the statement of profit or loss. Cash flows are discounted to the present value using the discount rate derived from the yield level of 10-year government bonds.

The provision for the removal of the environmental burden is recognised for the clean-up of the locality in Brodek u Přerova. Following the selection of the contractor, the originally determined budget was decreased to CZK 74,395 thousand; CZK 62,984 thousand is paid from EU. A provision was recognised in respect of these aggregate costs in the financial statements for the year ended 31 December 2012; the claim for the subsidy is reported under 'Other non-current assets'. The Company does not recognise provisions for other environmental burdens as it is unable to estimate the scope of these burdens and the level, if any, of its share in their removal.

The provision for legal disputes principally consists of the amount of CZK 254 million which relates to the fine from the Anti-Monopoly Office from 2007 for the breach of antimonopoly rules in freight transportation.

27 Trade Payables

CZK '000

			Past due date (days)						
Year	**Category**	**Before due date**	**1 – 30**	**31 – 90**	**91–180**	**181-365**	**365 and more**	**Total past due date**	**Total**
31 Dec 2012	Short-term	4,973,555	124,970	9,352	2,242	24,189	42,574	203,327	**5,176,882**
31 Dec 2011	Short-term	5,265,847	23,014	29,264	18,336	2,796	2,752	76,162	**5,342,009**
1 Jan 2011	Short-term	5,148,777	450,386	6,916	15,455	5,189	6,507	484,453	**5,633,230**

Supplier invoices typically mature in 90 days.

28 Other Financial Liabilities

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Financial derivatives	305,873	44,520	0
Other	116,533	123,459	66,951
Total long-term	**422,406**	**167,979**	**66,951**
Financial derivatives	63,367	8,880	0
Other	36,126	29,179	19,578
Total short-term	**99,493**	**38,059**	**19,578**
Total	**521,899**	**206,038**	**86,529**

29 Other Liabilities

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Total long-term	**0**	**0**	**0**
Received prepayments	256,463	172,727	149,779
Payables from the transition period (SŽDC-transformation)	12,585	34,715	435,865
Payables to employees	675,934	717,215	1,130,823
Social security and health insurance payables	213,231	214,046	363,267
Other	674,684	735,235	832,344
Total short-term	**1,832,897**	**1,873,938**	**2,912,078**
Total	**1,832,897**	**1,873,938**	**2,912,078**

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

30 Transactions with Subsidiaries and Associates

30–1 Income Generated from Subsidiaries and Associates

CZK '000

2012	Sale of inventories	Sale of services	Other income	Total
ČD – Telematika a. s.	4	9,997	213	10,214
Výzkumný Ústav Železniční, a. s.	8	2,489	11	2,508
DPOV, a. s.	138,551	52,548	1,308	192,407
ČD Cargo, a. s.	692,738	131,054	1,178	824,970
ČD-Informační systémy, a. s.	4	160	6	170
JLV, a. s.	1	15	0	16
Dopravní vzdělávací institut, a. s.	133	3,948	207	4,288
ČD travel, s. r. o.	67	50,035	71	50,173
Total	**831,506**	**250,246**	**2,994**	**1,084,746**

CZK ‘000

2011	Sale of inventories	Sale of services	Other income	Total
ČD – Telematika a. s.	3	19,133	70	19,206
Výzkumný Ústav Železniční, a. s.	2	2,186	3	2,191
DPOV, a. s.	168,823	56,276	1,945	227,044
ČD Cargo, a. s.	747,690	167,288	2,108	917,086
ČD-Informační systémy, a. s.	0	0	4,743	4,743
JLV, a. s.	0	16,498	0	16,498
ČD Logistics, a. s.	0	647	0	647
Ostravská dopravní společnost, a. s.	0	0	3,008	3,008
Dopravní vzdělávací institut, a. s.	84	3,803	261	4,148
ČD travel, s. r. o.	37	268	114	419
Total	**916,639**	**266,099**	**12,252**	**1,194,990**

30–2 Purchases from Subsidiaries and Associates

CZK ‘000

2012	Purchase of material	Services	Other expenses	Total
ČD – Telematika a. s.	395	30,509	26	30,930
Výzkumný Ústav Železniční, a. s.	0	456	0	456
DPOV, a. s.	12,741	82,304	0	95,045
ČD Cargo, a. s.	1,737	23,158	2,760	27,655
ČDInformační systémy, a. s.	19,189	168,629	0	187,818
JLV, a. s.	0	127,526	421	127,947
Dopravní vzdělávací institut, a. s.	0	33,990	0	33,990
ČD travel, s. r. o.	0	31,711	0	31,711
Total	**34,062**	**498,283**	**3,207**	**535,552**

CZK ‘000

2011	Purchase of material	Services	Other expenses	Total
ČD – Telematika a. s.	4,695	90,699	0	95,394
Výzkumný Ústav Železniční, a. s.	0	439	0	439
DPOV, a. s.	15,333	65,282	81	80,696
ČD Cargo, a. s.	2,459	26,880	233	29,572
ČD-Informační systémy, a. s.	8,723	143,871	0	152,594
JLV, a. s.	0	104,850	0	104,850
ČD Logistics, a. s.	0	1,430	0	1,430
Ostravská dopravní společnost, a. s.	0	1,000	0	1,000
Dopravní vzdělávací institut, a. s.	0	47,985	0	47,985
ČD travel, s. r. o.	0	34,020	0	34,020
Total	**31,210**	**516,456**	**314**	**547,980**

30–3 Purchases and Sales of Fixed Assets and Financial Assets with Subsidiaries and Associates

Sales	Intangible fixed assets 2012	Tangible fixed assets 2012	Intangible fixed assets 2011	Tangible fixed assets 2011
ČD – Telematika a. s.	0	0	0	133,800
Výzkumný Ústav Železniční, a. s.	0	0	438	0
DPOV, a. s.	149	0	0	5,252
ČD Cargo, a. s.	407	10	60	940
Dopravní vzdělávací institut, a. s.	230	0	0	0
Total	**786**	**10**	**498**	**139,992**

Sales of fixed assets in 2011 in ČD – Telematika, a. s. included the sale of land of CZK 2,310 thousand and the sale of buildings of CZK 131,490 thousand.

CZK '000

Purchases	Intangible fixed assets 2012	Tangible fixed assets 2012	Non-current financial assets 2012	Intangible fixed assets 2011	Tangible fixed assets 2011
ČD – Telematika a. s.	0	196,226	121,880	15,631	68,600
Výzkumný Ústav Železniční, a. s.	90	0	0	0	0
DPOV, a. s.	0	760,222	0	0	873,014
ČD Cargo, a. s.	0	457	0	10	77
ČD-Informační systémy, a. s.	29,119	9,830	0	21,459	0
Total	**29,209**	**966,735**	**121,880**	**37,100**	**941,691**

Purchases of fixed assets from DPOV, a. s. include the purchases of railway vehicle components – major periodical repairs.

