2013

ANNUAL REPORT

OF THE ČESKÉ DRÁHY GROUP


České dráhy

České dráhy


640 001-4

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 administrators;
- Comprehensive repair services for rolling stock and railway infrastructure;
- Testing services, railway transportation research and development; and
- 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, mainly 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 travellers' choice, 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 handle the travellers and shipments.

Key Indicators of the ČD Group

Key indicators – IFRS consolidated financial indicators (CZK million)	**2013**	**2012**	**Difference**	**INDEX**
ČD group				
EBITDA (from continued operations)*	5,552	5,562	-10	100
EBIT (from continued operations)**	-174	-537	363	32
Profit/loss for the period	-1,953	-1,594	-359	123
Total assets	86,452	84,525	1,927	102
CAPEX	8,474	10,268	-1,794	83
Depreciation and amortisation	5,726	6,099	-373	94
Leverage (%) – external funding/assets	55.8	52.3	3.5	107
Current liquidity (%) – short-term assets/short-term liabilities	45.9	45.7	0.2	100
ROCE (%) – EBIT/(total assets – short-term liabilities)	-0.2	-0.8	0.6	25
Average FTE	25,043	26,443	-1,400	95
Passenger transport (ČD, a.s.) ***				
Number of passengers (mil.)	169.3	168.8	0.5	100
Traffic performance (mil. person-kilometres)	6,924	6,907	17	100
Transport performance (mil. train-kilometres)	120.7	121.7	-1.0	99
Average traffic distance (km)	41	41	0	100
Occupancy ratio (%)	25	25	0	100
Freight transport (ČD Cargo, a.s.)				
Traffic volume (mil. tonnes)	70.22	73.35	-3.13	96
Traffic performance (mil. tariff tonne-kilometres)	12,281	13,044	-763	94
Transport performance (mil. train-kilometres)	26.0	25.0	1,0	104
Average traffic distance (km)	175	178	-3	98
DPOV, a.s.				
SOP – Average actual repair period (days)	80.80	78.65	2.15	103
ODKP – Average commission repair period (days)	78.40	75.96	2.44	103
Weighted average calculated from (SOP) – (ODKP)	2.40	2.69	-0.29	89

Notes
* EBITDA = sum of profit (loss) before interest and tax from continuing operations (EBIT) and depreciation and amortisation from continuing operations
** EBIT = profit (loss) before interest and tax from continuing operations
*** The information on the passenger transport of ČD, a.s. does not include free-of-charge and flat transportation services.

Table of Contents

Opening Statement of the Chairman of the Board of Directors

Ladies and Gentleman,

We hereby present you the Annual Report of the České dráhy Group for 2013. Based on the achieved results I may say that both the largest companies, ČD, a.s. and its subsidiary ČD Cargo, a.s, were successfully stabilised. The operating loss of the ČD Group (EBIT) has dropped substantially year-on-year, namely by CZK 363 million, ie a full 68%.

The passenger transport segment reports an increase in traffic performance, which is good news. The number of passengers grew by more than half a million and traffic performance has increased by 17 million person-kilometres year-on-year. The total revenues from our principal business activity increased by CZK 407 million compared to 2012. The loss reported by the company according to Czech Accounting Standards is influenced by the fact that we were not able to meet the planned sales of redundant assets, by foreign exchange losses and, last but not least, by accounting operations, ie provisions against non-current assets and inventory, and the recognition of reserves for pending lawsuits. The financial costs related to the funding for the purchase of vehicles will be reflected in the performance of passenger transport in the next few years too. However, ČD, a.s.'s debt shall gradually decrease from 2016 on.

The freight transport segment that reported a profit of CZK 522 million under Czech Accounting Standards in 2013 may be viewed with some degree of optimism. The sale of redundant assets and foreign exchange gains significantly contributed to the positive result of our largest subsidiary, nevertheless this is still a positive change. The result improved by nearly CZK 2.5 billion year-on-year. The company is stabilised and in a better condition than generally expected primarily due to the undergone restructuring and the compensation of previously-lost transport volumes by new ones. I believe that the financial performance of the freight carrier will continue to improve. This is not only a matter of profit but also of sustaining employment and, if the government supports the single wagon business, also of the maintenance of these types of transport; otherwise, they would be replaced by motorway transport.

Ladies and gentlemen, in view of last year's results, I dare say that the national carrier has the potential to compete successfully even with large international transport operators. However, we need to further improve efficiency and find new customers and business opportunities to generate higher revenues. This will not be easy at a time when the Czech economy is just gradually recovering from the crisis.

Daniel Kurucz
Chairman of the Board of Directors and CEO

1 2 3

1 | Dalibor Zelený
2 | Daniel Kurucz
3 | Karel Otava

Statutory Bodies of the Company as of 31 December 2013

Board of Directors

Dalibor Zelený
Chairman of the Board of Directors (since 30 July 2013) and CEO (since 31 July 2013), age: 56
Dalibor Zelený graduated from the University of Transport in Žilina. In the 1990s, he was a deputy Czech Minister of Transport. Between 1998 and 2003, he was the CEO of České dráhy and transformed it into a joint stock company. Between 2006 and 2008, he was the CEO of Slovak Railways (Železnice Slovenské republiky). In addition, he worked in international institutions, eg as the vice president of UIC and vice-president of CER. Before returning to ČD, a.s., he worked as an independent consultant in railway transportation in the Czech Republic and other EU countries.

Daniel Kurucz
Member of the Board of Directors (since 30 July 2013) and Deputy CEO for Economy and Technology (since 1 October 2013), in May 2013 he started to work for ČD, a.s. as the Executive Director for Operations and Technology, age: 45.
Daniel Kurucz graduated from the University of Economics in Prague with a focus on foreign trade. He obtained an MBA in management of industrial companies at the Czech Technical University in Prague. He received study fellowships from Stockholm and Lausanne. He has worked in the top management of multinational companies such as FujiFilm, Sandvik AB or Agrofert Holding, where he was the manager of the special chemistry division. In addition, he has been a manager of companies in India, China, Canada and the USA.

Karel Otava
Member of the Board of Directors (since 16 August 2013), age: 62
Karel Otava graduated from the University of Transport in Žilina. In the railway sector, he has worked as train dispatcher, stationmaster, representative of ČD for the Central Bohemian region, and head of the Concepts and Development section at the Ministry of Transport. Currently he works as an advisor for Správa železniční dopravní cesty, s.o.

Changes in the Board of Directors
On 30 July 2013, the Supervisory Board recalled Petr Žaluda from the position of a member and Chairman of the Board of Directors, and Roman Boček, Ctirad Nečas and Miroslav Šebeňa as members of the Board of Directors with immediate effect. The Supervisory Board appointed Dalibor Zelený, Daniel Kurucz, Pavel Švagr members of the Board of Directors with immediate effect. Dalibor Zelený was appointed Chairman of the Board of Directors.
At its meeting held on 15 August 2013, the Supervisory Board recalled Pavel Švagr from his position of a member of the Board of Directors and appointed Karel Otava a member of the Board of Directors with effect from 16 August 2013.

Supervisory Board

Zdeněk Žemlička
Chairman of the Supervisory Board (since 20 July 2013), age: 72

Ivana Kubaštová
Member of the Supervisory Board (since 20 July 2013), age: 58 let
Ministry of Transport, Head of the Audit, Controlling and Supervision department

Josef Smýkal
Member of the Supervisory Board (since 20 July 2012), age: 59

Miroslav Svítek
Member of the Supervisory Board (since 20 July 2013), age: 44
Dean of the Faculty of Transport at the Czech Technical University in Prague

Antonín Věchet
Member of the Supervisory Board (since 20 July 2013), age: 71

František Žerava
Member of the Supervisory Board (since 20 July 2013), age: 68

Vladislav Vokoun
Member of the Supervisory Board (since 1 January 2014), age: 54
Chairman of the Company Committee of the Confederation of Railroad Unions (OSŽ)

Antonín Leitgeb
Member of the Supervisory Board (since 1 January 2014), age: 55
Secretary of the Company Committee of the Confederation of Railroad Unions (OSŽ)

Jaroslav Pejša
Member of the Supervisory Board (since 5 May 2011), age: 58
Chairman of the Company Committee of the Confederation of Railroad Unions (OSŽ), Member of OSŽ's Company Committee under ČD, a.s.

Changes in the the Supervisory Board
On 25 January 2013, the Steering Committee discussed the resignation of Miroslav Drobný and Martin Riegl as members of the Supervisory Board and Libor Antoš and Radim Jirout were appointed members of the Supervisory Board with effect from 26 January 2013.
On 30 April 2013, the Steering Committee appointed David Karásek a member of the Supervisory Board. On 19 July 2013, the Steering Committee recalled Libor Antoš, Michael Hrbata, Radim Jirout, David Karásek and Miroslav Nádvorník as members of the Supervisory Board. Ivana Kubaštová, Miroslav Svítek, Antonín Věchet, Zdeněk Žemlička and František Žerava were appointed members of the Supervisory Board with immediate effect.

Steering Committee

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

Josef Kubovský
Vice-Chairman of the Steering Committee; Head of the Infrastructure and Zoning Plan Division of the Czech Ministry of Transport
Authorised and appointed Vice-Chairman following Resolution 543 of the Czech Government of 16 July 2013

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

Veronika Kramaříková
Member of the Steering Committee; Head of the Cabinet of the Czech Minister of Finance
Authorised following Resolution 543 of the Czech Government of 16 July 2013

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

Zbyněk Šolc
Member of the Steering Committee; Senior Director of the Cabinet Section of the Czech Minister of Transport
Authorised following Resolution 543 of the Czech Government of 16 July 2013

Richard Vítek
Member of the Steering Committee; Head of the Economic Section of the Czech Ministry of Defence
Authorised following Resolution 543 of the Czech Government of 16 July 2013

Changes in the Steering Committee
Pursuant to Resolution 543 of the Czech Government of 16 July 2013, the positions of members of the Steering Committee expired for Miloslav Hala, Michael Hrbata, Miloslav Müller and Jiří Žák.

Report of the Supervisory Board

In 2013 the Supervisory Board held nine ordinary and two extraordinary meetings in the registered office of ČD, 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 also 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, financial risks and risk profile of the Company, and on activities of subsidiaries. The meetings 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 asked the Board of Directors to examine the tasks and subsequently implement a number of measures in order to reduce the costs of the Company. As part of its activities, the Supervisory Board predominantly monitored the current status of significant investment projects and achievement of economic goals that were determined in the Company's annual business plan.

The Supervisory Board states that in 2013 the Company's Board of Directors provided the Supervisory Board with the aggregate information required or necessary as well as the cooperation and the Supervisory Board has all underlying documents necessary for its oversight and decision-making activities.

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. The Board of Director's activities thus 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 22 April 2014

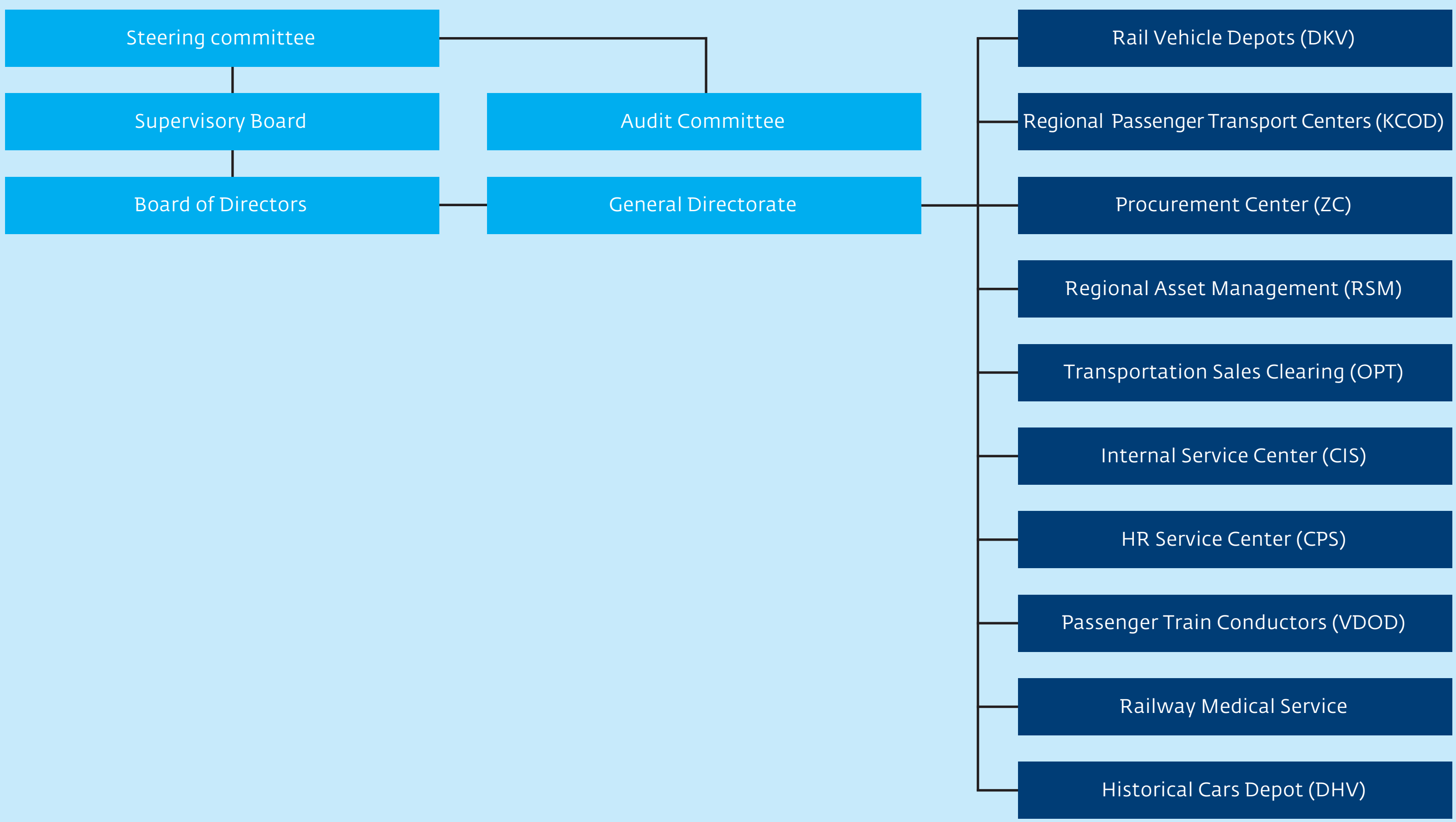
Milan Feranec
Chairman of the Supervisory Board of České dráhy, a.s.

Organisational Structure of the ČD Group

as of December 2013

Consolidated ČD Group

České dráhy, a.s.




ČD Cargo, a.s. (100 % ownership)
CD Generalvertretung GmbH (100 % ownership)
CD - Generalvertretung Wien GmbH (100% ownership)
Generálne zastúpenie ČD Cargo, s.r.o. (1.61 % ownership)
98,39 ownership
Koleje Czeskie Sp. z o.o. (100 % ownership)
Auto Terminal Nymburk, s.r.o. (100 % ownership)
Terminal Brno, a.s. (66.94 % ownership)
ČD Logistics, a.s. (56 % ownership)
ČD-DUSS Terminál, a.s. (51 % ownership)
ČD Interport, s.r.o. (51 % ownership)
RAILLEX, a.s. (50 % ownership)
BOHEMIAKOMBI, spol. s r.o. (30 % ownership)
Ostravská dopravní společnost, a.s. (20 % ownership)
DPOV, a.s. (100 % ownership)
Dopravní vzdělávací institut, a.s. (100 % ownership)
ČD - Informační Systémy, 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)
RAILREKLAM spol. s r.o. (51 % 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)

2013 Event Calendar

January

The thousandth customer of ČD, a.s. purchased a ticket through the mobile website of ČD, a.s. This modern method of purchase was launched in October 2012.