30–4 Outstanding Balances at the End of the Reporting Period

CZK '000

31 Dec 2012	Receivables	Payables
ČD – Telematika a. s.	1,621	14,139
Výzkumný Ústav Železniční, a. s.	480	132
DPOV, a. s.	33,355	208,241
ČD Cargo, a. s.	270,937	5,445
JLV, a. s.	353	36,965
ČD-Informační systémy, a. s.	200	71,260
Dopravní vzdělávací institut, a. s.	169	5,370
ČD travel, s. r. o.	5,308	8,542
Total	**312,423**	**350,094**

CZK '000

31 Dec 2011	Receivables	Payables
ČD – Telematika a. s.	132,745	99,709
Výzkumný Ústav Železniční, a. s.	110	294
DPOV, a. s.	52,436	142,826
ČD Cargo, a. s.	261,183	5,504
JLV, a. s.	785	80
ČD-Informační systémy, a. s.	42	76,483
ČD Logistics, a. s.	3	327
Ostravská dopravní společnost, a. s.	0	545
Total	**447,304**	**325,768**

CZK '000

1 Jan 2011	Receivables	Payables
ČD – Telematika a. s.	5,902	131,308
Traťová strojní společnost, a. s.	0	0
Výzkumný Ústav Železniční, a. s.	351	815
DPOV, a. s.	65,652	298,249
ČD Cargo, a. s.	331,666	5,483
JLV, a. s.	801	26,425
Total	**404,372**	**462,280**

Related party transactions were conducted on an arm's length basis reflecting the amount of purchased goods and relationships between parties.

Outstanding balances are not collateralised and are paid in cash. No guarantees were received or provided. In the reporting period and prior reporting periods, the Company reported no expenses relating to bad or doubtful receivables from related parties.

30–5 Contractual Obligations relating to Expenses

As of the financial statements preparation date, the Company concluded contracts for the purchase of fixed assets, inventory and services with related parties:

CZK '000	31 Dec 2012
ČD – Telematika a. s.	1,006,221
Výzkumný Ústav Železniční, a. s.	1,887
DPOV, a. s.	3,763,433
ČD Cargo, a. s.	38,706
JLV, a. s.	415,647
ČD-Informační systémy, a. s.	545,845
Dopravní vzdělávací institut, a. s.	95,016
ČD travel, s. r. o.	47,459
Masaryk Station Development, a. s.	19
Total	**5,914,233**

30–6 Loans to Related Parties

As of 31 December 2012, 31 December 2011 and 1 January 2011, the Company provided no loans to related parties.

30–7 Key Management Members Compensation

Directors and other members of key management received short-term employee benefits of CZK 60,006 thousand in 2012 (2011: CZK 84,056 thousand).

In addition to the possibility of using reduced fares, the members of the Company's statutory and supervisory bodies were provided with cash bonuses of CZK 4,758 thousand and CZK 5,650 thousand in 2012 and 2011, respectively. Management of the Company is provided with a benefit-in-kind taking the form of the use of company cars for private purposes.

30–8 Transactions with SŽDC and the ČEZ Group

The Company is wholly owned by the state. In accordance with the exemption listed in paragraphs 25 – 27 of IAS 24 the Company does not include other state-owned entities among related parties. The table below presents only transactions with SŽDC and the ČEZ group as a result of their significant position in the Company's activities. The most significant transactions with these entities include operations of the railway route (only in 2011), use of the railway route and purchase of electricity.

The expenses and income resulting from the transactions conducted with SŽDC and the ČEZ group were as follows:

CZK '000		**2012**		**2011**
	SŽDC	ČEZ group	SŽDC	ČEZ group
Expenses	2,400,292	929,579	2,433,146	801,229
Income	187,848	1,981	3,266,666	1,832

Receivables and payables of the Group resulting from transactions with SŽDC and the ČEZ group were as follows:

CZK '000		**31 Dec 2012**		**31 Dec 2011**		**1 Jan 2011**
	SŽDC	ČEZ group	SŽDC	ČEZ group	SŽDC	ČEZ group
Receivables ("Trade receivables" line)	15,477	4,383	22,834	1,430	528,021	574
Payables ("Trade payables" line)	514,824	253,929	535,732	231,689	949,189	887
Prepayments made ("Other assets" short-term line)	31,628	724	47,935	976	26,850	877
Received prepayments ("Other liabilities" short-term line)	61,147	2,829	45,105	1,956	31,356	821
Estimated payables ("Trade payables" line)	0	988	21,507	1,208	20,303	588
Estimated receivables ("Trade receivables" line)	46,552	287	0	0	9,172	0

31 Cash and Cash Equivalents

For cash flow statement purposes, cash and cash equivalents include cash on hand, cash at bank and investments in the money market instruments after reflecting negative balances on overdraft accounts. Cash and cash equivalents at the end of the reporting period reported in the cash flows statement can be reconciled to the relevant items in the statement of financial position as follows:

CZK '000	**31 Dec 2012**	**31 Dec 2011**	**1 Jan 2011**
Cash on hand and cash in transit	89,511	71,890	52,351
Cash at bank	712,727	1,761,036	117,261
Total	**802,238**	**1,832,926**	**169,612**

32 Contracts for Operating Leases

32–1 The Company as a Lessee

Assets under operating leases which are reported off balance sheet as of 31 December 2012, 31 December 2011 and 1 January 2011 amount to CZK 6,289 thousand, CZK 6,556 thousand and CZK 7,891 thousand, respectively. Assets include a number of individually immaterial contracts for the lease of office equipment, vehicles and non-residential premises.

Payments recognised in expenses in the years ended 31 December 2012 and 2011 amounted to CZK 47,888 thousand and CZK 49,676 thousand, respectively.

The Company as a lessee has not concluded any irrevocable lease contracts, contingent lease contracts or onerous contracts.

32–2 The Company as a Lessor

Operating leases applies to investment property and movable assets held by the Company with various lease periods.

Revenue from the lease of property that the Company acquired in 2012 from investment property based on the operating leases amounts to CZK 554,335 thousand (2011: CZK 550,535 thousand).

Direct operating expenses relating to investment property for the period amounted to CZK 186,655 thousand (2011: CZK 194,844 thousand).

Income from operating leases of movable assets in 2012 amounts to CZK 79,326 thousand (2011: CZK 62,416 thousand).

The Company as a lessor concluded no irrevocable contracts for operating leases.

33 Contractual Obligations Relating to Expenses

As of the balance sheet date, the Company concluded contracts for the purchase of fixed assets in the amount of CZK 20,376 million, of which CZK 7,079 million relates to supplies agreed for 2013 and CZK 2,960 million relates to supplies agreed for the following years. The remaining amount of CZK 10,337 million was paid as of 31 December 2012. A significant part of the obligations relating to expenses (CZK 20,142 million) include investments in railway vehicles.

34 Contingent Liabilities and Contingent Assets

In the year ended 31 December 2012, two bank guarantees were renewed for the appropriate performance of the Contract for the Public Services in Railway Transport in the Public Interest to Provide for Transportation Needs of the State on the:

– Pardubice – Liberec railway track, in respect of the contract entitled "Ordered Transportation between Pardubice and Liberec", CZK 15 million, maturity on 9 December 2013; and
– Plzeň – Most railway track, in respect of the contract entitled "Ordered Transportation between Plzeň and Most", maturity on 9 December 2013, CZK 15 million.

The Company holds a 1% equity investment in EUROFIMA. Shareholders of the entity are European national railway transporters and the purpose of this entity is to acquire funds for funding of railway vehicles purchases. According to Article 5 of the Articles of Association, shareholders pay to EUROFIMA only 20% of the equity investment value and the remaining 80 % can be required by EUROFIMA as needed pursuant to the resolution of the Board of Directors according to Point 6, Article 21, of the Articles of Association. The nominal value of unpaid shares as of 31 December 2012 was CHF 20,800 thousand. The likelihood that the Company will be asked to pay the nominal value of the unpaid portion of the equity investment is considered to be low by the Company's management.

The aggregate costs of clean-ups in 2012 and 2011 were CZK 90 million and CZK 48 million, respectively. 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 reserves for clean-ups of other environmental burdens are not recognised as the Company is unable to estimate the scope of these burdens and its potential involvement in their removal. The Company has not prepared an overall strategy and plan of clean-ups according to which it could recognise the reserves.

35 Financial Instruments

35–1 Capital Risk Management

The Company manages its capital to ensure that it is able to continue as a going concern while optimising the debt and equity balance. The Board of Directors and the Supervisory Board are regularly informed about the development of debt. Any additional debt is subject to approval by the Company's statutory bodies, ie the Board of Directors and the Supervisory Board.

In 2011 and 2012, the Company significantly strengthened its capital structure, primarily through the funds obtained as a result of issue of eurobonds with five-year and seven-year maturities. By implementing these transactions, the Company established itself on the eurobond markets and issues of bonds will be used in the future as one of the principal sources of its long-term funding.

35–2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted for each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

35–3 Categories of Financial Instruments

CZK '000

Financial assets	31 Dec 2012	31 Dec 2011	1 Jan 2011
Cash and bank accounts	791,518	259,126	169,612
Financial derivatives used in hedge accounting	287,444	459,870	58,290
Held-to-maturity investments (term deposits and bills of exchange)	10,720	1,573,800	0
Loans and receivables	1,510,129	1,714,200	1,974,509
Available-for-sale financial assets	327,184	341,664	339,746
Total	**2,926,995**	**4,348,660**	**2,542,157**

CZK '000

Financial liabilities	31 Dec 2012	31 Dec 2011	1 Jan 2011
Financial derivatives used in hedge accounting	369,240	53,400	0
Measured at amortised cost	28,452,019	26,485,805	18,476,749
Total	**28,821,259**	**26,539,205**	**18,476,749**

Available-for-sale financial assets include investments in equity investments that do not have listed market values on an active market and are measured at cost as their fair value cannot be reliably determined.

Income from individual categories of financial assets is as follows:

CZK '000

Category of financial assets	2012	2011	Reported in the statement of profit or loss line
Interest on cash in bank accounts	6,237	1,007	Other gains
Interest on investments held to maturity (term deposits and bills of exchange)	8,758	16,141	Other gains
Dividends from available-for-sale financial assets	3,491	7,240	Other gains
Total	**18,486**	**24,388**	

Impairment losses on financial assets are presented in the Note 'Trade receivables'. No impairment was noted in respect of any other class of financial assets.

35–4 Financial Risk Management Objectives

The Company's Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

35–5 Currency Risk Management

The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. These transactions predominantly include income from international transportation, received loans and issued bonds. The Company seeks to maintain the proportion of long-term funding in the foreign currency unhedged against the currency risk at the maximum level of 50%.

The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

CZK '000

31 Dec 2012	EUR	USD	Other	Total
Financial assets	1,210,160	12,646	1,816	1,224,622
Financial liabilities	-21,270,616	0	-664	-21,271,280
Total	**-20,060,456**	**12,646**	**1,152**	**-20,046,658**

CZK '000

31 Dec 2011	EUR	USD	Other	Total
Financial assets	2,558,329	32,900	1,815	2,593,044
Financial liabilities	-13,959,157	-342	-445	-13,959,944
Total	**-11,400,828**	**32,558**	**1,370**	**-11,366,900**

CZK '000

1 Jan 2011	EUR	USD	Other	Total
Financial assets	582,417	650	1,266	584,333
Financial liabilities	-6,116,566	0	-487	-6,117,053
Total	**-5,534,149**	**650**	**779**	**-5,532,720**

35–5–1 Foreign Currency Sensitivity Analysis

The exposure to currency risks is measured by a sensitivity analysis. The Company is exposed to the currency risk due to:
– Changes in the value of unhedged cash items denominated in foreign currencies; and
– Changes in the fair value of concluded financial derivatives.

The following table shows the impact that the strengthening of the Czech currency by one crown in respect of the relevant foreign currencies would have on the profit and other comprehensive income. A positive number indicates an increase in the profit and other comprehensive income, a negative number indicates the decrease in the profit and other comprehensive income:

CZK '000	2012	2011
Translation of unhedged items denominated in foreign currencies at the end of the period	803,727	457,130
Change in the fair value of derivatives at the end of the period	-500,190	-245,518
Total impact on the profit for the period	**303,537**	**211,612**
Change in the fair value of derivatives at the end of the period	-81,081	-27,699
Total impact on other comprehensive income	**-81,081**	**-27,699**

35–5–2 Cross-currency Interest Rate Swaps

Given the Company's overall strategy in managing the interest rate and currency risks, the risk management policies require the minimisation of the exposure (in respect of the changes in the amount) of cash flows arising from the Company's business activities and the fair values of its foreign currency denominated assets and liabilities. In accordance with these requirements, the Company has entered into a cross-currency interest rate swap which reduces the risk of the change in the future cash flows resulting from the bond funding in EUR and the risk of the change in the fair value of those bonds.

The table shows the terms of contracts for cross-currency interest rate swaps that were opened at the end of the reporting period. The Company had no contracts for cross-currency interest rate swaps as of 1 January 2011:

31 Dec 2012	Nominal value (EUR thousand)	Collected interest rate (annual)	Nominal value (CZK thousand)	Average paid interest rate (annual)	Fair value of assets (liabilities) in CZK thousand
Less than 1 year	490,000	4.31%	-12,177,715	4.36%	-8,464
1 to 5 years	490,000	4.31%	-12,177,715	4.36%	100,777
5 years and more	250,000	4.48%	-6,350,000	4.478%	-65,000
Total					**27,313**
31 Dec 2011	**Nominal value (EUR thousand)**	**Collected interest rate (annual)**	**Nominal value (CZK thousand)**	**Average paid interest rate (annual)**	**Fair value of assets (liabilities) in CZK thousand**
Less than 1 year	240,000	4.50%	– 5,827,715	4.23%	27,265
1 to 5 years	240,000	4.50%	- 5,827,715	4.23%	414,331
5 years and more	0	-	0	-	0
Total					**441,596**

The exchanges of payments under the cross-currency interest rate swaps and coupon payments from issued bonds occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the coupon payments from the issued bonds affect the profit or loss.