February

Representatives of the supplier introduced a prototype of a modernised Bdmpee passenger vehicle. It offers a large-space interior, air conditioning, plug sockets, electronic audiovisual system or new toilets with a closed system. ČD, a.s. will start to use 40 of these vehicles by mid-2014.

ČD, a.s. was successful in the tenth year of the prestigious "IT Project of 2012" competition announced by the Czech Association of Information Technology Managers (CACIO). A project for the launch of 2D codes for the sale of tickets to ČD, a .s. passengers ranked among the three most successful projects.

March

SC Pendolino tilting trains started to go frequently from Ostrava to Plzeň and Františkovy Lázně.

Since 14 March, ČD has operated a second RegioPanter low-floor electrical vehicle operating between Olomouc and Nezamyslice.

April

The Viaggio Comfort (railjet) non-traction vehicle was presented to the Czech public during presentation drives on selected routes Břeclav – Prague, Prague – Ostrava and Bohumín – Prague.

ČD, a.s. put the last of four two-storey CityElefant electrical vehicles into operation. They were funded with the help of the Moravskoslezsko regional operational programme. A total of 12 CityElefants are operated in the Moravian-Silesian region.

May

The ČD Cinema Train returned for the tenth time in mid-May. The mobile railway cinema started its tenth season in Mladá Boleslav and travelled through the Kolín, Kutná Hora, Vysočina and Brno regions and arrived to Zlín on 29 May.

On 13 May, a renovated train station building in Náměšť nad Oslavou was ceremonially opened. The renovation of the train station followed the transport terminal with parking lot constructed by the municipality.

ČD, a.s. concluded a contract with the supplier for the supply of five three-vehicle and two two-vehicle low-floor RegioPanter units for the South Moravia region.

June

On 16 June, ČD, a.s. started regular operations of a second RegioPanter low-floor electrical unit on the route Strakonice – České Budějovice – České Velenice.

ČD together with its subsidiaries DPOV, VUZ, ČD Telematika, ČD IS and ČD Cargo, held their presentations at the Czech Raildays trade fair.

On 27 June, the suspension cabin cableway ČD, a.s. Horní Hanychov – Ještěd celebrated its 80th anniversary.

July

ČD, a.s. concluded a contract for the modernisation of 26 express train vehicles of the second class Bdt.

New RegioPanter electrical vehicles operate on the routes in the Ústí nad Labem region. Modern trains bear the names of towns which they cover: Ústí nad Labem, Chomutov, Most, Teplice and Děčín.

August

ČD, a.s. started testing operations of a three-system electrical 380 series locomotive Emil Zátopek to Slovakia. This state-of-the-art and most efficient Czech locomotive started to operate on the Ex 121 and Ex 122 routes from Prague to Žilina and back.

ČD, a.s. started communicating on the Twitter social network. Fifteen official channels are connected to the central database of closures and extraordinary events and passengers are consequently immediately informed of news about interruptions or traffic limitations anywhere in the Czech Republic.

September

ČD, a.s. organised a ninth year of the Preventive train event. The prevention events was organised for schoolchildren in Olomouc and Šumperk.

On 18 September, representatives of ČD, a.s. and cooperating partners, together with the representatives of the South Moravia region and City of Brno ceremonially launched a Turus 1216 series locomotive, the first one in the ČD corporate design, which was named "Spirit of Brno". The locomotive extends the rolling stock of Taurus locomotives, which are used in operated on international trains from Vienna via Brno and Prague to Germany Starting from mid-December 2014, these locomotives will start to regularly operate with comfortable railjet trains.

ČD, a.s. started to compensate passengers according to the ruling of the Court of Justice of the European Union in cases of delays caused by force majeure, ie as a result of weather conditions.

October

For the fourth time, ČD, a.s. supported the activities of the Křižovatka foundation and delivered another 17 breath monitors for children threatened by the sudden infant death syndrome to the Neonatology Ward of the Teaching Hospital in Brno Bohunice on 16 October.

In mid-October, ČD, a.s. launched a campaign for an increased consideration in travelling. The national transporter tries to use a humorous form to draw attention to the most common bad habits encountered in trains.

On 15 October, the ticket sale area of the Ústí nad Labem main station was put into operation; it was damaged by the June floods.

November

The first RegioShark motor unit started to operate on the route Děčín – Rumburk – Dolní Poustevna.

Comfortable vehicles of Bbdgmee series started to be operated in express trains between Prague and České Budějovice.

Modernised vehicles of Bdmtee series started to operate on the route between Ústí nad Labem západ and Lysá nad Labem.

December

The news of the new train schedule included the introduction of two pairs of direct SC pendolino trains between the Ostrava Region and the West Bohemian spas every day, shortening the travel time of SC Pendolino between Prague and Ostrava under 3 hours, increasing the number of EC trains on the Prague – Olomouc – Vsetín – Žilina route to two-hour intervals and the acceleration of trains from Prague to České Budějovice by 12 minutes.

ČD, a.s. was successful in the 6th year of the Ústí nad Labem survey – Transporter of the Year – ČD, a.s. ranked first in the "Prize of the Jury" category, second in the principal passenger voting category and first in the secondary Comfort and Cleanness category.

Corporate governance

Shareholder Structure

The Czech Republic is the sole shareholder of ČD, a.s.. The state exercises the shareholder rights in ČD, a.s. 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 three 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 Steering Committee 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 a 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 activities. 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 the prior 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 Steering Committee. 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, a.s.'s risk, independence, objectivity and auditor recommendations.

The activities of the Audit Committee are based on the legislation and ČD, a.s.'s Articles of Association.

Internal Audit
Internal audit activities are within the scope of authority of ČD, a.s.'s Internal Audit and Review Committee. The department reports to the Board of Directors of ČD, a.s.; and the independence and effectiveness of Internal Audit

is overseen by the Audit Committee. The purpose, objective, scope and focus of the internal audit, including its position within ČD, a.s. 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, a.s. is based on the principles of internationally-recognised standards. To ensure activity coordination, the Internal Audit and Control department also communicates and cooperates with external control bodies, the external auditor and criminal law authorities.

Compliance

The principal activities of the office of the ČD, a.s.'s CEO include ensuring the compliance of internal regulations with generally-binding legal regulations and compliance with individual internal regulations, the identification of potential risks and the impacts arising from anticipated changes in legal regulations, the presentation of comments and the discussion of proposed changes in legal and internal regulations. The legal department of the Legal Division ensures the participation in workgroups and the co-ordination of comments on the changes in legal regulations submitted to ČD, a.s. for presenting its opinion thereon. The development and implementation of a system of prevention, detection and investigation of fraud and unfair business practices is ensured by the Internal Audit and Control Department.

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.

Information on binding or voluntary codes of management and administration of the company

ČD, a.s. did not voluntarily join any specific code of management and administration in part or as a whole that would be binding for it. The content common for comprehensive codes for corporate management and administration is defined in the relevant internal regulations of ČD, a.s.

Risk Management

Risk management system is based on best practice and the defined framework of Corporate Governance rules of which it is an integral part. An integrated risk management system, which is the base for the further development and improvement of risk monitoring and assessment processes, was actively developed across the ČD Group. 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.

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. In accordance with the approved risk management policy, the Risk Management Committee meets on a monthly basis. Across the ČD Group, unified risk categorisation and an integrated risk assessment system is applied, the goal of which is to provide comparable information for the preparation of the consolidated financial statements. 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 approved limits organisational units of the ČD Group were monitored and assessed during the year ended 31 December 2013.

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 of market risks on the 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 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 EaR method (Earnings at Risk) comparing the difference between the real and planned values for a given year. In respect of the above-listed market risks, the risk appetite assessment is extended to include the CFaR method (Cash Flow at Risk), with a probability quantile of 95% based on 12 months rolling forward, or based on stress tests. Once a year, the ČD Group re-assesses the identification of significant market risks and the risk appetite.

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

In 2013, ČD, a.s. concluded derivatives mitigating the interest rate, commodity and currency risks. The interest rate risk is mitigated by interest rate swaps (IRA) for the issue of five-year CZK bonds in the amount of CZK 4 billion and IRS for leaseback due in 2021. The commodity risk is reduced by commodity swaps for electricity and commodity options for oil. The currency risk is reduced by EUR/CZK forwards concluded for the payment of a tranche from Eurofima in the amount of EUR 45.4 million for the payment for electrical trains of 680 series (Pendolino) in the amount of EUR 5.1 million.

Credit Risk

In the course of its activities, the ČD Group is exposed to credit risk related to the threat of an obligation default of a counterparty, which could have a negative impact on the Group'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 Group uses bank guarantees from authorised financial institutions and unilateral or multilateral offsets.

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.

A key instrument of liquidity management is the prediction of the short-term and medium-term development of liquidity and cash flows. Obtaining sufficient lending facilities from funding banks forms an integral part of liquidity risk management. In 2013, the Group introduced real bilateral cash pooling for the economically-related group as a significant instrument for liquidity management. It is provided by Komerční banka, a.s., including the overdraft facility, which was selected based on the results of the above-limit public tender. In addition, ČD, a.s. and individual subsidiaries concluded contracts for mutual loans that enable the mutual provision of the approved volume of funds within and outside cash pooling, which was defined in advance and approved by all the bodies of the involved companies.
The ČD Group also actively issues short-term securities through a promissory note programme as an additional source of short-term liquidity. Under the promissory note programme, fixed issuance liabilities are arranged for 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.

Operational Risk

In operational risk, attention was principally devoted to meeting 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 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 Company's management dedicates every reasonable effort. Significant material and financial damage caused to third parties is covered by liability insurance.

Extensive real estate assets that are not needed for the principal activities, the continuing real estate market crisis, offers of less-lucrative buildings and land, together with a not-yet-finalised property settlement with SŽDC, are significant risks with an important negative impact on the cash flow and profit or loss.


DKV: PRAHA

Corporate Social Responsibility

Corporate social responsibility has a long-established tradition in ČD, a.s. The national carrier tries to be a company responsible to its customers, employees, owners and investors. The company also systematically helps to maintain social cohesion and protect the environment. In this way, it influences the whole development of Czech society.

ČD, a.s. is engaged in several areas that are crucial due to their role – railway transport safety above all. The tradition of the "Prevention Train" for pupils from 6 to 19 years has been established. Over the last few years, the Railway Infrastructure Administration state organisation (SŽDC) has taken part in this project and its fire fighters give the pupils an insight into their work.

As a national carrier, ČD, a.s. realises its fundamental role in improving travel conditions for disabled people. It is the only carrier providing wheelchair-bound people the most options for comfortable travel all over the Czech Republic. Over half of the scheduled trains are currently easily wheelchair-accessible. Several dozen new, modernised wheelchair-accessible railway units started to operate in 2013. ČD, a.s. now owns more than 600 wheelchair-accessible railway units. In regional transport, these are Regionova and CityElefant vehicles. RegioPanter and RegioShark vehicles and the new RegioSpider motor vehicles are a great improvement too. The number of wheelchair-accessible vehicles has also increased in long-distance transport. In cooperation with the infrastructure administrator, barriers in railway stations and on platforms have gradually been removed. All these changes will help not only the disabled but also the elderly and parents with children in prams.

An important part of the corporate social responsibility of ČD, a.s. is the support of travel and the help for the disabled and socially-disadvantaged social groups. In cooperation with several charities, ČD, a.s. transports children from children's homes and socially-deprived homes to schools, activity groups' meetings, performances and sporting events. Another traditional project is the "Train Full of Smiles", which transports disabled children and children from children's homes 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.

ČD, a.s.'s activities in the field of the education and upbringing of children and the youth are a part of the "Junior Programme", the mascot of which is Elf, an elephant. There are also other events for children, such as "With the Elf to the Zoo", Children's Day and St. Nicolas train rides. ČD, a.s. takes part in the "Bambiriáda" event, is a partner of the RunCzech family runs and supports sporting events like "Sport without Prejudice".

The "ČéDés" scholarship programme aims at youth education and upbringing. ČD, a.s. supports students at selected schools and so recruits its future employees. ČD, a.s. further helps these students to develop their expert skills and enables them to make themselves familiar with the largest railway carrier's working environment during their studies.

ČD, a.s. is involved in other activities too; for example, it supports significant projects dealing with important social topics. ČD, a.s. newly cooperates with the Czech Legionary Community on the LEGIE 100 project. The "Legionary Train" is the main subproject within this project on the occasion of the 100th anniversary of the legions. For the second time, ČD, a.s. participates in the "Lustig's Train" project, which informs the general public about the holocaust. Other projects in which ČD, a.s. participates that are worth mentioning are the "Delivery of the Bethlehem Light" project, the "Night of Literature" and the "Night of Churches".

Last but not least, ČD, a.s. shares a great deal of responsibility for the preservation of technical and cultural heritage. On its premises and in the Czech Railways Museum in Lužná u Rakovníka, ČD, a.s. stores locomotives, railway vehicles and other items that have witnessed the development of railway transport in the area of today's Czech Republic. The Company's traditional partnership includes co-operation with the National Technical Museum and the "Okřídlené Oko" foundation.

Report of the Board of Directors

Report on the Company's Business Activities and Assets

Economic Results of the ČD Group

The financial results of the ČD Group for the year ended 31 December 2013 continued to be impacted by the stagnating economic situation in the Czech Republic and the on-going recession in the Eurozone. In addition, it was impacted by the continuing investment activities in the renovation of railway vehicles, with impacts on the growing need for funding and pressure of the growth offinancial costs on the financial results. Despite the unfavourable conditions on the market, which led to a year-on-year decline in total revenues, ČD Group managed to significantly reduce the operating loss to CZK 174 million due to savings in operating costs. For the year ended 31 December 2013 the ČD Group reported a loss of CZK 1.95 billion.