35–6 Interest Rate Risk Management

The Company is exposed to the risk of interest rate changes because it borrows funds at both fixed and floating interest rates. The Company manages the interest rate risk by maintaining an appropriate mix between fixed and floating rate financing, ie the proportion of long-term external sources of funding with floating interest rates should not exceed the maximum level of 50%.

Concurrently, the Company concludes interest rate swap contracts in order to hedge future cash flows resulting from loans and borrowings with variable rates. The hedging is regularly assessed to bring the opinions on the development of interest rates into line with the defined level of acceptable risk. This treatment provides for the application of the economically most effective hedging strategies.

35–6–1 Interest Rate Sensitivity Analysis

The exposure to changes in interest rates is measured by the sensitivity analysis. The Company is exposed to the interest rate risk due to:
– Changes in interest expenses from loans and lease with a variable rate;
– Changes in the present value of long-term provisions resulting from the change in the discount rate; and
– Change in the fair value of concluded financial derivatives.

The following table shows the impact that an increase in interest rates of 200 basis points would have on the profit and other comprehensive income. A positive value indicates the increase in the profit and other comprehensive income, a negative value indicates the decrease in the profit and other comprehensive income:

CZK '000	2012	2011
Interest from loans and lease with variable rate for the period	-2,858	-5,002
Change in the present value of long-term provisions at the end of the period	21,821	18,488
Change in the fair value of derivatives at the end of the period	0	0
Total impact on the profit for the period	**18,963**	**13,486**
Change in the fair value of derivatives at the end of the period	198,102	86,722
Total impact on other comprehensive income	**198,102**	**86,722**

35–6–2 Interest Rate Swap Contracts

Based on interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to eliminate the risk of changing cash flows on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

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

	Average contracted fixed interest rate	Principal	Fair value of assets (liabilities) in CZK thousand as of 31 December 2012
Less than 1 year	1.13%	EUR 170 mil.	-33,016
1 to 5 years	1.19%	EUR 160 mil.	-83,762
5 years and more	-	-	0
Total			**-116,778**

	Average contracted fixed interest rate	Principal	Fair value of assets (liabilities) in CZK thousand as of 31 December 2011
Less than 1 year	2.43%	EUR 60 mil.	-8,880
1 to 5 years	2.43%	EUR 60 mil.	-44,862
5 years and more	2.43%	EUR 60 mil.	342
Total			**-53,400**

	Average contracted fixed interest rate	Principal	Fair value of assets (liabilities) in CZK thousand as of 1 January 2011
Less than 1 year	2.43%	EUR 60 mil.	0
1 to 5 years	2.43%	EUR 60 mil.	17,564
5 years and more	2.43%	EUR 60 mil.	17,397
Total			**34,961**

The Company settles the difference between the fixed and variable 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 variable interest rates on debt affect the profit or loss.

35–7 Commodity Risk Management

The Company is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically oil and electricity, is a significant cost item of the Company. The Company manages this risk using the combination of several instruments as follows:
– Conclusion of hedging derivatives for oil purchase;
– In the event of an increase in the price of the commodities listed above of more than 10% the Company has the possibility of asking the regions and the state for increased payments for transportation;
– Negotiating a fixed price of electricity always for the following calendar year; and
– Conclusion of hedging derivatives for the purchase of electricity.

35–7–1 Analysis of Sensitivity to Changes in Commodity Prices

The exposure to the change in the price of commodities is measured by the sensitivity analysis. The Company is exposed to the risk of changes in prices of commodities due to:
– Change in the fair value of concluded financial derivatives; and
– Changes in prices of purchases of unhedged use of commodities.

The following table shows the impact that an increase in the oil price of 10% would have on the profit and other comprehensive income. A positive value indicates the increase in the profit and other comprehensive income, a negative value indicates a decrease in the profit and other comprehensive income:

CZK '000	**2012**	**2011**
Costs of oil consumption for the period	-112,053	-107,299
Change in the fair value of derivatives at the end of the period	5,874	0
Total impact on the profit for the period	**-106,179**	**-107,299**
Change in the fair value of derivatives at the end of the period	28,376	10,627
Total impact on other comprehensive income	**28,376**	**10,627**

35–7–2 Commodity Derivatives

The table shows outstanding commodity contracts for the purchase of oil as of:

Purchase of oil	**Hedged value**	**Volume of contracts (mt)**	**Fair value (CZK thousand)**
31 Dec 2012	CZK 17,244	14,750	6,659
	17,010 – 19,300 (CZK/mt)	8,640	-986
	670 – 820 (USD/mt)	786	1,996
31 Dec 2011	635 – 820 (USD/mt)	5,501	18,274
1 Jan 2011	580 – 820 (USD/mt)	7,663	22,017

35–8 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The concentration of the Company's credit risk is low as a significant portion of the Company's revenues (passenger transportation fare) is collected in cash. In other transactions, the Company seeks to deal only with creditworthy counterparties whom the Company reviews on an ongoing basis using publicly available information. The maximum unhedged exposure to one counterparty in common business activities outside the Group is determined at CZK 50 million. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned (the investment grade is required).

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

35–9 Liquidity Risk Management

The ultimate responsibility for liquidity risk management rests with the Board of Directors which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages its liquidity risk via an established bill-of-exchange programme and agreed overdraft loans and by continuously monitoring forecasted and actual cash flows. In order to minimise the risk of insufficient operating funding, the Company concludes binding lending limits with banks with the minimum period of 12 months.

The Company's short-term liabilities significantly exceed its short-term assets as of 31 December 2012. The reason predominantly relates to the urgent necessity for capital expenditure and the use of easily available short-term funds for this purpose. The Company believes that it is able to manage this situation in the short-term through managing relationships with its suppliers and using all available short-term funds. In the mid-term financial plan, the Company anticipates further increasing its long-term funds.

35–9–1 Liquidity and Interest Rate Risk Tables

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of 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 rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period and may change, if interest rates will differ from determined estimates. The contractual maturity is based on the earliest date on which the Company may be required to pay.

CZK '000

31 Dec 2012	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2,178,379	2,369,499	667,526	56,806	57,332	5,329,542
Derivatives	-9	99	63,277	240,873	65,000	369,240
Finance lease liabilities	43,084	86,168	387,755	1,972,854	1,193,438	3,683,299
Variable interest rate instruments	0	385,528	273,676	4,064,050	0	4,723,254
Fixed interest rate instruments	0	0	650,498	9,759,692	8,128,931	18,539,121
Total	**2,221,454**	**2,841,294**	**2,042,732**	**16,094,275**	**9,444,701**	**32,644,456**

CZK '000

31 Dec 2011	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1,809,987	2,896,246	667,307	39,119	81,988	5,494,647
Derivatives	0	0	8,880	44,863	-343	53,400
Finance lease liabilities	41,804	84,813	393,110	2,091,162	1,640,764	4,251,653
Variable interest rate instruments	0	25,269	328,269	4,189,299	777,741	5,320,578
Fixed interest rate instruments	515,000	1,110,000	3,387,292	9,074,946	0	14,087,238
Total	**2,366,791**	**4,116,328**	**4,784,858**	**15,439,389**	**2,500,150**	**29,207,516**

CZK '000

1 Jan 2011	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2,215,411	2,999,092	453,067	20,819	31,370	5,719,759
Finance lease liabilities	18,515	39,025	195,458	1,590,510	1,518,748	3,362,256
Variable interest rate instruments	888	12,708	1,049,606	3,641,756	1,523,590	6,228,548
Fixed interest rate instruments	50,000	2,014,000	104,932	2,077,480	0	4,246,412
Total	**2,284,814**	**5,064,825**	**1,803,063**	**7,330,565**	**3,073,708**	**19,556,975**

The following tables present the Company's expected maturity for its financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets reflecting the anticipated maturity period. The table includes cash flows from the interest and principal.