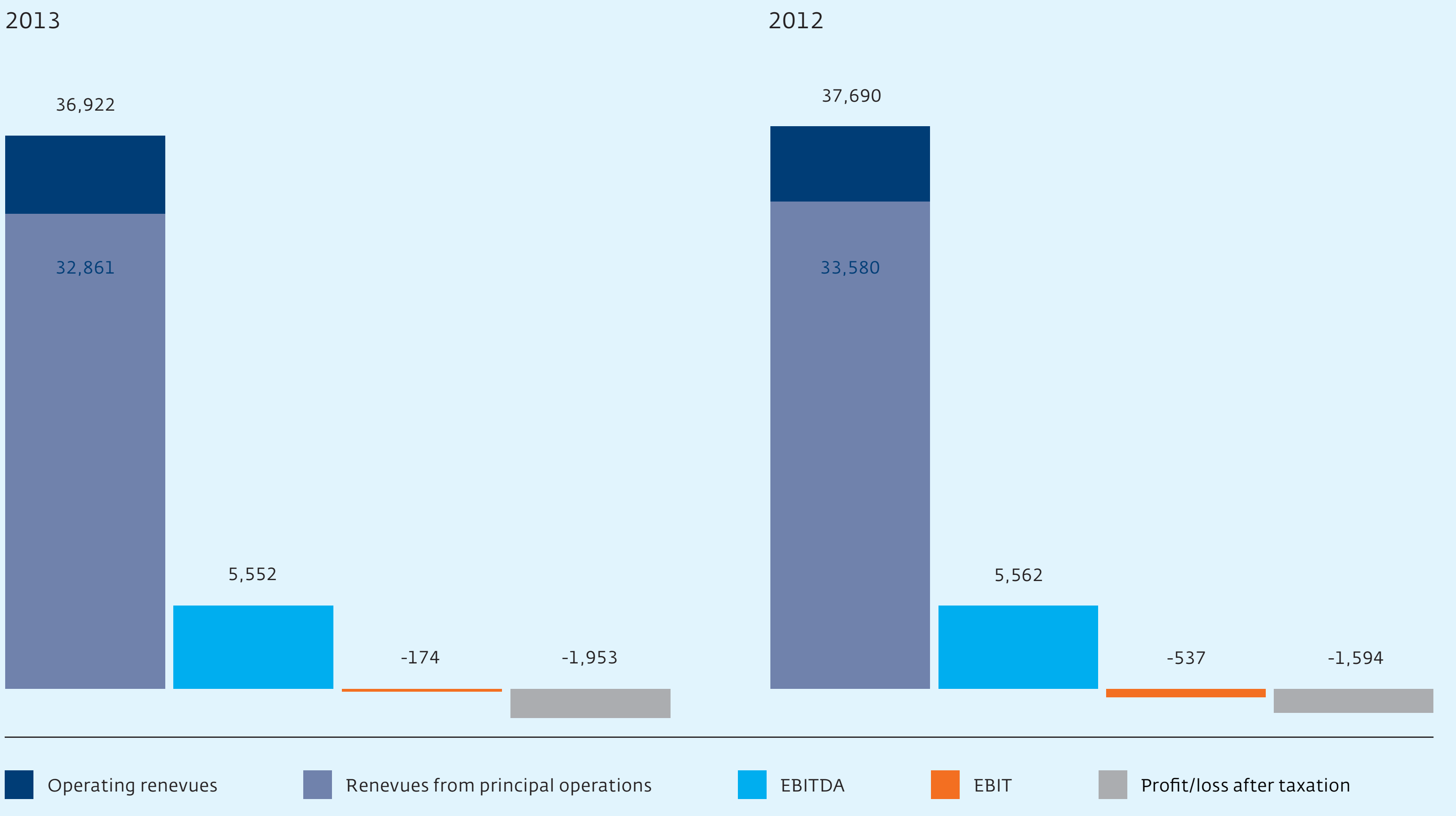
Given the factors above, the total operating income of the ČD Group was lower by CZK 768 million (2%) in comparison with the year 2012. In the passenger transport segment the trend of the growth in transported volumes in 2013 continued. The passenger transport segment reported a year-on-year increase in the number of passengers by approximately 494 thousand and the traffic performance increased by 17 million person-kilometres in key markets of international, intrastate and suburban transport integrated in IDS systems. On the other hand, the freight transport segment's revenues declined by CZK 1.1 billion (7.3%) mainly due to the decline in construction and industrial production in the Czech Republic. The development in transported volumes in 2013 was additionally impacted by several key events such as the June floods or the loss of contract to transport coal to the Chvaletice power plant.

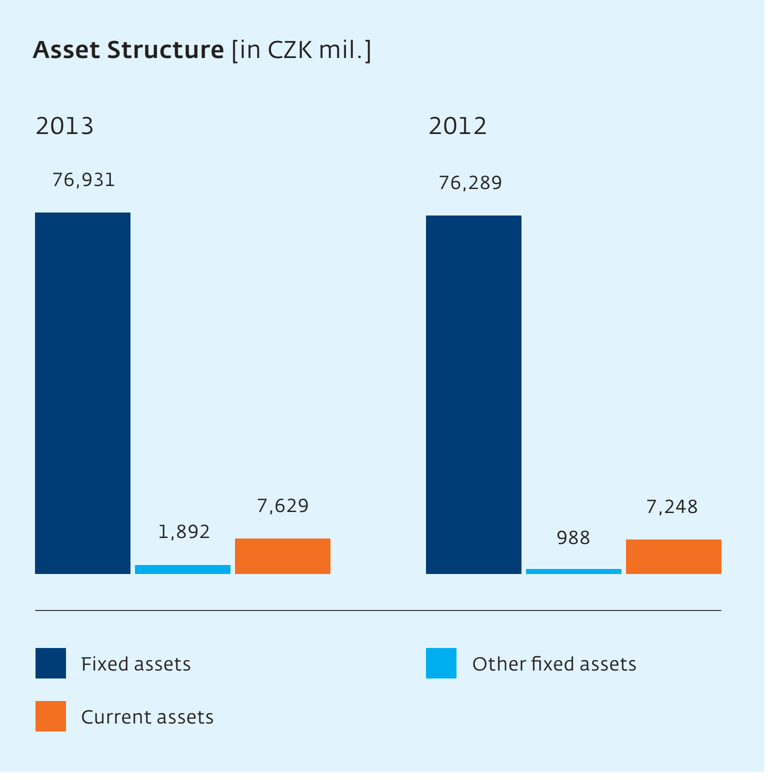
The operating costs (net of depreciation) decreased year-on-year by CZK 758 million (2.4%). The decrease reflected a discount for ČD Cargo for the use of the railway route in the amount of approximately CZK 300 million and lower costs of traction energy and traction oil by approximately CZK 200 million, which decreased thanks to the optimisation measures in their procurement. Other savings occured in freight transport thanks to the lower volume of purchased services and reduced costs of energy, fuel and material. Personnel costs declined year-on-year by CZK 164 million (1.3%). The increase in other operating costs was due to the recognition and settlement of reserves for potential legal disputes and provisions against receivables, fixed assets and inventory. However, at the same time the Group managed to reducecosts directly related to consumables and services.

The EBITDA* remained on a comparable level with the year 2012. The operating loss decrease (EBIT)** by CZK 363 million (68%) was reflected lower depreciation in freight transportation. The net loss amounted to CZK 1.95 billion. The loss was negatively impacted by the foreign exchange rate losses resulting from the intervention of the Czech National Bank and devaluation of the Czech crown in November 2013.

* EBITDA = sum of profit (loss) before interest and tax from continuing operations (EBIT) and depreciation and amortisation from continuing operations
** EBIT = profit (loss) before interest and tax from continuing operations

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

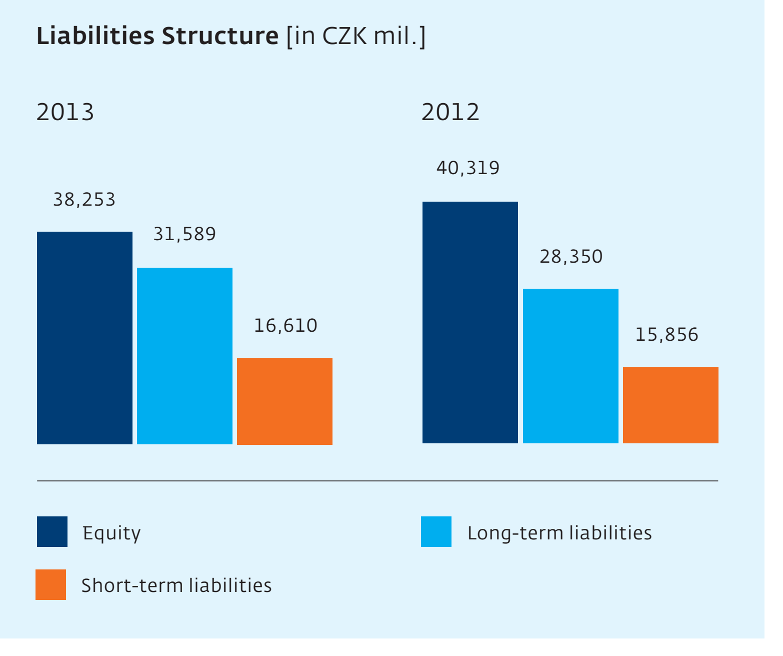




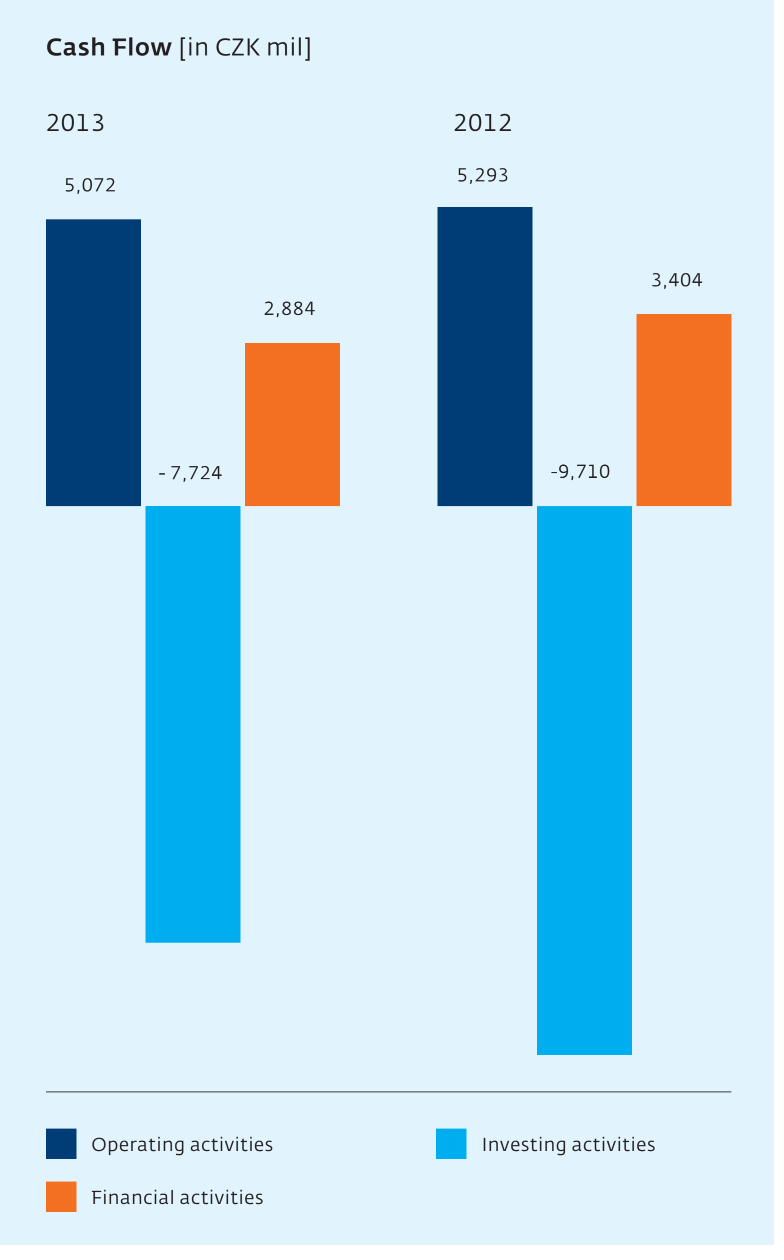
Asset Structure
The total assets increased by CZK 1.9 billion (2.3%) year-on-year. The most significant increase relates to other fixed assets where derivative transactions in non-current other financial assets were revalued as a result of the Czech crown devaluation. The volume of current assets did not significantly change year-on-year.

Liabilities Structure
The year-on-year decline in equity reflected the loss incurred in the year 2013. The issuance of domestic corporate bonds of the nominal value of CZK 4 billion and the liabilities denominated in EUR, which increased due to the devaluation of the Czech crown caused the increase of the long-term liabilities. This increase was compensated by an increase in financial derivatives in assets by the part of the debt, which is hedged.

Short-term liabilities increased year-on-year by the accounting act that took into the account the put option ofČD Cargo, a.s. corporate bonds in the amount of CZK 1 billion, which is payable due 20 June 2014, in case the investors call for the option. Futhermore, part of the long-term Eurofima debt, which was due in one year and less, was transferred to short-term liabilities.



* Fixed assets = sum of balance sheet items Property, plant and equipment, Investment property and Intangible assets



Cash Flow
Despite the decrease in EBIT, there was only a slight decrease in net cash flows from operating activities.

The decline in cash flows from investment activities was primarily impacted by freight transportation, which significantly reduced investments as part of the restructuring savings. Total investments in the year 2013 amounted to CZK 8.5 billion. A significant part of the investments – approximately CZK 6.7 billion – related to passenger transport and CZK 1.8 billion related to freight transport.

Given the reduced investment activities, the volume of net cash flows from financial activities decreased.

Profit/Loss by Principal Activity Segment

[CZK million]		Passenger transport	Asset management	Freight transport	Other	Elimination and reconciliation	Total
Revenue from principal activities	2013	19,906	0	14,223	0	-1,268	32,861
	2012	19,499	0	15,337	3	-1,259	33,580
Purchased consumables and services	2013	-10,780	-645	-9,011	-2,537	5,752	-17,221
	2012	-10,390	-607	-10,445	-3,098	6,234	-18,306
Staff costs	2013	-6,789	-244	-4,291	-1,442	82	-12,684
	2012	-6,785	-259	-4,494	-1,450	141	-12,847
EBITDA from continuing operations	2013	1,657	57	1,749	451	1,639	5,552
	2012	1,862	244	711	501	2,245	5,562
Depreciation	2013	-2,275	-217	-1,075	-310	-1,849	-5,726
	2012	-2,022	-221	-2,587	-319	-950	-6,099
EBIT from continuing operations	2013	-618	-160	674	141	-210	-174
	2012	-160	23	-1,876	182	1,295	-537
Profit (loss) for the period	2013	-1,795	-153	522	180	-707	-1,953
	2012	-517	27	-1,911	217	590	-1,594

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.

Passenger Transport

The passenger transport segment continued to maintain positive EBITDA, which amounted to CZK 1.7 billion in the year 2013.

The revenues from principal activities increased year-on-year by CZK 407 million (2.1%). It was positively impacted by an increased number of passengers and an increase in transportation services in key partial markets of the international, intrastate and suburban transport integrated in the IDS systems.

The year-on-year increase in operating expenses by CZK 390 million (3.8%) was primarily caused by the recognition of reserves and provisions. The continuing optimisation cost-cutting measures managed to save other costs that partially compensated the recognition of reserves and provisions.

Staff costs in 2013 were at the same level as in 2012.

The EBIT decrease reflected the increase in depreciation as a result of the continued renewal of the rolling stock. The total loss of the passenger transport segment of CZK 1.8 billion was caused by the foreign exchange rate losses arising from the devaluation of the Czech crown and costs of external funding.

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

The decrease in the construction and manufacturing industries in the Czech Republic, the June flood, the decrease in purchased consumables and services and the lost transport of coal to the Chvaletice power plant resulted in the decrease of revenues sales of principal activities of the freight transport segment, which decreased by CZK 1.1 billion (7.3%) year-on-year.

Given the continuing savings and restructuring measures, the operating expenses decreased by CZK 1.4 billion (13.7%) Savings were achieved by both the lower amount of purchased consumables and services and lower costs of energy, fuel and materials. As a result of restructuring, significant savings were achieved in staff costs, which decrease by CZK 203 million (4.5%) year-on-year.

The year-on-year increase in EBITDA by CZK 1 billion was positively impacted by the profit from the sale of 767 vehicles and 86 locomotives to Poland and profit from the second tranche of leaseback of modernised locomotives of 363.5 series. This profit from the sale of assets was, however, eliminated as part of the consolidation for the ČD Group and transfer data to IFRS and did not significantly impacted the loss of ČD Group under IFRS. On the level of the profit generated from the sale of assets under Czech Accounting Standards (CAS), ČD recognised reserves and provisions for assets and receivables.

The amount of the depreciation under CAS was primarily impacted by the extraordinary depreciation of the valuation difference of CZK 1.2 billion in 2012 which, together with lower realised investments and the adjustment to the methodology of the depreciation of vehicles in 2013, positively impacted the amount of the depreciation in 2013.