CZK '000

31 Dec 2012	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1,374,540	306,464	506,851	11,444	327,184	2,526,483
Finance lease assets	4,064	0	67	26,569	463,430	494,130
Fixed interest rate instruments	2,096	4,192	4,432	0	0	10,720
Hedging derivatives	2,522	2,359	24,516	258,047	0	287,444
Total	**1,383,222**	**313,015**	**535,866**	**296,060**	**790,614**	**3,318,777**

CZK '000

31 Dec 2011	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	984,718	353,930	513,068	14,205	341,694	2,207,615
Finance lease assets	3,794	0	67	24,376	438,706	466,943
Fixed interest rate instruments	1,573,800	0	0	0	0	1,573,800
Hedging derivatives	5,031	2,084	37,258	415,497	0	459,870
Total	**2,567,343**	**356,014**	**550,393**	**454,078**	**780,400**	**4,708,228**

CZK '000

1 Jan 2011	Less than 1 month	1 – 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	824,193	843,496	356,582	606	344,935	2,369,812
Finance lease assets	3,550	0	157	24,823	456,402	484,932
Fixed interest rate instruments	0	0	0	0	0	0
Hedging derivatives	3,064	1,501	10,932	25,396	17,397	58,290
Total	**830,807**	**844,997**	**367,671**	**50,825**	**818,734**	**2,913,034**

35–9–2 Financing Facilities

The Company has access to the below loan facilities:

CZK '000	31 Dec 2012	31 Dec 2011	1 Jan 2011
Overdraft loan facilities:			
– amount of the loan facility	1,550,000	1,550,000	1,550,000
– amount unused	1,550,000	1,550,000	826,117
Bills-of-exchange programme:			
– amount of the loan facility	5,000,000	5,000,000	5,000,000
– amount unused	5,000,000	2,443,427	2,936,000

35–10 Fair Value of Financial Instruments

35–10–1 Fair Values of Financial Instruments Carried at Amortised Cost

The Company issued publicly traded bonds with the carrying amount of CZK 15,003,808 thousand as of 31 December 2012. Pursuant to the market information from March 2013, their fair value is CZK 16,472,024 thousand. However, the liquidity of bonds and the frequency of transactions is low. Management of the Company considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

35–10–2 Valuation Techniques Applied for the Purposes of Measuring Fair Value

The fair values of financial assets and financial liabilities are determined as follows.

– The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
– The fair values of other financial assets and financial liabilities (except for financial derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions, dealer quotes for similar instruments; and
– The fair values of financial derivatives are calculated using quoted prices. If these prices are not available, linear derivatives are measured using discounted cash flows with the use of quoted foreign exchange currency rates, quoted prices of commodities and an appropriate yield curve corresponding to the validity of contracts. An option valuation model is used for derivatives that include an option.

35–10–3 Fair Value Measurements Recognised in the Statement of Financial Position

Financial instruments measured at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments measured at fair value recognised by the Company as of 31 December 2012, 31 December 2011 and 1 January 2011 are included in Level 3. Financial assets available for sale include equity investments the fair value of which cannot be reliably determined and hence are measured at cost.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities:

CZK '000	**Available-for-sale financial assets**	**Derivatives**	**Total**
Balance at 1 Jan 2011	**339,746**	**58,290**	**398,036**
Total gains (losses) from revaluation	*0*	*363,677*	*363,677*
– in profit or loss	*0*	*380,967*	*380,967*
– in other comprehensive income	*0*	*-17,290*	*-17,290*
Purchases	*3,920*	*0*	*3,920*
Sales/settlement	*-2,002*	*-15,497*	*-17,499*
Balance at 31 Dec 2011	**341,664**	**406,470**	**748,134**
Total gains (losses) from revaluation	0	-452,772	-452,772
– in profit or loss	*0*	*-238,009*	*-238,009*
– in other comprehensive income	*0*	*-214,763*	*-214,763*
Purchases	0	0	0
Sales/settlement	-14,480	-35,494	-49,974
Balance at 31 Dec 2012	**327,184**	**-81,796**	**245,388**

36 Post Balance Sheet Events

In February 2013, the rating agency Moody's launched a review of České dráhy's rating at the Baa1 grade with a possible downgrade.

No significant events occurred subsequent to the balance sheet date.

37 Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2013.

Providing Information Pursuant to Act No. 106/1999 Coll., regulating free access to information

Pursuant to Section 18 of Act No. 106/1999 Coll., on Free Access to Information, as amended (hereinafter the "Act") České dráhy, a.s., as the obligated entity, hereby publishes its annual report on its activities in providing information in 2012:

a) The number of submitted information requests and the number of issued declining decisions:
In the given reporting period, the total number of information requests and the total number of declining decisions was 16 and 13, respectively. The latter figure also includes decisions issued regarding partially-declined requests, when the applicant was partially satisfied (3 cases).

b) The number of submitted appeals against decisions:
A total of three appeals were submitted against declining decisions

c) A copy of the most important parts of each judicial judgement regarding the review of the legality of the obligated entity's decision to decline the information request and the summary of all expenses spent by the obligated entity in connection with judicial proceedings regarding the rights and duties established by the law, including its staff costs and legal representation costs:
In the given period, no judgement regarding a review of the legality of the obligated entity's decision to decline the information request was delivered to the obligated entity. The staff costs in connection with judicial proceedings regarding the rights and duties established by the law spent by the obligated entity in the given period equalled CZK 600, without incurring any legal representation costs in this respect.

d) The list of provided exclusive licenses, including the justification of the necessity to provide an exclusive license:
In the given period, no request was processed pursuant to provisions regulating a license or sub-license contract with respect to the provision of information.

e) The number of complaints submitted pursuant to Section 16a, the reasons for their submission and a brief description of their handling.
In the given period, one complaint against the procedure of settling the information request was submitted. In the complaint, the complaining party only objected that it did not receive any reply to its information request. As the obligated entity identified that the complaining party received a decision on the provision of information, the complaint was not deemed justified and the original procedure was confirmed to be appropriate.