The freight transport segment in 2013 reported the operating profit of CZK 674 million and net profit of CZK 522 million.

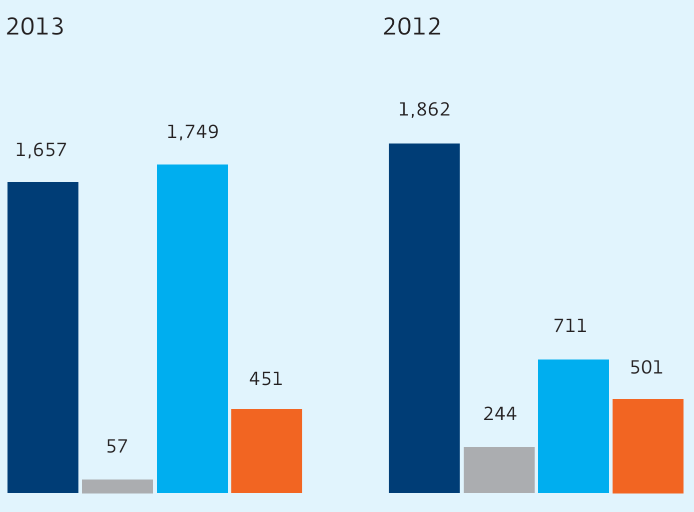
The analysis of freight transport is based on the segment analysis, which is part of the notes to the IFRS consolidated financial statements.

Asset Management

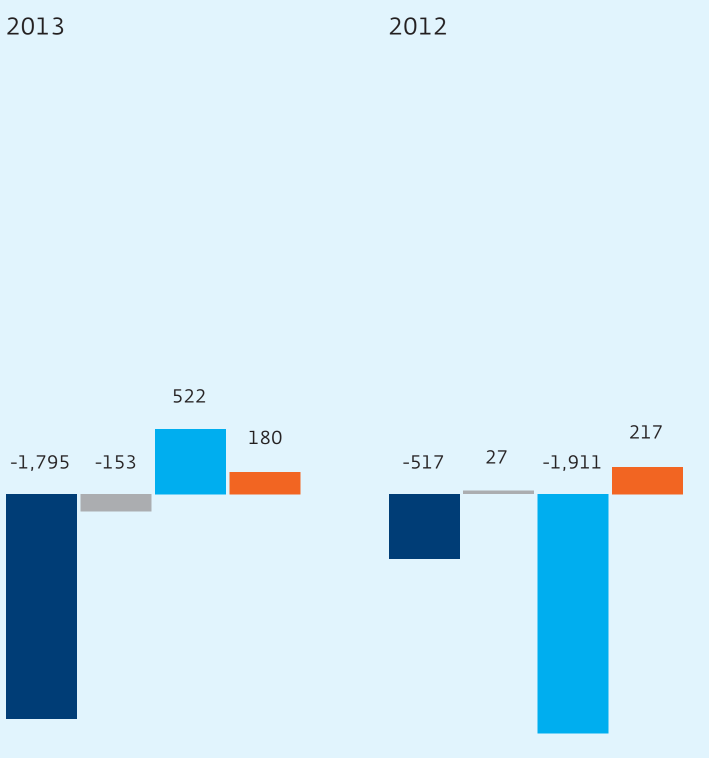
In 2013, the planned sales of redundant assets were not fully achieved. This was mainly due to the condition, location and character of the real estate sold. The varying quality of the railway real estate portfolio, together with the situation on the real estate market in the crisis, in which even premium real estate is difficult to sell, had a significant effect on the sales of the redundant assets of ČD, a.s. in 2013.

The analysis of asset management transport 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.]



Passenger transport
Asset management
Freight transport
Others

Information on the Financial Position and Financing of the ČD Group

ČD Group has been maintaining a conservative financing policy, which is based on the use of diverse funding resources in the form of bank loans, the 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 Group draws the necessary volumes of funding and leaves a sufficient reserve of non-drawn reserved loan facilities.

In 2013, the funding for the Group's investment and operational needs was ensured by the combination of internal and external short-term funding (overdraft loan facilities and a promissory note programme) and long-term resources (bonds).

On 21 June 2013, the Moody's rating agency downgraded the rating of ČD, a.s. from Baa1 with a negative outlook to Baa2 with a stable outlook.

On 25 July 2013, ČD, a.s. issued corporate bonds at the nominal value of CZK 4 billion that were accepted for trading on the regulated market of the Prague Stock Exchange. The bonds are due in 2018 and bear a half-year coupon composed of the 6M PRIBOR reference rate plus margin of 1.70 % p.a. The principal managers of the issuance were Česká spořitelna, a.s. and Československá obchodní banka, a.s. The total volume of issued bonds in the year 2013 is hedged against the interest rate risk.

In 2013, the subsidiary ČD Cargo, a.s. issued a second tranche of leaseback of the modernised 363.5 series traction vehicles. The modernisation of last ten traction vehicles of 163 series to 363.5 series is planned for 2014.

Future Outlook

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

In 2014, the passenger transport segment will focus on an increase in the quality and services and the adjustment of the portfolio of offered services to customer needs, by which it would like to maintain the trend of the increase in the number of passengers. The improvement in the quality of vehicles and the increase in the effectiveness of the offer of regional and long-distance trains is one of the preconditions for achieving the objectives in this segment. The operations will be impacted by the increases in costs due to the growth in the price of oil, increased payments for the use of the railway route for regional transport trains for which discounts were cancelled and the increase in the depreciation primarily due to the purchase of new railway vehicles. The increase in costs will be compensated by the continued saving measures in the administrative and operating activities. The most significant risk for the profit or loss in 2014 is to assure the additional operating profitability, which will be able to ensure an adequate return of fixed assets (ie absorb the increase in depreciation due to the intensive renewal of railway vehicles) and debt dealing arising from an increased need for capital expenditure.

The freight transport will continue in restructuring measures. One of the principal tasks is to ensure the sustainable operations of the system for the transport of individual railway shipments in the Czech Republic.

For the Group the risk remains in the decline in sales of redundant assets due to the continuing worsening situation on the real estate market.

In 2014, there will be a potential possibility for the use of an option for premature repayment of the first issue of bonds. If this happens, ČD Cargo, a.s. will replace repaid bonds with new medium-term sources.

The third-party funding of the group will be based in the future on the combination of bonds for the long-term funding of investments and short-term overdraft loans and promissory notes programme for managing the operating liquidity.

The goals for the upcoming period

The goal of ČD, a.s. for 2014 is to strengthen its competitiveness in international and intrastate long-distance transport and suburban and regional transport. Primarily, segments of long-distance and suburban transport have been showing a stable growth trend for more than 5 years. This relates to the development of the general mobility of the population of the Czech Republic and suburbanisation in key agglomerations in the Czech Republic. For this reason, ČD, a.s. anticipates further growth in the number of transported passengers and traffic performance in these two segments. However, the achievement of these goals is conditioned by the continuing modernisation of the rolling stock and renovation and increase in the speed and capacity of the railway route on the state owned railway infrastructure. Through the sustained process of increasing the quality of its services, ČD, a.s. wants to maintain and further increase its market share on key long-distance routes such as Prague – Ostrava, Prague – Brno and Prague – Plzeň.

In 2014, railjet units will be gradually supplied and launched to the Prague – Vienna route so that a new operations concept of an interstate Prague – Brno – Vienna – Graz line could be launched. Concurrently, this will bring an increase and a certain harmonisation of quality on a significant intrastate Prague – Brno route.

Passenger Railway Transport Operation

Passenger transport is the core business of ČD, a.s. In the year ended 31 December 2013, ČD, a.s. continued to increase the quality of transportation services and customer care. This trend has the positive result of an increasing interest in travelling on ČD, a.s. trains, with the number of transported passengers amounting to 169.3 million persons and traffic performance to 6,923.8 million person-kilometres. Although another transporter started to operate on the Prague – Ostrava route, the total amount of transported passengers in ČD, a.s. trains increased by 0.5 million persons and traffic performance by 17 million person-kilometres as compared to 2012.

In long-distance international transport, ČD, a.s. continued the existing cooperation with its foreign partners. Together with the Austrian ÖBB, ČD, a.s. is preparing the launch of operations of railjet units on the Prague – Vienna – Graz route. In cooperation with the Slovak ZSSK, ČD, a.s. improved the offer of train trains on the Brno – Bratislava route by a new pair of EC trains from Brno to Budapest providing for early-morning trains from Brno to Bratislava and Budapest, and a late-evening train from Budapest and Bratislava to Brno. Following the change of the train schedule in December 2013, ČD, a.s. also added two pairs of trains to the Prague – Vsetín – Žilina route to create a 2-hour interval.

In intrastate transport, ČD, a.s. faces strong competition from transporters on the Prague – Ostrava route. In 2013, a second competitor entered this route. In spite of this fact, ČD, a.s. manages to maintain a significant share on this route. In 2013, the offer of ČD, a.s. on the Prague – Ostrava route included SC Pendolino trains and EC and Ex categories of traditional trains.

Selected SC Pendolino trains started to go more frequently to Plzeň and Františkovy lázně, starting with the new train schedule for 2012/2013. The Sunday connections SC 506 Bohumín – Františkovy Lázně and SC 515 Františkovy Lázně – Bohumín were added to the original Saturday connection of SC 502 Bohumín – Františkovy Lázně, together with the SC 511 Františkovy

Lázně – Bohumín connection in March 2013. SC Pendolino trains additionally offered the fastest and the most comfortable connection between both Prague and Ostrava and to Plzeň and Františkovy Lázně. Pursuant to a positive development in the number of passengers on the Moravia/Eastern Bohemia/Prague – Plzeň/West-Bohemian spa routes, the number of SC Pendolino trains on the Ostrava – Praha – Plzeň – Mariánské Lázně – Františkovy Lázně route was increased following the change in the train schedule in December 2013. Newly, this connection is provided by two pairs of trains almost all day. Following the change in the train schedule, the offer of trains was improved and travel time was shortened on the Ostrava – Northern Bohemia/Germany route. ČD newly provides for a faster change in Prague between SC Pendolino trains from Ostrava and EC trains heading to Berlin every two hours.

In 2013, construction activities on the third and fourth railway corridor continued, which influenced the quality of the transportation services offer. A positive trend was the growth in the number of passengers on the already-completed Plzeň – Cheb route. On the route to Bavaria, ČD, a.s. newly introduced 4 pairs of rapid trains (Sp) between Cheb and Nürnberg. These new trains have an ensured a fast transfer connection from fast trains on the Prague – Plzeň – Cheb route and represent a competitive offer of railway connection from the Czech Republic to the important Bavarian agglomeration. In combination with the transfer connection to SC Pendolino, this train has offered a relatively-comparable alternative to IC buses since December 2013 once a day for the time being. Following the change in the train schedule in December 2013, the travel times of trains on the Prague – České Budějovice route were reduced by approximately 12 minutes, which significantly accelerated the transportation of passengers to Benešov and Tábor.

In 2013, no significant changes in the offer were made in regional transport. However, the quality of transportation services was significantly improved by the launch of new electrical and motor traction vehicles.

Freight Railway Transport Operation

Freight railway transport is the core business of ČD Cargo, a.s., which includes the transport of almost all types of goods, from bulk cargo to consumer goods. In addition, it is able to provide for special transports (army shipments, radioactive fuel) and extraordinary transports (transformers, large construction panels). These principal activities are amended to include other services such as operations of railway sidings, customs services, storage or maintenance and repairs of traction and drawn vehicles, etc. In addition to the territory of the Czech Republic, these services are provided in surrounding countries through subsidiaries. ČD Cargo, a.s. has an extensive rolling stock of hauled vehicles capable of operations on most of the European railway network, and a fleet of locomotives for operations primarily on the SŽDC network. The fleet of locomotives is extended to include interoperable locomotives allowing operations in surrounding countries, primarily in Slovakia, Poland and Hungary. ČD Cargo, a.s. perceives the combined transport segments as a long-term perspective transport segment in which it cooperates with all significant operators and provides for the operations of trains with containers and road semitrailers.

In 2013, ČD Cargo, a.s. was the fifth-largest freight railway transporter in Europe and a significant employer in the Czech Republic. It operated more than 800 locomotives of dependent and independent traction. It had more than 20 thousand railway vehicles able to satisfy almost all transport requirements of customers. In 2013, it offered two principal products to its customers – complete trains and transport of single wagon shipments. Thanks to this offer, ČD Cargo, a.s. was the only transporter in the Czech Republic to offer actual network-wide services.

Asset Management

In 2013, the asset administration segmentof ČD, a.s. administered 5,442 buildings, of which 1,153 were railway stations accessible to passengers. In 2013, the number of redundant buildings decreased by 300. At the end of 2013, 3,185 apartments were rented in the buildings. The number of leased apartments decreased by 426 year-on-year.

The total of 12,962 external lease contracts were concluded for premises and land, which is 44,027 leased buildings in records and 2,622 internal contracts, ie 14,148 leased buildings.

To provide services to passengers, the most significant buildings are railway stations. Their condition is poor in the long term. For this reason, increased attention should be paid to their maintenance, repairs and renovations. This constitutes a significant cost item.

The optimisation of the management of railway station buildings relates to the efforts of ČD, a.s. to find a system solution for payments for the operations of publicly-accessible premises. The railway station buildings s and railway stops are part of the railway route regardless of their owner according to the Act on Railways and its implementation regulations. For this reason, ČD, a.s. has to provide access to publicly-accessible premises to other transporters in a non-discriminatory manner. The access and provision of necessary premises and services cannot be free-of-charge. As a result, ČD, a.s. seeks a method how to charge the access, or a fair division of the costs of administration, maintenance and cleaning of these premises among the involved transporters. In terms of the current needs and provided services, numerous railway station buildings are significantly oversized. For an economically-defensible possibility of use, they have to undergo construction optimisation so that their premises can be used for the provision of services related to the transport and related commercial activities.

During the year 2013, Grandi Stazioni, the lessee of the main train station in Prague, renovated, in cooperation with ČD, a.s., the first part of the historical Fanta building – the central part of the building with the Fanta café.

In 2013, ČD, a.s. intensively negotiated with the majority shareholder of Masaryk Station Development on adjustments to contracts.
As part of the revitalisation of the Brno main train station by Brno New Station Development, the terrace in front of the railway station building, retaining wall and kiosk were renovated and the facade of the railway station building was repaired.

In 2013, ČD, a.s. did not manage to fully meet the planed sales of redundant assets. This was primarily due to the condition, locality and features of sold real estate. The results of the sale of redundant assets were additionally impacted by unsuccessful attempts to sell large real estate, such as the sale of the historical building in Brno in Kounicova Street or the building in Plzeň in Purkyňova Street. Selected real estate was included in the real estate involved in the prepared sale of a business part as required by SŽDC state organisation. In total, 397 sales were made in 2013.

Other development projects that belong to the ČD Group are Centrum Holešovice a.s., Smíchov Station Development, a.s. and Žižkov Station Development, a.s.

Other Activities

Employment Policy and Social Programme

The ČD group centralises human resource management and methodology processes in order to increase the quality of HR and payroll services. HR services are provided on the basis of a standard level agreement and their effectiveness is monitored and regularly assessed. All human resources processes are centralised in HR Centres in regions. Activities of subsidiaries are provided by a standalone HR Centre based in Prague and Ostrava.

The headcount of the ČD Group recalculated to FTEs in 2013 was 25,043, of which ČD, a.s. employed 15,636 persons and ČD Cargo, a.s. employed 7,998 persons – a year-on-year decrease of 1,400 employees.

In 2013, ČD,a .s. continued its transformation process to a modern and effectively-operating business company providing quality services in railway transport. Accordingly, HR work focused on the optimisation of the structure of professions and a socially-considerate reduction in the number of employees while maintaining the employment rate necessary for the effective operation of the Company and an increase in the quality of provided services.
The optimisation of the number of employees will continue in 2014. The focus on the social tolerability of the reduction in the number of employees in cooperation with labour unions will be one of the priorities of HR activities in 2014.

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 2013, 13,783 preventive medical examinations of ČD, a.s. employees and 173 examinations as part of the preventive healthcare in the workplace were completed.

In 2013, ČD, a.s. included 10 trade unions. During the course of the year, the trade unions participated in a social dialogue resulting in the conclusion of the 2014 corporate collective agreement that was performed during the year and evaluated by the social partners on a regular basis.

Education

The extensive education of railway professions is provided for the entire ČD Group by its subsidiary, Dopravní vzdělávací institut, a.s. (DVI). This entity also operates on an external educational market with a wide portfolio of customers where SŽDC, s.o. is a key client. In its segment, DVI is a renowned company, the holder of important certificates for its activities (ISO 9001:2009; accreditation of the training centre for engine drivers, authorisation by the Ministry of Transport for the education and testing of partial qualifications of railway professions; accreditation for psychological examinations; certification of training of welders). It has a network of classrooms, a unique electronic log-in system, iTutor educational system and professionals in particular education areas. This entity provides for both the professional education of certain professionals and the ongoing periodic education for the maintenance of qualifications. According to the requirements of clients, training takes the form of the attendance of lessons, e-learning or combined education. Other activities include language lessons, soft skills training, preparation of electronic lessons for presentation and e-learning, welding courses, psychological evaluations, etc.

International Relations

In terms of international relations, ČD Group's objective was to enhance its position on the market, including both passenger and freight transport. This objective was fulfilled by bilateral actions and by the actions of statutory and professional bodies of international organisations. ČD, a.s. acted on behalf of the whole ČD Group during strategic international meetings; the relevant stances for individual areas were regularly discussed with all ČD Group entities.

In the field of transport policy, special emphasis was put on preparing the content of the so-called "4th Railway Package" of the European Commission, which is currently subject to discussion in the European Parliament and will soon be discussed in the Council of the EU. This package of legislative proposals will have a considerable impact on the EU railway community and therefore it was a key point that ČD's representatives discussed with the Community of European Railway and Infrastructure Companies (CER) and EU bodies. In the technical field, it is expected that the approval process of new vehicles will be easier and cheaper, which will have a positive effect for carriers; ČD, a.s. further expects the establishing of rational and mutually-favourable relations between the European Railway Agency (ERA) and national approval authorities. In terms of railway structural organisation in EU member states, ČD, a.s. promotes the subsidiary principle, ie a free choice of the institutional structure of the railway in the given country and is strictly against any efforts to advantage some countries, eg in the field of holding arrangements.

For ČD, a.s., the key part of the package is public services and their subcontracting. ČD, a.s. representatives support the idea to create a level playing field for companies, ie even the national carrier may not be excluded from a tender, eg in the field of procurement or investments.

Within the International Union of Railways (UIC), ČD, a.s. plays an active role in all professional bodies and thus helps to maintain a high level of technical and operational standards and recommendations, mainly UIC regulations. The presiding railway company of UIC (Russian Railways) emphasises the approximation of technical and other operational parameters of railways in Europe and Asia and the development of key corridors between the East and the West. ČD, a.s. supports these efforts because they influence its business activities.

ČD Group benefits from the activities of the Organisation for Railway Cooperation (OSŽD) in the field of business cooperation in the East. Experts in the field of person and freight transport meet regularly within OSŽD and help to further develop transport. A nice example may be the new connection between Prague and Russia introduced in December 2013. ČD, a.s. wants to further help the OSŽD to transform its structures into a dynamic device/tool of railway transport development in the Eurasian area.

ČD, a.s. regularly organises bilateral workshops of infrastructure managers and carriers. During these workshops, permanent working groups try to solve operational problems for the benefit of all the players on the market in the given country.

Marketing

The business and marketing pillars set in 2010 became the central motifs of ČD, a.s.'s support of its brands and products in 2013.

The basic pillar of marketing is the "In Karta". The main and fulfilled marketing objective was to increase the number of its users. Thanks to the **"Děti zdarma"** (Children Travelling for Free) campaign the number of newly-purchased applications has increased significantly. The systematic support of IN 25% and IN 50% applications increased the total number of passengers owning an In Karta.

ČD, a.s. further supported the ČD Tiket pillar, ie the support of regular travelling on selected long-distance and regional routes. Most important was the introduction of a dynamic tariff for the SC Pendolino train linked to the "Místenka zadarmo" (Seat Reservation for Free) campaign that took place in July and August.

Leisure travelling was supported by **"Víkendová skupinová jízdenka"** (Weekend Group Ticket) and the **ČD Ski and ČD Bike** campaigns. During summer holidays, when the number of passengers is higher, the Nostalgie (Nostalgia) offer, with the substantial support of Regional Centres of Personal Transport, was introduced.

Several campaigns aimed at business clients and products used by them were launched to gain business clients – mainly the promotion of "In business".

ČD, a.s. has also intensively supported on-line purchasing of tickets and reservations. In 2013 the number of tickets and products available in the e-shop and the share of e-shop users raised to 4%. In compliance with the corporate strategy, ČD, a.s. launched a new visual and communication style called "Překvapení" (Surprise).

To find out customer satisfaction, ČD, a.s. conducted a comprehensive survey of a sample of 5,500 respondents; its main outputs were the overall satisfaction with the infrastructure and quality of personnel.

Environmental Protection

In the area of environmental protection, ČD Group focuses on the implementation of legislative amendments and checking if the obligations have been fulfilled. Significant legislative amendments were introduced in the area of air protection and the protection of nature and the environment. In relation to the fulfilment of obligations in the area of environmental protection within the ČD Group, ČD,a s.. and the Department of Railway Vehicles established the Register of Legal and Other Requirements, which is updated regularly. The members of the ČD Group are informed about eventual changes in the area of environmental protection without delay so that internal regulations might be updated and relevant training provided. Based on the contract of mandate between ČD, a.s. and its subsidiary, ČD Cargo, a.s., ČD, a.s. provides the required servicing.

In the area of environmental protection, ČD Group focuses mainly on the following areas and activities:

- Rehabilitation of soil and underground water (rehabilitation of soil and underground water and elimination of the consequences of the extraordinary emergency leakage of hazardous substances into the environment);
- Water management (monitoring the quality of drinking and sewage water; updating emergency plans for establishments in which hazardous substances are handled and updating the simplified emergency plans for all railway stations);
- Air protection (checking the technical state and operation of the combustion stationary source; measuring air pollution; measuring the efficiency of energy use; and checking and cleaning of the combustion gas circuit);
- Waste management (disposal of hazardous and other waste so that this can be used or disposed of; establishing a register of waste types and waste management; monitoring of waste production and checking the appropriate classification of individual waste types into categories; reduction of hazardous waste; checking the obligatory system of taking back selected used products; checking waste collection and sorting);
- Nature and landscape protection (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);
- Chemical substances and agents (training on and checking of the management of chemicals and chemical substances); and
- Information systems (maintenance of the software for recording hazardous waste management and air protection, including the Ecologist Handbook).

The project entitled "Elimination of the Pollution Focal Points in the Former Wood Impregnation Factory on the Premises of the Brodek u Přerova Bridge" was concluded on 30 December 2013. The costs of eliminating the environmental burden were co-financed from EU funds as part of the "Environment" Operational Programme with a subsidy amounting to 90% of the total tax-deductible costs.

Research And Development

The subsidiary Výzkumný Ústav Železniční, a. s. (VUZ) provides professional services in railway transport and partial and comprehensive science and research solutions to members of the ČD Group and clients outside of the Group.

Both in EU countries and countries outside the EU, VUZ is considered a renowned company specialising in the long term in the provision of professional services and comprehensive solutions in specialised testing, assessment of compatibility with the requirements for interoperability, and expert activities for railway systems and railway transport. These services are provided by VUZ as authorised entity no. AO 258 and notified entity no. 1714 for assessing compliance with the requirements for the interoperability of the European railway system. In addition, VUZ operates as accredited testing laboratory no. 1462, as accredited certification body for products no. 3149, as accredited inspection body no. 4056, and as a certified entity for assessing safety under CSM. In its Velim testing centre, VUZ operates railway test rings equipped with modern infrastructure. Thanks to an extensive modernisation from 2009 to present, the testing centre has been a popular and reputable testing centre for railway technology and railway equipment in Europe.

A significant improvement of technical parameters of the testing centre in the past years resulted in the growth of prestige of VUZ among local and foreign clients and appreciation among professionals. In 2013, the development of the Velim testing centre made more space for the extension of authorised and accredited activities of VUZ and strengthening of their commercial use. In connection with the long-term tradition of the company, which has professionally-educated and respected specialists in railway transport, good relationships with its clients and high-quality provided services, the current parameters of the testing centre allow the further strengthening of the position of the testing centre on the local and international market. This position is additionally strengthened by a close cooperation with leading producers, academic institutions and labour unions both in the European Union and outside the European Union.

As part of the involvement in research projects financed or supported in national or EU programmes, VUZ actively participated on the implementation of the following projects in 2013:

EUREMCO Project – European Railway Electromagnetic Compatibility – being solved as part of the seventh EU Framework programme between October 2011 and September 2014. It deals with the electromagnetic compatibility of railway vehicles (EMC).

D-Rail Project – Development of the Future Rail Freight System to Reduce the Occurrences and Impact of Derailment – being solved as part of the seventh EU Framework programme between October 2011 and October 2014. It deals with the development of new railway monitoring systems in order to reduce the number and impacts of derailments.

NOVIBRAIL Project – noise emissions and vibrations in the railway system initiated with the support of the Technology Agency of the Czech Republic and recorded under no. TA 01031267. VUZ is the principal investigator of this project, which is being solved as part of the TAČR – Support of the applied research and experimental development ALFA, PP3 – Sustainable Transport Development programme. The NOVIBRAIL project solves the "TSI noise" application in both railway infrastructure and railway vehicles with the objective of proposing a more-effective solution in used materials and technologies and approval process for a new or modernised infrastructure and railway vehicles.

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 Sales and Technology 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, primarily by means of the application of the most recent results of the railway research.

Information Technology

The priority for IT remains in the support and development of passenger transportation. ČD, a.s. puts emphasis on on-line sale of tickets. The e-shop is available on the mobile phones of ČD, a.s. customers and it is possible to send the intrastate eTiket via SMS to mobile phones. Loyal customers can use the In-karta for the purchase of a ticket, IN-karta allows to find purchased tickets directly on the train through ČD, a.s. systems. This trend will continue and ČD, a.s. will make the mobile application accessible for smart phones at the beginning of 2014. The purchase and inspection of tickets will additionally be supported by ticket collectors who will have smartphones. New mobile phones will allow the sending of up-to-date information on extraordinary events directly to the traveling train and ticket collectors will be able to provide the passengers with up-to-date information.

In terms of information technology, an important milestone in 2013 for passenger transport was 30 July 2013 when the first stage of the solution for a new Dispatching Information System of Passenger Transport (DISOD) was successfully received by ČD, a.s.This system means a significant improvement in the quality and acceleration of decision-making processes in the controlling management of operations including dealing with extraordinary situations. The system provides for the support of the preparation and monitoring of planned and extraordinary operations, flexible changes, monitoring of the traffic with the possibility of map, table and flow chart display, monitoring of the vehicle and staff operations, management of connections, communication of messages according to TAFT SI, and many more, including the automated exchange of information with surrounding related systems.

In respect of transport planning, ČD, a.s. initiated the implementation of the Short-term Plan of Operations project and continues the tender for the Long-term Plan of Operations project. The objective is to plan transport in the long-term both from the perspective of transport orderers and the preferences of passengers, and, last but not least, to better predict economical operations.

In addition, ČD, a.s. extends the information for passengers in vehicles (MAVIS) where electronic information has almost became a standard. In order to accelerate repairs of vehicles, the reporting of defects on vehicles was automated. The train crew has the possibility of reporting defects directly to POP (portable personal cash register). In terms of the cooperation with regions, ČD, a.s. participates in the integrated check-in of passengers into integrated transport systems.

In 2013, the project of the integration of the ODIS card with the Moravian-Silesian region was completed and it is awaitsthe launch of the last two milestones. Together with the Plzeň region, an innovative change both in the In-karta and connection with integrated transport systems – known as the MAP card is being prepared.

In 2013, the Company and its subsidiary ČD - Informační systémy, a.s. (ČDIS) initiated a demanding project for the alignment of the infrastructure in computers and printing solutions, including central systems and IT safety. The Single Service Desk will be used for the recording of IT tickets. This project aims to set single rules for the ČD Group in terms of infrastructure. ČDIS focuses on the provision of information and communication services (ICT) for the ČD Group and SŽDC, s.o. The task of the Company is to strengthen this strategic partnership and meet the objectives of the ČD Group in ICT, increase the quality and effectiveness of provided services. In 2013, ČDIS completed the internal transformation including the organisational structure, internal processes and reporting with the focus on quality and costs of provided services. As part of internal activities, the Company developed technological standards, strategies of product domains and areas such as the Data Centres Operations, and initiated the first steps of these strategies. ČDIS additionally made significant investments in data centres and started the capacity management of data centre sources. In supplied services, ČDIS successfully supplied implementation projects from the PROBIS programme for ČD Cargo, a.s. and transferred them to the standard operations regime. ČDIS started the operations of a single-user ICT helpdesk for customers.

Also as a representative of the ČD Group, the Company successfully selected the supplier and initiated work on a single provision of printing services in the ČD Group. In 2014, ČDIS will focus primarily on data centre operations with the objective of standardising technologies and processes in order to provide customers with the benefits from the volume of operated capacities. In new projects, ČDIS will focus on the implementation of strategies and the development of product domains and the review of processes in the servicing of terminals.

ČD - Telematika a.s. (ČDT) is an important provider of telecommunications services, services relating to highly-secured data centres and services in the administration, maintenance and construction of telecommunication systems necessary to ensure the operations and operability of the railway infrastructure. In addition to railway infrastructure and transport sector customers, its customers include state administration and self-government bodies, large local companies and other entities primarily providing telecommunication services. ČDT concluded a contract for the operations and maintenance of telecommunication assets with SŽDC, s.o. and concurrently extended the contract for the post-warranty servicing of the backbone optical network of the Czech Ministry of Interior. It continued to implement the project of equipping railway vehicles with GSM-R radio-stations and continued to modernise and equip railway measurement vehicles with relevant technologies. It successfully extended the existing certifications in the provision of ICT services, including quality assurance, successfully underwent the audit of the obtained certificate under ČOS 051622 (AQAP 2110) standard. The strategy of ČDT for the following period remains to be the development of new opportunities in the ČD Group and the growth of sales outside the railway infrastructure and transport sector and further strengthening of the strategic partnership with SŽDC in the administration and servicing of the railway telecommunication infrastructure. Principal growth opportunities can be identified in telecommunication services, focusing primarily on the wholesale data services segment, offer of telehousing services with high added value, the provision of sophisticated services in the lease of computer technology and related IT solutions and outsourcing even in the state administration segment. Significant potential can also be found in the growth of MVNO services. The primary business model in telecommunication services remains the wholesale model.