Post-balance Sheet Events

On 26 February 2013, the Ministry of Transport and SŽDC, s. o. took the first step towards mitigating the barriers to freight railway transport and to make the vehicle shipment system in railways more competitive. As of 1 March 2013, SŽDC, s. o. increased the discount on the use of the transport route for the transport of individual vehicle shipments from 15% to 55%. The goal is to open this freight transport segment to competitors, decrease the cost of operation for all carriers and prevent any extensive movement of goods from railways to roads.
As of 1 March 2013, the vehicle shipment system newly includes handling and siding trains and also group freight trains together with handling (including outside the train-forming stations), domestic trains connecting selected train-forming stations and international trains for specific directions that are parts of or assembled from individual vehicle shipments, except for transit trains.

Information about persons responsible for the ČD Group’s Annual Report

Responsibility for the Annual Report

Affidavit

With all reasonable care employed and to the best of our knowledge, the consolidated annual report gives a true and fair view of the financial position, business activities and profit or loss of the Company and its consolidated entity for the year ended 31 December 2012, and of the prospects of the future development of the financial position, business activities and profit or loss of the Company and its consolidated entity, and no facts that could change its meaning have been concealed in this report.

In Prague on 16 April 2013

Petr Žaluda
Chairman of the Board of Directors and Chief Executive Officer

Report on Relations between Related Parties for the Year Ended 31 December 2012

The Board of Directors of České dráhy, a.s., with its registered office in Prague 1, Nábřeží L. Svobody 1222, corporate ID: 70994226, recorded in the Register of Companies maintained by the Municipal Court in Prague, Section B, Insert 8039, presents the following

Report on Relations between Related Parties

prepared under Section 66a (9) of Act 513/1991 Coll., the Commercial Code, as amended, (hereinafter the "Report on Relations") for the reporting period from 1 January 2012 to 31 December 2012.

I. The Controlling Entity and the Entity Preparing the Report on Relations

For the purposes of the Report on Relations, the controlling entity is the Czech Republic (hereinafter the "State" or "CR").

The controlled entity 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, corporate ID: 70994226, registered in the Register of Companies maintained by the Municipal Court in Prague, Section B, Insert 8039.

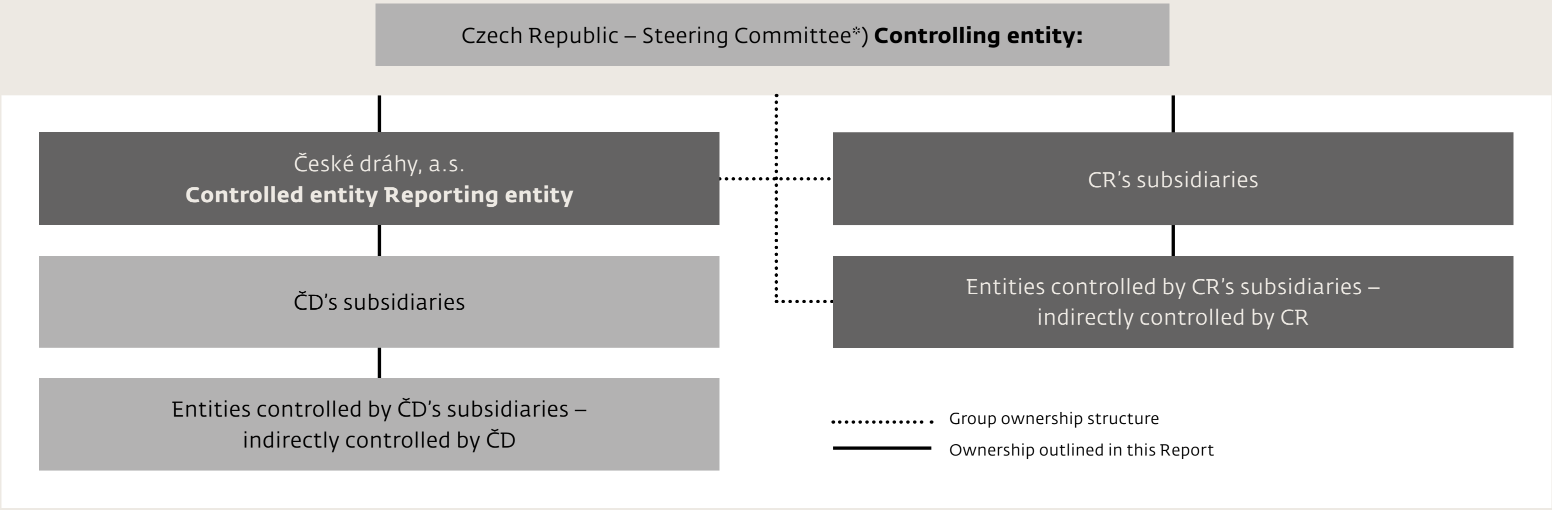
The related parties for the purposes of the Report on Relations include entities controlled, directly or indirectly, by the State. We have identified the related parties using the following criteria:

1) The entity must be a joint stock company in which the State holds an equity interest of 40-100%. The list of such entities is outlined in Appendix 1 and was prepared according to the information published on the website of the Ministry of Finance of the Czech Republic that can be found under: http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/fnm_akciove_spolec.html?year=PRESENT

2) The entity must be a business company controlled by an entity specified in paragraph 1). From these entities, the Report on Relations only includes entities of which the Company is aware, with which it concluded contracts in 2012 or to/from which it provided/received supplies in 2012.

The Company's Board of Directors declares that it identified relations between relevant related parties and described the relations in the Report on Relations.

II. Chart of Relations in the Group



*) The Czech Republic carries out the rights of the shareholder through the Company's Steering Committee. The Steering Committee is comprised of the relevant employees of the Ministry of Transport (three members), the Ministry of Finance (one member), the Ministry of Defence (one member), the Ministry of Industry and Trade (one member) and the Ministry of Regional Development (one member), authorised by the Government in writing.

III. Contracts Concluded with Related Parties

This list below outlines the contracts concluded by the Company and the entities related to the Company that were in effect in 2012.

ČEPRO, a.s.

Contract	Description
E296-DS-0091/07-A	Water and sewerage

ČEZ Distribuce, a. s.

Contract	Description
SKCE296-DS-0043/12-G	Electricity
SNEE166-SML_D-EE-0577130	Contract on joint services for the supply of electricity
SNEE166-SML_D-EE-1074230	Electricity supplies - Hlinsko, Nádražní 545
SNEE292-S-02909/11	Contract for future contracts on the connection of an off-take device in Frýdlant station
SNEE292-S-02924/11	Contract on the connection of an off-take device – Hanušovice distribution
SNEE296-DS-0014/11-G	Electricity
SNEE408-03186059	Electricity Borová

ČEZ Prodej, s.r.o.

Contract	Description
SKC0000000000002012295510120	ČEZ Prodej, electricity REST LNL
SKCE292-O-00526/12	Electricity consumption in the period between 14-16 April 2012
SKCE297-11_NN_1_02946314-O	Off-take device connection
SKCE297-11_NN_1_03023458-O	Off-take device connection
SNE0000000000002012051510364	Supplies of electricity from VHV and HV networks for 2012
SNEE008-23/2012-O8	Contract on the supplies of electricity (traction)
SNEE166-SML_D-EE-0577130	Contract on joint services for the supply of electricity
SNEE166-SML_D-EE-1074230	Electricity supplies - Hlinsko, Nádražní 545
SNEE294-10/CEZDI/02245076	Contract on joint services for the supply of electricity
SNEE294-S/0007/2011	Contract on joint services for the supply of electricity

ČEZ Teplárenská, a.s.