Repair and Maintenance of Rail Vehicles

DPOV, a.s. (DPOV) is one of leading companies engaged in repairs of railway vehicles in the Czech Republic. The principal role of DPOV in the ČD Group is to provide for periodical medium- and higher-grade repairs, renovations and other various types of common maintenance of railway vehicles. DPOV provides its services also on the open market and provides repairs to exclusive customers. As part of an increase in the quality and safety of the ČD, a.s.'s rolling stock, DPOV initiated a structural change in 2013 and through the rationalisation of own production and repair processed allowed to increase its capacities to include repairs and renovations of passenger vehicles. The specialised shop for repairing wheel sets in operating centre for repairs (PSO) in Nymburk underwent a significant change. After the optimisation, its production capacity was significantly increased, by which it seeks to comply with the needs of the ČD Group. DPOV uses the principle of cost management with pressure on the decrease in prices for customers and increase in the work effectiveness.

Catering Services for Travelling Customers

JLV, a.s. (JLV), that has already been operating in catering services on Czech railways for 55 years, maintained its long-term dominant position in 2013. In spite of the significant increase and innovative steps of competitors, the Company managed to made the offered services (buffet cars, snack bar cars, snack bars in SC Pendolino and sleeper and couchette cars) even more attractive for clients and add other secondary services. The ever-increasing professionalism of the staff is positively perceived by both contractual partners and passengers. The provision of services through modern technologies and their offer for use by the public ONLINE BISTRO in SC Pendolino was rewarded by a prestigious award of IRCG – "Most Innovative Caterer 2013" association. JLV provides gastronomical services and retail services in trains both for the principal partner, ČD, a.s., and the DB German transporter.

Travelling and Holidays

The services provided by the travel agency ČD travel, s.r.o. (ČD travel) are not limited to rail employees only. ČD travel 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). Holidays abroad include transport service either by bus, plane or train. Most clients travel to Croatia, Greece and Turkey. The agency plans sight-seeing tours in all parts of Europe. ČD travel is among the very few Czech companies using 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. The average number of clients per year amounts to 15,000 clients, which makes it rank among middle-sized travel agencies.

Advertising and Media

RAILREKLAM, spol. s r.o. (RAILREKLAM) has been operating on the Czech market of outdoor advertising since 1991. Since its foundation, it has focused on the use of movable and immovable railway assets for advertising purposes. After the split of České dráhy into the transporter ČD, a.s. and railway infrastructure administrator – Správa železniční dopravní cesty, s.o., it has cooperated with both organisations and covers all their assets. Almost 20 years of experience of RAILREKLAM with the operations and construction of advertising spaces is a guarantee of quality advertising media in highly-frequented places for a reasonable price. The most significant and most frequent customers are advertising and media agencies. Complete outdoor campaigns are also prepared for direct clients. The provided services are complete and include printing production ranging from the graphical design to the production of advertising and its installation. In 2013, the Company made and plans to make in the coming years new investment in its advertising network with an objective of maximally using the advertising potential of the assets of ČD, a.s. and SŽDC, s.o.

Investment Development of the ČD Group

Investments of individual entities in the ČD Group are driven by the nature of their principal activities. A significant part of ČD, a.s.'s investments are investments in the renovation of the rolling stock of both regional and long-distance passenger transport. In regional transport in 2013, a significant part of supplies of new railway vehicles acquired with the financial support of the EU as part of regional operational programmes, primarily low-floor electrical and motor RegioPanter and RegioShark units. In long-distance and international transport, principal investments include the continued supplies of modernised air-conditioned passenger railway vehicles for the speed of 160 km/hour. During 2013, ČD, a.s. received most of the 20-piece series of modern three-system electrical locomotives of 380 series. Investments in construction and machinery in 2013 were primarily in the operations of repairs and maintenance of newly-supplied vehicles. The most significant investment was the revitalisation of the operational unit of the Libeň depot of railway vehicles in Prague. The investment of ČD, a.s. in IT technologies primarily involved the investments in the systems supporting the passenger railway transport operations.

In 2013, ČD Cargo invested primarily in the renovation of its rolling stock. These investments includeed the modernisation and technical improvements of both traction vehicles and wagons, the most significant investments included the supplies of modernised 363.5 series electrical locomotives and technical improvements of Eas series four-axle high-sidewall vehicles for the transportation of powdered materials. The construction, machinery and other investments of ČD Cargo were limited to operations ensuring the proper operations of the Company in 2013.

Investments of VUZ primarily focus on the VUZ Velim testing centre, frequently with the financial support of the EU. In 2013, VUZ made successful investments that are part of the subsidised project "Extension and Development of the Research, Development and Innovations of the Development and Testing Centre in Velim" consisting of the extension of existing halls for the preparation of HPZ I and HPZ II tests. In the same subsidised programme, VUZ started preparing the "Acquisition of Equipment for Testing of the ETCS L2 train securement" investment.

The investment of DPOV primarily includes construction and machinery investments in the development of repair capacities. The most significant investment in 2013 was the construction and supply of the technology of the varnishing plant in the operating centre of repairs in Nymburk.

The investments of ČDIS focus on the meeting of ICT needs of the ČD Group. Investment activities primarily focus on the development of data centres, ie servers, data storages and relating licences. Other investments include the purchase of software licences and renovation of terminals. The key investment made in 2013 was the purchase of a disk drive allowing the dynamic provision of capacities.

The investments of ČDT include investments in construction and IT investments in telecommunication services and infrastructure and cover the needs of the ČD Group and support of the contracts with external customers. Key investments included the extension and renovation of the company's own optical network, the strengthening of hardware in the L2/L3 network and the renovation of the L2/L3 access network, and the strengthening of the WDM platform for customer projects and extension of coverage.

The investments of DVI focus on improvements in education. In 2013, DVI primarily invested in the equipment for the education and renovation of the equipment in the transport hall.

In 2013, RAILREKLAM started the project in premium indoor (railway station halls) and outdoor advertising. In this project, it invested in the large-scale billboard advertising.

Strategy Development of the ČD Group

Vision and strategy

In its strategic projects, ČD, a.s. is considering the introduction of a holding structure in the ČD Group in the long-term. For the current management of ČD, a.s., this issue is one of the priorities for the following period. This step will mean defining which subsidiaries will be part of the holding structure and subsequently what will be the division of individual activities between the holding and subsidiaries. The basis for the future holding structure will be the subsidiaries operating passengers and cargo transport. It is anticipated that the creation of the holding structure will bring financial savings in the ČD Group from synergies. The objective is to set a well-operating holding with strategic and methodological management that will be managed by the Board of Directors at the top level. The activities that will not be managed centrally will be provided by the subsidiaries themselves. The key issue for the holding structure is to ensure the economic self-reliance of subsidiaries.

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 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 2013, 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 2013, 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."

Report on the Consolidated Financial Statements

(in accordance with International Financial Reporting Standards)

Based upon our audit, we issued the following audit report on the financial statements which are included in this annual report on pages 49 to 112:

"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 2013, 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 2013, 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."

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 2013 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 2013 contains material factual misstatements.

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

The related party transactions report was prepared in accordance with Section 66a of Act No. 513/1991 Coll., the Commercial Code.

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2013 for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

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

.

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

In Prague on 8 April 2014

Audit firm:

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

Statutory auditor:

Václav Loubek
certificate no. 2037

Consolidated Financial Statements for the Year Ended 31 December 2013

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 2013

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 8 April 2014
Statutory body of the reporting entity

Daniel Kurucz
Chairman of the Board of Directors
České dráhy, a.s.

Pavel Krtek
Member of the Board of Directors
České dráhy, a.s.

Statement of Financial Position (Balance Sheet) as of 31 December 2013

		31 Dec 2013 CZK thousand	31 Dec 2012 CZK thousand	1 Jan 2012 CZK thousand
Property, plant and equipment	16	74,197,376	73,545,823	69,682,502
Investment property	17	2,162,067	2,171,692	2,095,000
Intangible assets	18	571,745	571,451	567,896
Investments in joint ventures and associates	19	200,864	173,754	161,040
Deferred tax asset	13	12,022	6,439	0
Trade receivables	21	0	3,211	6,577
Other financial assets	22	1,619,722	724,517	947,075
Other assets	23	58,530	80,760	118,326
Total non-current assets		**78,822,326**	**77,277,647**	**73,578,416**
Inventories	20	1,128,138	1,178,752	1,130,194
Trade receivables	21	3,409,896	3,236,625	3,550,338
Tax receivables		1,191	10,279	4,024
Other financial assets	22	181,942	192,471	270,835
Other assets	23	1,092,974	872,348	1,321,604
Cash and cash equivalents	31	1,755,935	1,524,669	2,538,315
Assets held for sale	15	59,161	232,551	217,879
Total current assets		**7,629,237**	**7,247,695**	**9,033,189**
TOTAL ASSETS		**86,451,563**	**84,525,342,**	**82,611,605**
Share capital	24	20,000,000	20,000,000	20,000,000
Reserve and other funds	24	16,315,150	16,393,703	16,616,402
Retained earnings		1,196,207	3,176,714	4,817,974
Equity attributable to equity holders of the parent company		**37,511,357**	**39,570,417**	**41,434,376**
Non-controlling interests		741,544	748,588	866,849
Total equity		**38,252,901**	**40,319,005**	**42,301,225**
Loans and borrowings	25	29,896,632	26,560,597	20,197,402
Deferred tax liability	13	538,538	364,298	167,861
Provisions	26	213,071	241,144	221,480
Other financial liabilities	28	420,663	808,282	694,545
Other liabilities	29	520,291	375,591	381,498
Total non-current payables		**31,589,195**	**28,349,912**	**21,662,786**
Trade payables	27	6,582,557	7,428,699	7,606,527
Loans and borrowings	25	4,688,281	3,030,771	6,194,071
Tax payables		56,628	19,004	21,448
Provisions	26	2,016,357	1,721,689	1,097,990
Other financial payables	28	408,951	769,166	819,598
Other payables	29	2,856,693	2,887,096	2,907,960
Payables arising from assets held for sale	15	0	0	0
Total current payables		**16,609,467**	**15,856,425**	**18,647,594**
TOTAL LIABILITIES		**86,451,563**	**84,525,342**	**82,611,605**

Statement of Profit or Loss for the Year ended 31 December 2013

		Year ended 31 Dec 2013 CZK thousand	Year ended 31 Dec 2012 CZK thousand
CONTINUING OPERATIONS			
Revenue from principal operations	5	32,861,100	33,580,016
Other operating income	6	4,061,439	4,110,312
Purchased consumables and services	7	-17,220,954	-18,305,522
Employee benefit costs	8	-12,684,471	-12,848,172
Depreciation and amortisation	9	-5,726,408	-6,099,482
Other operating losses, net	10	-1,464,398	-973,760
Loss before interest and tax		**-173,692**	**-536,608**
Financial expenses	11	-1,009,938	-926,976
Other gains (losses), net	12	-467,716	105,434
Share of income of joint ventures and associates		12,273	15,012
Loss before tax		**-1,639,073**	**-1,343,138**
Income tax expense	13	-314,248	-251,190
Loss for the period from continuing operations		**-1,953,321**	**-1,594,328**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	15	0	0
Loss for the year		**-1,953,321**	**-1,594,328**
Attributable to equity holders of the parent company		-1,970,911	-1,622,629
Attributable to non-controlling interests		17,590	28,301

Statement of Comprehensive Income for the Year ended 31 December 2013

	Year ended 31 Dec 2013 CZK thousand	Year ended 31 Dec 2012 CZK thousand
Loss for the year	-1,953,321	-1,594,328
Foreign exchange rate gains or losses from the transfer of foreign branches	29,288	-2,190
Cash flow hedging	-139,562	-237,999
Relating income tax	22,131	-354
Other comprehensive income (loss) for the year (items that may be reclassified in profit or loss), net of tax	**-88,143**	**-240,543**
Total comprehensive income (loss) for the year	**-2,041,464,**	**-1,834,871**
Attributable to equity holders of the parent company	-2,059,054	-1,863,172
Attributable to non-controlling interests	17,590	28,301

Statement of Changes in Equity for the Year ended 31 December 2013

	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 2012	**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**
Profit (loss) for the year	0	0	-1,970,911	-1,970,911	17,590	-1,953,321
Other comprehensive income for the year, net of tax	0	-88,143	0	-88,143	0	-88,143
Allocation to the reserve fund	0	9,596	-9,596	0	0	0
Paid dividends	0	0	0	0	-24,634	-24,634
Other	0	-6	0	-6	0	-6
Balance at 31 Dec 2013	**20,000,000**	**16,315,150**	**1,196,207**	**37,511,357**	**741,544**	**38,252,901**

*) Comments refer to Note 24.3.

Cash Flow Statement for the Year ended 31 December 2013

		Year ended 31 Dec 2013 CZK thousand	Year ended 31 Dec 2012 CZK thousand
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year before tax		-1,639,073	-1,343,138
Dividend income	12	-1,926	-3,491
Financial expenses	11	1,009,938	926,976
Profit from the sale and disposal of non-current assets	6	-390,749	-410,023
Depreciation and amortisation of non-current assets	9	5,726,408	6,099,482
Impairment of non-current assets	10	458,608	-188,542
Impairment of trade receivables		189,246	103,415
Foreign exchange rate gains (losses)		679,743	-219,165
Other		33,344	-31,626
Cash flow from operating activities before changes in working capital		**6,065,539**	**4,933,888**
Decrease (increase) in trade receivables		-276,221	84,006
Decrease (increase) in inventories		-26,227	-61,191
Decrease (increase) in other assets		-117,497	580,569
Increase (decrease) in trade payables		514,597	297,530
Increase (decrease) in provisions		267,142	640,790
Increase (decrease) in other payables		-337,039	-445,479
Total changes in working capital		**24,755**	**1,096,225**
Cash flows from operating activities		**6,090,294**	**6,030,113**
Interest paid		-932,146	-666,633
Income tax paid		-86,462	-70,913
Net cash flows from operating activities		**5,071,686**	**5,292,567**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment		-8,286,326	-9,988,263
Proceeds from disposal of property, plant and equipment		735,311	524,375
Payments for investment property		-5,600	-93,194
Net cash flows from the sale of a business part		0	0
Costs of acquisition of intangible assets		-182,253	-186,261
Received interest		14,508	29,774
Received dividends		103	3,491
Net cash flows used in investment activities		**-7,724,257**	**-9,710,078**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		7,472,850	11,496,952
Repayments of loans and borrowings		-4,426,593	-8,054,720
Impacts of changes in equity *)		-137,786	-28,411
Dividends paid		-24,634	-9,956
Net cash flows from financing activities		**2,883,837**	**3,403,865**
Net increase (decrease) in cash and cash equivalents		**231,266**	**-1,013,646**
Cash and cash equivalents at the beginning of the reporting period		1,524,669	2,538,315
Cash and cash equivalents at the end of the reporting period	**31**	**1,755,935**	**1,524,669**

*) In 2012, the share capital of ČD - Telematika a. s. was decreased, the decrease in the share capital attributable to non-controlling investments was CZK (166,197) thousand, in the second half of 2012, CZK 28,411 was paid and in 2013, the remaining CZK 137,786 thousand was paid.

Notes to the Financial Statements for the Year Ended 31 December 2013

1 General information

1.1 General information

1On 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 2013. The reporting period is the calendar year, i.e. from 1 January 2013 to 31 December 2013.

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

Section of the Company's CEO;
Section of the Company's Deputy CEO for Passenger Transport;
Section of the Company's Deputy CEO for Economy and Technology;
Section of the Company's Deputy CEO for Asset Administration; and
Section of the Company's Deputy CEO for Cross-Functional Activities.