Contract	Description
SNEE166-SML_D-EN-T-007TRU	Supplies of heat to PJ TRU
SNEE294-T/0003/2009	Contract on heat supplies 6990
SNEE294-T/680500021	Contract on heat supplies 68050002_1
SNEE296-DS-0018/10-C	Gas supplies
SNEE296-DS-0197/07-C	Heat supplies
SNEE296-DS-0198/07-C	Heat supplies
SNEE296-DS-0232/08-T	Heat supplies

ČEZ, a. s.

Contract	Description
E296-DS-0194/07-C	Heat supplies
E296-DS-0223/08-A	Water and sewerage

IV. Other Relations

The Company made no other legal acts or took no other measures in the interest or at the initiative of related parties.

V. Other Information

Credibility of information: Confidential information in the group comprises information and facts that are part of the related parties' business secret and information that was designated as confidential by any group member. In addition, confidential information includes any business information that could, on its own or in connection with other information, cause damage to any person within the group. For this reason, the Report on Relations contains no information on the prices (or amounts) of construction work, supplies, services or the relevant amounts.

The auditor's report on the Report on Relations: This Report on Relations between the related parties was reviewed by the auditor. The auditor's report is included in the Annual Report of the České dráhy Group for the year ended 31 December 2012.

VI. Declaration

All the above-specified contracts and amendments were concluded and the performance and counter-performance was provided under standard business conditions. The Company suffered no detriment arising from the business relations.

VII. Conclusion

The Company's statutory body prepared the Report of Relations within the deadline stipulated by law. The Report on Relations was prepared to the best of the Company's knowledge and belief, using available data and documents and taking all reasonable efforts. The scope of the Czech Republic's group was identified using the data provided by the shareholder. The auditor's report is included in the Annual Report of the ČD Group. The Report was submitted for review to the Supervisory Board which will provide its statement at the Company's General Meeting.

In Prague on 26 February 2013

Petr Žaluda
Chairman of the Board of Directors and Chief Executive Officer

Appendix 1

List of joint stock companies controlled by the State from 1 January 2012 to 31 December 2012 according the website of the Ministry of Finance

Company	Corporate ID	ČR's shareholding	Note
Exportní garanční a pojišťovací společnost, a. s.	45279314	40.00	
Severočeské mlékárny a.s. Teplice in bankruptcy	48291749	40.78	
Česká exportní banka, a. s.	63078333	41.60	
Ormilk a.s. in bankruptcy	60109092	46.99	
Municipální finanční společnost, a. s.	60196696	49.00	
PORCELÁN HOLDING a.s. in liquidation	25082442	50.00	Acquisition of shares since 23 Nov 2012
ČMFL, a. s.	25541889	51.72	Deletion from the Register of Companies on 27 Mar 2012
ČEZ, a.s.	45274649	69.37	
BH CAPITAL, a. s. in liquidation	00546682	71.89	Entered into liquidation as of 1 Jul 2012
Výzkumný a zkušební letecký ústav, a. s.	00010669	92.16	
České aerolinie, a. s.	45795908	95.69	The equity interest of the CR transferred to Český Aeroholding, a.s. as of 31 Aug 2012
VIPAP VIDEM KRŠKO d.d.		96.50	Registered office in Slovenia
HOLDING KLADNO, a.s. in liquidation	45144419	96.85	
Bohemia Crystalex Trading, a.s.	25004085	97.19	Bankruptcy since 16 Mar 2009, acquisition of shares since 23 Nov 2012
ČEPRO, a. s.	60193531	100.00	
Český Aeroholding, a. s.	24821993	100.00	Share capital recorded in the Register of Companies on 12 Sep 2012
Explosia a. s.	25291581	100.00	
Galileo Real, k.s.	26175291	100.00	
Hotelinvest, a. s. in bankruptcy	0025197	100.00	
IMOB a. s.	60197901	100.00	
JUNIOR centrum, a. s. in liquidation	48154946	100.00	
Letiště Praha, a. s.	28244532	100.00	The equity interest of CR transferred to Český Aeroholding, a.s. on 19 Mar 2012
MERO ČR, a.s.	60193468	100.00	
PPP Centrum a. s.	00013455	100.00	
PRISKO a. s.	46355901	100.00	
STAVOCENTRAL, a. s. in liquidation	47116943	100.00	
STROJÍRNY TATRA PRAHA, a. s. in liquidation	00674311	100.00	
THERMAL – F, a. s.	25401726	100.00	Share capital recorded in the Register of Companies on 23 May 2012

Report on the Quality of Provided Services

Assessment of Quality Standards for 2012

The quality standards of České dráhy, a.s. determine a single quality level of provided services to passengers and orderers and are based on the company's current financial abilities.

The measurement of the compliance with quality standards using the internal control, deliverables from inspections by orderers, sent complaints and suggestions is complemented by the measurement of the customer satisfaction with the level of provided services in the form of a questionnaire survey, mystery shopping and specific research.

Compliance with the standards is monitored in the long-distance transportation by type of train in both commitment and commercial transportation. In regional transportation, the services are monitored in a comprehensive manner by orderers.

Where the level of compliance with individual standards for the defined period was lower than the determined minimum value, the individual organisational units are obliged to verify the reasons, adopt measures remedying the situation and implement them immediately.

Sheet of standards		Level of requirement	2012	Meeting the standards
2.1.	**Compliance with the agreed scope of transportation***	**99%**	**99,0%**	**met**
2.2.	**Compliance with the planned requirements and planned train capacity**	**97%**	**97.0%**	**met**
2.3.	**Barrier-free trains (year-on-year increase)**	**20-25%**	**23.2%**	**met**
2.4.	**Sale and inspection of tickets in trains and information provided to passengers**	**100%**	**98.8%**	**not met**
2.5.	**Sale of tickets in stations, stops and information provided to passengers**	**100%**	**97.9%**	**not met**
2.6.	**Information systems in vehicles and stations**	**95%**	**98.1%**	**met**
2.7.	**Accuracy of compliance with the time schedule ****			
A.	**Long-distance transportation (EC, SC, Ex, R)****	**80%**	**86.1%**	**met**
	EC - EuroCity		77.2	not met
	SC - SuperCity		93.4	met
	Ex – Express train		78.3	not met
	R – Fast train		87.4	met
	EN -EuroNight		71.7	not met
	IC - InterCity		91.9	met
B.	**Regional transportation (Sp, Os)****	**90%**	**93.7%**	**met**
	Sp – Rapid train		90.5	met
	Os- Slow train		93.9	met
2.8.	**Compliance with connecting trains ***	**90%**	**96.8%**	**met**
2.9.	**Tidiness and comfort of vehicles, tidiness of stations**			
A.	**Tidiness of stations and operational equipment**	**70%**	**73.8%**	**met**
	Availability of toilets at stations	50%	80.0%	met
B.	**Tidiness and comfort of vehicles**	**80%**	**91.5%**	**met**
	Compliance with the interval for cleaning of vehicles in circulation *	80%	91.0%	met
2.10.	**Dealing with the complaints of passengers *****			
	Coefficient of filings per 100 thousand transported passengers	7	5.33	met
	Coefficient of entitled filings	4	2.69	met
	Average period for dealing with filings	30 days	20 days	met
2.11.	**Behaviour of the train crew and station staff**	**100%**	**98.4%**	**not met**
2.12.	**Age of vehicles**	**27 years**	**23.4 years**	**met**
2.13.	**Assessment and verification of operational extraordinary events in railway transportation**	**100%**	**87.2%**	**not met**
2.14.	**Percentage of overall average delay by type of line and scope of delay**			
	Trains arriving within the tolerance limit (0 - 5 minutes) for accurate transportation	**90%**	**91.7%**	**met**
	EC - EuroCity		72.4	
	SC - SuperCity		88.7	
	Ex – Express train		72.3	
	R – Fast train		82.1	
	EN - EuroNight		72.9	
	IC - InterCity		86.8	
	Sp – Rapid train		87.8	
	Os- Slow train		92.8	
	Delays of trains by 6 to 15 minutes	**8%**	**6.6%**	**met**
	EC - EuroCity		15.8	
	SC - SuperCity		7.6	
	Ex – Express train		19.0	
	R – Fast train		12.8	
	EN - EuroNight		10.0	