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 the Parent Company's Bodies as of 31 December 2013:

Steering Committee

Chairman	Lukáš Hampl
Vice Chairman	Josef Kubovský
Member	Michal Janeba
Member	Veronika Kramaříková
Member	Petr Pelech
Member	Zbyněk Šolc
Member	Richard Vítek

Pursuant to Resolution No. 543 of the Czech Government of 16 July 2013, the positions of members of the Steering Committee of Miloslav Hala, Michael Hrbata, Miloslav Müller and Jiří Žák expired. Pursuant to this resolution, Veronika Kramaříková, Josef Kubovský, Richard Vítek and Zbyněk Šolc were appointed members of the Steering Committee with effect from 17 July 2013. Josef Kubovský was appointed Vice-Chairman of the Steering Committee.

Pursuant to Resolution No. 125 of the Czech Government of 26 February 2014, the authorisations for the activities in the Steering Committee of České dráhy for Veronika Kramaříková, Petr Pelech, Michal Janeba, Richard Vítek, Lukáš Hampl, Zbyňek Šolc, Josef Kubovský were cancelled with effect from 26 February 2014. Pursuant to this resolution, Lukáš Wagenknecht, Jiří Havlíček, Vladislav Koval, Jakub Kulhánek, Kamil Rudolecký, Karel Dobeš and Jindřich Kušnír were authorised to perform the activities in the Steering Committee starting from 27 February 2014. Karel Dobeš was appointed Chairman and Kamil Rudolecký was appointed Vice-Chairman of the Steering Committee.

Board of Directors

Chairman	Dalibor Zelený
Member	Daniel Kurucz
Member	Karel Otava

On 30 July 2013, the Supervisory Board recalled Petr Žaluda from the position of a member and Chairman of the Board of Directors, and Roman Boček, Ctirad Nečas and Miroslav Šebeňa as members of the Board of Directors with immediate effect. The Supervisory Board appointed Dalibor Zelený, Daniel Kurucz, Pavel Švagr members of the Board of Directors with immediate effect. Dalibor Zelený was appointed Chairman of the Board of Directors. At its meeting held on 15 August 2013, the Supervisory Board recalled Pavel Švagr from his position of a member of the Board of Directors and appointed Karel Otava a member of the Board of Directors with effect from 16 August 2013.

At the meeting of the Supervisory Board held on 20 February 2014, Dalibor Zelený was recalled from the position of a members and Chairman of the Board of Directors and Daniel Kurucz and Karel Otava were recalled from the positions of members with effect from 20 February 2014. Daniel Kurucz, Michal Štěpán and Pavel Krtek were appointed members of the Board of Directors with effect from 21 February 2014. The Supervisory Board appointed Daniel Kurucz Chairman of the Board of Directors with effect from 21 February 2014.

Supervisory Board

Chairman	Zdeněk Žemlička
Member	Ivana Kubaštová
Member	Antonín Leitgeb
Member	Jaroslav Pejša
Member	Josef Smýkal
Member	Miroslav Svítek
Member	Antonín Věchet
Member	Vladislav Vokoun
Member	František Žerava

On 25 January 2013, the Steering Committee discussed the resignation of Miroslav Drobný and Martin Riegl as members of the Supervisory Board and Libor Antoš and Radim Jirout were appointed members of the Supervisory Board with effect from 26 January 2013. On 30 April 2013, the Steering Committee appointed David Karásek a member of the Supervisory Board. On 19 July 2013, the Steering Committee recalled Libor Antoš, Michael Hrbata, Radim Jirout, David Karásek and Miroslav Nádvorník as members of the Supervisory Board. Ivana Kubaštová, Miroslav Svítek, Antonín Věchet, Zdeněk Žemlička and František Žerava were appointed members of the Supervisory Board with immediate effect. At the meeting of the Steering Committee held on 19 March 2014, František Žerava, Miroslav Svítek, Ivana Kubaštová, Antonín Věchet were recalled from the positions of members. In addition, the Steering Committee discussed the resignation of Zdeněk Žemlička which took effect also on 19 March 2014. Vojtěch Kocourek, Antonín Tesařík, Michal Zdeněk, Milan Křístek, Milan Feranec were appointed members of the Supervisory Board with effect from 20 March 2014.

Audit Committee

Chairman	Miroslav Zámečník
Member	Ivana Kubaštová
Member	Zdeněk Prosek

At the meeting of the Steering Committee held on 25 September 2013, Michal Hrbata was recalled from the position of a member of the Audit Committee and Ivana Kubaštová was appointed a member of the Audit Committee.

A sub-committee of the Supervisory Board is the Remuneration Committee. As of 31 December 2013, positions of committee members were vacant. The position of a member of the Remuneration Committee of Martin Riegl expired concurrently with the expiration of his membership in the Supervisory Board on 25 January 2013 and the position of Miroslav Nádvorník expired concurrently with the recall from the position of a member of the Supervisory Board on 19 July 2013.

The permanent advisory body of the Board of Directors which has its role in the risk management is the Risk Management Committee. At its meeting held on 29 October 2013, the Board of Directors approved new members of the Risk Management Committee. Libor Müller was appointed Chairman of the Risk Management Committee.

Risk Management Committee

Chairman	Libor Müller
Member	Daniel Kurucz
Member	Michal Štěpán
Member	Jaromír Urban
Member	Jan Čermák

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, Perlová 370/3	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
Auto Terminal Nymburk, s.r.o.	Prague 7, Jankovcova 1569/2c	24234656	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
ČD Interport, s.r.o.	Prague 7, Jankovcova 1569/2c	01484494	51	Control
Smíchov Station Development, a. s.	Prague 8, U Sluncové 666/12a	27244164	51 **)	Joint control
Žižkov Station Development, a. s.	Prague 8, U Sluncové 666/12a	28209915	51 **)	Joint control
Centrum Holešovice, a. s.	Prague 1, Revoluční 767/25	27892646	51 **)	Joint control
RAILREKLAM spol. s r.o.	Prague 4, Štětkova 1638/18	17047234	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	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s.
CD - Generalvertretung Wien GmbH	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping.
Koleje Czeskie Sp. z o.o.	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s.
Generálne zastúpenie ČD Cargo, s.r.o.	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping.
ČD Logistics, a.s.	Shipping
Terminal Brno, a.s.	Operations of the combined transport terminal in Brno.
ČD-DUSS Terminál, a.s.	Operations of the container terminal in Lovosice.
Auto Terminal Nymburk, s.r.o.	Shipping and technical services in transportation.
ČD Interport, s.r.o.	Shipping.
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
RAILREKLAM spol. s r.o.	Advertising and mediation of services.
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

The investment in the joint venture RAILREKLAM spol. s r.o. was treated as immaterial in the year ended 31 December 2012. In the consolidated financial statements for the year ended 31 December 2012, it was reported in other financial assets available for sale. In the consolidated financial statements for the year ended 31 December 2013, it is included in the consolidation group.

In the consolidated financial statements for the year ended 31 December 2013, the consolidation group was extended to include subsidiaries Auto Terminal Nymburk, s.r.o. and ČD Interport, s.r.o.

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 Group's current tax payable 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. Railway vehicles are depreciated using the components depreciation. Wagons and traction vehicles without components are depreciated to the estimated residual value. Components of these railway vehicles are depreciated based on the actual mileage. 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 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

The Group reports derivatives that do not have the function of an effective hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

2.20.3 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.

2.20.4 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.

2.20.5 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.

2.20.6 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.

2.20.7 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.

2.20.8 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.

2.20.9 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

The Group reports derivatives that do not have the function of an effective hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

2.20.10 Other Financial Liabilities

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

2.20.11 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.

2.20.12 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.

2.20.13 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 Group 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.

2.20.14 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.

2.20.15 Fair Value Hedges

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

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. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

2.20.16 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.

3 Adoption of New and Revised International Financial Reporting Standards

3.1 Standards and Interpretations Effective for Annual Periods Ended 31 December 2013

During the year ended 31 December 2013, 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 1 – Amendments to IFRS 1 Government Loans	1 January 2013
– Removal of Fixed Dates for First-time Adopters	1 January 2013
– Severe Hyperinflation	1 January 2013
IFRS 7 – Amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
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 2013
IAS 19 – Employee Benefits (revised in 2011)	1 January 2013
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

The application of IAS 1 and IFRS 13 has no significant impact on the amounts reported in the financial statements of the Group, except for additional disclosures. Given that the Group has not concluded significant offsetting agreements, the application of IFRS 7 has no significant impact on the presentation of the information or on amounts disclosed in the financial statements. Other listed standards and interpretations have no impact on the disclosure or presentation.

3.2 Standards and Interpretations Used before their Effective Dates

The Group 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 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 9	
– Financial Instruments – Classification and Measurement and subsequent revisions from October 2010 and November 2013	will be determined
– Additions to IFRS 9 for Financial Liability Accounting	will be determined
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2017
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
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
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
IAS 36 – Amendments to IAS– Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 – Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Improvements to IFRS 2010-2012 (published in December 2013)	1 July 2014
Improvements to IFRS – 2011 - 2013 (published in December 2013)	1 July 2014
IFRIC 21 Levies	1 January 2014

*) effective since 1 January 2014 in the EU

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 the more detailed disclosure under IFRS 12.

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 9	
– Financial Instruments – Classification and Measurement and subsequent amendments of October 2010 and November 2013	will be determined
– Subsequent amendments to IFRS 9 and IFRS 7 (issued in December 2011)	1 January 2017
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to IFRS 2010-2012 (published in December 2013)	1 July 2014
Improvements to IFRS – 2011 - 2013 (published in December 2013)	1 July 2014
IFRIC 21 Levies	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 and fair value 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, a.s. undertook a series of measures designed to strengthen 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. The restructuring plan continues to be effective.

4.10 Valuation of Railway Vehicles

4.10.1 Impairment of Property, Plant and Equipment

At each balance sheet date, the Parent Company reviews the carrying amounts of its 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).

In the comparative period ended 31 December 2012, ČD Cargo, a.s. recognised impairment primarily in respect of wagons and traction vehicles intended for scrapping and whose recoverable value was estimated to be lower than their net book value as of 31 December 2012.

In the year ended 31 December 2013, ČD Cargo, a.s. continued applying the above accounting policy primarily with regard to railway vehicles intended for scrapping. However, given the changes in the approach to the scope and frequency of inspection repairs (components) with respect to wagons and the subsequent change in their depreciation, the accounting policy regarding the review of the assets for impairment was fine-tuned and amended. Based on the decrease in the number of performed inspection repairs, other wagons were identified during the year ended 31 December 2013 which suffered a temporary impairment loss.

The above change of the estimate negatively impacted profit or loss through the recognition of the provision against wagons that did not pass the technical inspection in the amount of CZK 224,765 thousand in the year ended 31 December 2013.

4.10.2 Component Depreciation

As disclosed in Note 2.12., the Group depreciates the component over the use separately from other components and from the remaining part of assets or a set of assets.

Starting from 1 January 2013, ČD Cargo, a.s. has changed the estimate upon depreciating components in traction vehicles and wagons from the time depreciation to the mileage depreciation.

In the year ended 31 December 2012, the component depreciation plan in respect of wagons corresponded to the frequency of technical inspections. The depreciation period of components in wagons was as follows:

Wagons with the speed lower than 120 km/hour	2 years
Wagons with the speed lower than 100 km/hour	6 years
Wagons with short spring carriers	4 years

In regard to traction vehicles whose frequency of repairs depends on the mileage, the average depreciation period was determined on the basis of a reasonable estimate of the Maintenance and Repairs of Railway Vehicles Department specialists, for each series of traction vehicles in the year ended 31 December 2012. The average depreciation period for general repairs ranged from 4 to 12 years, for major repairs from 8 to 24 years.

In the year ended 31 December 2013, the depreciation of components in wagons and traction vehicles is made on the basis of the actual mileage per month (kilometres). The amount of depreciation in the particular reporting period is calculated as the number of kilometres in the reporting period multiplied by the rate per one kilometre. The rate per one kilometre is determined as a share of the acquisition cost of the relevant component and maximum mileage which is determined for the specific type of the major and general repair of traction vehicles and inspection repair of wagons. As of the transition date, ie 1 January 2013, the rate per 1 kilometre in wagons and traction vehicles was determined as a proportion of the net book value as of 1 January 2013 of the relevant component and the number of the remaining kilometres that remained to the maximum mileage in individual wagons and traction vehicles.

The above changes in the estimate upon the depreciation of components in the year ended 31 December 2013 positively impacted the profit in the amount of CZK 468,679 thousand.

4.10.3 Depreciation to the Amount of the Anticipated Residual Value

ČD Cargo, a.s. changed the estimate upon the depreciation of traction vehicles and wagons to the anticipated residual value in the year starting on 1 January 2013.

The anticipated residual value is taken to mean a justifiable positive estimated amount that ČD Cargo, a.s. obtain at the moment of the anticipated disposal of assets, less the anticipated costs relating to its disposal. The anticipated residual value of wagons and traction vehicles is based on the value of the scrap that can be obtained upon liquidation.

The above change in the estimate upon the depreciation in the year ended 31 December 2013 positively impacted the profit in the amount of CZK 112,021 thousand.

4.11 Relations with Škoda Transportation a.s.

As part of the arbitration proceedings at the Arbitration Court attached to the Economic Chamber of the Czech Republic and the Agricultural Chamber of the Czech Republic, České dráhy, a.s. is claiming a payment of contractual fines for the delay in the supply of locomotives. The total amount of contractual fines as of 31 December 2013 is approximately CZK 852.7 million, with České dráhy, a.s. having previously offset contractual fines of approximately CZK 208.3 million against the alleged claim of ŠKODA TRANSPORTATION a.s. for the payment of a part of the purchase price for the supply of individual production phases of certain locomotives. Concurrently, ŠKODA TRANSPORTATION a.s. is seeking the payment of the allegedly outstanding part of the purchase price of CZK 216.5 million (including default interest) that České dráhy, a.s., as ŠKODA TRANSPORTATION a.s. believes, unlawfully offset against part of the required claim for the contractual fine. The Arbitration Court has not yet decide on the merit of the above claims. 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)	**2013**	**2012**
Revenue from passenger transportation - fare	7,087,191	7,069,518
– Intrastate passenger transportation	*5,002,000*	*5,105,097*
– International passenger transportation	*2,085,191*	*1,964,421*
Revenue from passenger transportation - payments from public service orderers	12,771,890	12,372,037
– Payment from the state budget	*4,030,252*	*4,024,168*
– Payment from the regional budget	*8,741,638*	*8,347,869*
Revenue from freight transportation	12,427,752	12,964,079
– Intrastate freight transportation	*4,544,406*	*4,756,602*
– International freight transportation	*7,883,346*	*8,207,477*
Other revenue from principal operations	574,267	1,174,382
Total revenue from principal operations – continuing operations	**32,861,100**	**33,580,016**

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)	**2013**	**2012**
Gain from disposal of property, plant and equipment and investment property	390,749	410,023
Gain from the sale of inventory	11,501	18,563
Sales of other services	2,105,871	2,075,903
Rental income	1,102,896	1,041,567
Compensations for deficits and damage	129,341	142,040
Gain on material	42,572	61,449
Other subsidies	23,184	33,136
Other	255,325	327,631
Total other operating income – continuing operations	**4,061,439**	**4,110,312**

7 Purchased Consumables and Services

(CZK '000)	**2013**	**2012**
Traction costs	-4,552,103	-4,753,731
– Traction fuel (diesel)	-1,836,115	-1,926,425
– Traction electricity	-2,715,988	-2,827,306
Payment for the use of railway route	-3,551,757	-3,885,674
Other purchased consumables and services	-9,117,094	-9,666,117
– Consumed material	-1,325,443	-1,347,208
– Consumed other energy	-676,549	-694,492
– Consumed fuel	-115,656	-106,357
– Repairs and maintenance	-603,997	-677,182
– Travel costs	-157,027	-158,839
– Telecommunication, data and postal services	-306,629	-315,829
– Other rental	-275,427	-253,440
– Rental for rail vehicles	-1,199,682	-1,229,039
– Transportation charges	-1,561,878	-1,918,065
– Services of dining and sleeping carriages	-107,646	-123,847
– Services associated with the use of buildings	-305,272	-318,939
– Operational cleaning of rail vehicles	-364,502	-404,976
– Border area services	-420,369	-409,754
– Advertising and promotion costs	-178,219	-238,927
– Other services	-1,518,798	-1,469,223
Total purchased consumables and services – continuing operations	**-17,220,954**	**-18,305,522**