Sheet of standards		Level of requirement	2012	Meeting the standards
	IC - InterCity		8.3	
	Sp – Rapid train		9.5	
	Os - Slow train		5.9	
	Delays of trains by 16 to 30 minutes	**8%**	**1.2%**	**met**
	EC - EuroCity		15.8	
	SC - SuperCity		7.6	
	Ex – Express train		19.0	
	R – Fast train		12.8	
	EN - EuroNight		10.0	
	IC - InterCity		8.3	
	Sp – Rapid train		9.5	
	Os – Slow train		5.9	
	Delays of trains by 31 to 60 minutes	**8%**	**0.3%**	**met**
	EC - EuroCity		3.3	
	SC - SuperCity		1.1	
	Ex – Express train		4.7	
	R – Fast train		1.1	
	EN - EuroNight		6.1	
	IC - InterCity		1.3	
	Sp – Rapid train		0.5	
	Os - Slow train		0.2	
	Delays of trains by more than 60 minutes	**2%**	**0.1%**	**met**
	EC - EuroCity		1.8	
	SC - SuperCity		0.8	
	Ex – Express train		1.1	
	R – Fast train		0.5	
	EN - EuroNight		4.6	
	IC - InterCity		0.9	
	Sp – Rapid train		0.2	
	Os - Slow train		0.1	
2.15.	**Share of cancelled trains**	**1%**	**0.23%**	**met**
	EC - EuroCity		0.27	
	SC - SuperCity		0.15	
	Ex – Express train		3.24	
	R – Fast train		0.29	
	EN - EuroNight		0.2	
	IC - InterCity		0.10	
	Sp – Rapid train		0.27	
	Os - Slow train		0.22	
2.16.	**Assistance provided to disabled people and people with restricted movement capability (9,946 orders)**	**100%**	**99.8%**	**not met**
2.17.	**Exercising of the right arising from the transportation contract**			
	Applications processed within 30 days	100%	100%	met
	Eligible applications in international transportation		77%	
	for delays from 60 to 119 minutes		35%	
	for delays exceeding 120 minutes		42%	
	Entitled application in domestic transportation		37%	

Sheet of standards		Level of requirement	2012	Meeting the standards
	For delays from 60 to 119 minutes		17%	
	For delays exceeding 120 minutes		20%	
	Other remuneration – entitled applications		100%	
	Remuneration of taxi in the event of missing the last connection train		85%	
	Payment of accommodation - hotel		9%	
	Withdrawal from travel		6%	
2.18	**Assessment of the quality from the results of the market research**			
	Continuous measurement of passenger satisfaction			
	Compliance with the time schedule, accuracy and reliability		84%	
	Provision of the information during the ride on its course, announcements on stations, announcements on delays		76%	
	Safety of travel		89%	
	Cleanness and tidiness in vehicles		78%	
	Mystery travelling			
	Assessment of train exteriors		92%	
	Assessment of train interior (cleanness, condition of equipment and components including the toilet)		92%	
	Safety of travelling in trains		97%	
	Provision of the information on services, trains (delays, extraordinary events)		43%	
	Assessment of the interior of stations (cleanness, condition of equipment and components)		85%	
	Cleanness of toilets in stations		92%	
	Safety during the stay in stations		79%	
	Availability, rapidity of ticket purchases (sufficiency of selling staff for the number of customers)		95%	
	Monitoring of the transportation of disabled people with restricted movement capability			
	Access to train stations for disabled people and people with restricted movement capability *		82%	
	Getting in the trains and getting off the train for disabled people and people with restricted movement capability		71%	

* do not include cases that were not caused by the transporter and cases caused by force majeure
** caused by the transporter
*** of the total number of recorded complaints
quarterly and annual outputs are calculated as an arithmetic average of the results for the relevant period
Person responsible for the preparation – Jarmila Němečková, m.p.
Date: 29 March 2013

List of Used Abbreviations

Abbreviation	Description
BOZP	Occupational health and safety
CAPEX	Capital expenditures
CER	Community of European Railways
ČD	České dráhy, a.s.
ČDC	ČD Cargo, a.s.
ČD-IS	ČD Informační systémy
ČDT	ČD - Telematika a.s.
DPOV	Dílny pro opravy vozidel, a.s.
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EC	Passenger train category of higher quality (EuroCity)
EUROFIMA	European Company for the Financing of Railroad Rolling Stock
Ex	Long-distance passenger train of the express category
GVD	Train transport flowchart
Hrtkm	Gross tonne kilometres (the total of the product of the transport weight of trains and the transport distance)
IC	Passenger train category of higher quality (InterCity)
IDS	Integrated transport system
IFRS	International Financial Reporting Standards
JLV	Jídelní a lůžkové vozy, a.s.

Abbreviation	Description
Oskm	Passenger kilometres (the total of the product of the number of paying transported passengers and the distance–related transport fees)
OSŽ	Railway Workers Union
OSŽD	Organisation for Railway Cooperation
PARIS	Sale and Reservation Information System
POS	Operating centre of repairs in DPOV, a.s.
ROCE	Return on capital employed
ROP	EU Regional Operational Programme
SC	Passenger train category of highest quality (SuperCity)
SFDI	State Fund for Transport Infrastructure
SOKV	Centre of rolling stock repairs ČD Cargo, a.s.
SŽDC	Správa železniční dopravní cesty, státní organizace/Railway Transport Route Administration, state organisation
TSI	Technical specifications of interoperability
UIC	International Union of Railways
Vlkm	Train kilometres (the total of the product of the number of trains and the distances travelled)
VUZ	Výzkumný Ústav Železniční, a.s./Railway Research Institute
ŽKV	Railway vehicle
ŽST	Railway station

Identification and Contact Information

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