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)	**2013**	**2012**
Payroll costs	-8,743,343	-8,956,250
Severance pay	-375,734	-234,494
Statutory social security and health insurance	-2,919,436	-2,970,896
Benefits resulting from the collective agreement	-124,739	-132,446
Other social costs	-483,847	-504,754
Other employee benefit costs	-37,372	-49,332
Total employees benefit costs – continuing operations	**-12,684,471**	**-12,848,172**

9 Depreciation and Amortisation

(CZK '000)	**2013**	**2012**
Depreciation of property, plant and equipment	-5,473,000	-5,859,296
Depreciation of investment property	-75,425	-74,939
Amortisation of intangible assets	-177,983	-165,247
Total depreciation and amortisation – continuing operations	**-5,726,408**	**-6,099,482**

10 Other Operating Losses

(CZK '000)	**2013**	**2012**
Change in provisions	-300,051	-657,084
Losses from impaired receivables	-135,395	-78,988
Losses (reversal of losses) from impaired property, plant and equipment, investment property and assets held for sale	-458,608	188,542
Write-down of inventories to their net realisable value	-56,067	-7,056
Taxes and fees	-40,210	-39,382
Other operating expenses	-,474,067	-379,792
Total other operating losses – continuing operations	**-1,464,398**	**-973,760**

11 Financial Expenses

(CZK '000)	2013	2012
Interest on bank overdraft accounts and loans	-13,869	-12,919
Interest on the loan from ČSOB and loans from Eurofima	-15,529	-57,044
Interest on issued bonds	-812,083	-739,563
Interest on finance lease payables	-256,397	-271,458
Other interest	-31,451	-111,972
Less: amounts capitalised as part of the costs of an eligible asset	118,844,	268,553
Unwinding of the discount of provisions	547	-2,573
Total financial expenses – continuing operations	**-1,009,938**	**-926,976**

The capitalisation rate in the year ended 31 December 2013 is 2 % p. a. (2012: 2.8 % p. a.).

12 Other Gains (Losses)

(CZK '000)	2013	2012
Net foreign exchange gains (losses)	-475,718	121,306
Received dividends	1,926	3,491
Received interest	14,507	28,240
Gains from current financial assets	897	4,624
Banking fees	-17,012	-19,903
Actuarial gains (losses)	15,143	-18,242
Gains (losses) from derivative transactions	10,940	-3,823
Other	-18,399	-10,259
Total other gains (losses) - continuing operations	**-467,716**	**105,434**

13 Income Taxation

13.1 Income Tax Reported in Profit or Loss

(CZK '000)	2013	2012
Current income tax for the period reported in the statement of profit or loss	-123,094	-59,961
Deferred tax recognised in the statement of profit or loss	-191,154	-189,242
Other *)	0	-1,987
Total tax charge relating to continuing operations	**-314,248**	**-251,190**

*) 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)	2013	2012
Loss from continuing operations before tax	-1,639,073	-1,343,138
Income tax calculated using the statutory rate of 19%	311,424	255,196
Effect of the unrecognised deferred tax asset	-173,194	-90,660
Other*)	-452,478	-415,726
Income tax reported in profit or loss	**-314,248**	**-251,190**

*) 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)	2013	2012
Remeasurement of financial instruments recognised as cash flow hedging	22,131	-354
Total income tax recognised in other comprehensive income	**22,131**	**-354**

13.3 Deferred Tax

(CZK '000)	Unutilised tax losses	Non-current assets	Provisions	Leases	Receivables	Derivatives	Other	Total
Balance at 1 Jan 2012- calculated	**805,754**	**-924,168**	**267,578**	**-144,339**	**13,293**	**-7,446**	**57,059**	**67,731**
Balance at 1 Jan 2012- recognised	**20,717**	**-250,348**	**147,626**	**-140,816**	**5,608**	**8,134**	**41,218**	**-167,861**
Deferred tax recognised in 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*	*-527940*	*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*
Deferred tax recognised in the statement of profit or loss:	*-7,096*	*-166,523*	*17,909*	*-55,343*	*17,344*	*0*	*2,555*	*-191,154*
– of which current changes in the deferred tax	*345,583*	*-305,408*	*7,770*	*-92,381*	*38,238*	*0*	*-11,762*	*-17,960*
*– of which impairment *)*	*-352,679*	*138,885*	*10,139*	*37,038*	*-20,894*	*0*	*14,317*	*-173,194*
Deferred tax recognised in other comprehensive income	*0*	*0*	*0*	*0*	*0*	*22,131*	*0*	*22,131*
– of which current changes in the deferred tax	*0*	*0*	*0*	*0*	*0*	*63,173*	*0*	*63,173*
*– of which impairment *)*	*0*	*0*	*0*	*0*	*0*	*-41,042*	*0*	*-41,042*
Revaluation	*0*	*0*	*0*	*0*	*0*	*0*	*366*	*366*
Balance at 31 Dec 2013 - calculated	**775,110**	**-898,715**	**333,387**	**-360,880**	**59,065**	**94,719**	**50,632**	**53,318**
Balance at 31 Dec 2013 - recognised	**0**	**-613,950**	**272,718**	**-287,440**	**25,989**	**29,911**	**46,256**	**-526,516**
– of which liability	*0*	*-616,890*	*268,585*	*-291,337*	*29,119*	*29,911*	*42,074*	*-538,538*
– of which asset	*0*	*2,940*	*4,133*	*3,897*	*-3,130*	*0*	*4,182*	*12,022*

*) 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 2013 taxation period, the Parent Company records a utilisable tax loss for the 2009 and 2013 taxation periods in the amount of CZK 4,079,527 thousand. The tax loss is utilisable always in five taxation periods subsequent to the period in which the relevant loss was assessed, ie the loss from 2009 is utilisable through 2014 and the loss for 2013 is utilisable between 2014 and 2018.

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.
– 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.

2013

(CZK million)	Passenger transportation	Administration of assets	Freight transportation	Other	Elimination and reconciliation *)	Total
Revenue from principal operations						
Revenue from passenger transportation	7,134	0	0	0	-47	7,087
Revenue from securing railway routes	0	0	0	0	0	0
Payments from orderers	12,772	0	0	0	0	12,772
Other	0	0	14,223	0	-1,221	13,002
	19,906	**0**	**14,223**	**0**	**-1,268**	**32,861**
Purchased consumables and services						
Traction costs	-2,898	0	-1,699	0	45	-4,552
Payment for the use of the railway route	-1,687	0	-1,814	0	-51	-3,552
Other purchased consumables and services	-6,195	-645	-5,498	-2,537	5,758	-9,117
	-10,780	**-645**	**-9,011**	**-2,537**	**5,752**	**-17,221**
Staff costs						
Payroll costs	-4,888	-178	-3,119	-1,056	122	-9,119
Social security and health insurance	-1,635	-59	-976	-331	82	-2,919
Statutory social costs	-30	-2	-178	-33	-241	-484
Statutory social costs - benefits arising from the collective agreement	-236	-5	-18	-22	119	-162
	-6,789	**-244**	**-4,291**	**-1,442**	**82**	**-12,684**
Other operating income and expenses	500	918	828	3,278	-2,927	2,597
Intracompany income and expenses	-94	99	0	-5	0	0
Overhead costs – operating	-1,086	-71	0	1,157	0	0
Depreciation and amortisation	-2,275	-217	-1,075	-310	-1,849	-5,726
Other income and expenses	-1,270	0	-152	139	-497	-1,780
Overhead costs – financial and other	93	7	0	-100	0	0
Profit (loss) for the period from continuing operations	**-1,795**	**-153**	**522**	**180**	**-707**	**-1,953**
Profit (loss) for the period from discontinued operations	0	0	0	0	0	0
Profit (loss) for the period	**-1,795**	**-153**	**522**	**180**	**-707**	**-1,953**
Profit attributable to non-controlling interests	0	0	0	0	18	18
Profit (loss) attributable to owners of the parent company	-1,795	-153	522	180	-725	-1,971

*) The 'Elimination and reconciliation' column includes eliminations of intracompany relations and differences between balances under Czech Accounting Standards and IFRS. Most significant IFRS adjustments include components (CZK (446) million), leases (CZK 510 million), employee benefits (CZK 101 million), social fund (CZK (117) million) and eliminations of CZK (637) million.

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. Most significant IFRS adjustments include components (CZK (445) million), leases (CZK 663 million), employee benefits (CZK 64 million), social fund (CZK (77) million), deferred tax (CZK (273) million), adjustment to the depreciation of non-current assets (CZK 870 million) eliminations of CZK (217) million.

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 2013 financial statements date, intensive negotiations are pending with regard to amendments to long-term contracts for 2014. The amount of payments in 2014 will be substantially impacted by the launching of new vehicles and a significant increase in the fee for the use of the railway route, 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 2014 – in the amount of the prepayments from 2013.

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 MORAVIA STEEL a.s., ČEZ, a.s., CARBOSPED, spol. s r.o., NH TRANS SE and Express-Interfracht Czech. 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., and Rail Cargo Austria AG.

15 Discontinued Operations and Assets Held for Sale

15.1 Assets Held for Sale

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Intangible assets	0	0	0
Land	53,922	60,000	90,000
Buildings	5,239	172,551	127,879
Total	**59,161**	**232,551**	**217,879**

16 Property, Plant and Equipment

(CZK '000)

Cost	Balance at 1 Jan 2012	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2012	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2013
Land	6,101,788	108,212	5,048	-36,668	6,168,284	8,525	23,677	-82,735	6,070,397
Structures	18,094,055	546,643	148,601	-402,620	18,089,477	385,332	88,279	-118,176	18,268,354
Individual movable assets	102,529,936	10,027,457	2,867,331	16,343	109,706,405	10,412,184	2,425,138	2,295	117,695,746
– Machinery, equipment, and furniture and fixtures	4,096,457	248,972	133,909	21,161	4,232,681	85,557	108,348	7,617	4,217,507
– Vehicles	88,078,508	8,781,439	2,551,945	-170,933	94,137,069	10,189,925	2,224,093	-521,909	101,580,992
– Vehicles acquired under finance leases	10,227,366	960,150	165,264	199,421	11,221,673	129,943	82,836	520,926	11,789,706
– Other	127,605	36,896	16,213	-33,306	114,982	6,759	9,861	-4,339	107,541
Other assets	48,540	3,348	3,065	-7,654	41,169	13,553	907	-1,253	52,562
Assets under construction	2,150,679	9,091,829	403,465	-8,413,418	2,425,625	8,647,802	75,284	-9,423,752	1,574,391
Prepayments	4,528,237	2,419,557	2,864,105	0	4,083,689	153,779	3,244,889	0	992,579
Total	**133,453,235**	**22,197,046**	**6,291,615**	**-8,844,017**	**140,514,649**	**19,621,175**	**5,858,174**	**-9,623,621**	**144,654,029**

(CZK '000)

Accumulated depreciation	Balance at 1 Jan 2012	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2012	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2013
Structures	8,164,861	427,101	107,307	-142,374	8,342,281	427,564	79,536	-154,428	8,535,881
Individual movable assets	54,590,870	5,324,564	2,069,022	460	57,846,872	4,976,904	2,096,470	268	60,727,574
– Machinery, equipment, and furniture and fixtures	2,865,485	210,663	116,550	11,433	2,971,031	215,412	107,873	4,458	3,083,028
– Vehicles	49,506,174	4,590,343	1,769,524	-224,039	52,102,954	4,189,667	1,900,181	-369,427	54,023,013
– Vehicles acquired under finance leases	2,101,335	520,611	166,824	215,070	2,670,192	564,222	78,594	369,668	3,525,488
– Other	117,876	2,947	16,124	-2,004	102,695	7,603	9,822	-4,431	96,045
Other assets	7,486	10,303	2,988	-73	14,728	8,701	658	23	22,794
Total	**62,763,217**	**5,761,968**	**2,179,317**	**-141,987**	**66,203,881**	**5,413,169**	**2,176,664**	**-154,137**	**69,286,249**

(CZK '000)

Impairment	Balance at 1 Jan 2012	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2012	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2013
Land	3,817	35,697	0	0	39,514	16,612	0	0	56,126
Structures	44,834	0	1,401	0	43,433	452	0	0	43,885
Individual movable assets	953,471	152,740	424,722	0	681,489	449,606	129,558	0	1,001,537
– Machinery, equipment, and furniture and fixtures	79	1,442	37	0	1,484	661	1,484	0	661
– Vehicles	953,392	151,298	424,685	0	680,005	448,945	128,074	0	1,000,876
Other assets	1,694	0	1,262	0	432	0	390	0	42
Assets under construction	0	12,177	12,100	0	77	68,814	77	0	68,814
Prepayments	3,700	5,000	8,700	0	0	0	0	0	0
Total	**1,007,516**	**205,614**	**448,185**	**0**	**764,945**	**535,484**	**130,025**	**0**	**1,170,404**

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 2012	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Land	6,097,971	6,128,770	6,014,271
Buildings	9,884,360	9,703,763	9,688,588
Individual movable assets	46,985,595	51,178,044	55,966,635
–Machinery, equipment, and furniture and fixtures	1,230,893	1,260,166	1,133,818
– Vehicles	37,618,942	41,354,110	46,557,103
– Vehicles acquired under finance leases	8,126,031	8,551,481	8,264,218
– Other	9,729	12,287	11,496
Other assets	39,360	26,009	29,726
Assets under construction	2,150,679	2,425,548	1,505,577
Prepayments	4,524,537	4,083,689	992,579
Total	**69,682,502**	**73,545,823**	**74,197,376**

Principal additions from 1 January 2012 to 31 December 2013 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 2013, this primarily involves the purchase of train sets for regional transportation and purchase of seven Siemens Viaggio Comfort trains.

Principal additions to individual movable assets in ČD Cargo, a.s. in the year ended 31 December 2013 included the modernisation of the 363.5 series traction vehicles of CZK 446,773 thousand, major and general repairs (components) of traction vehicles of CZK 375,558 thousand, purchase of wagons after the lease of CZK 774,293 thousand, inspection repairs (components) of wagons of CZK 59,474 thousand and improvements on wagons of CZK 48,486 thousand.

In 2013, the Group acquired non-current assets financed through government grants in the amount of CZK 1,628,565 thousand (2012: CZK 945,483 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 2013, 2012 and 1 January 2012 is the loss on the 680 series tilting trains (Pendolino) amounting to CZK 609,233 thousand, CZK 492,953 thousand and CZK 719,340 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 increase in the impairment loss between 2012 and 2013 is primarily due to the current market developments and the arrival of competitors to the passenger railway transportation market. 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
Components	2 – 24
Optical fibres	35

16.2 Assets Pledged as Collateral

The Parent Company holds assets at the net book value of CZK 3,120,231 thousand that were pledged as collateral, of which train sets of the 471 series amounted to CZK 2,447,743 thousand, the Ampz passenger coaches amounted to CZK 302,374 thousand and the Bmz passenger coaches amounted to CZK 370,114 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 248,945 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)	2013	2012
Balance at the beginning of the year	2,171,692	2,095,000
Additions from subsequent capitalised expenses	13,339	89,373
Disposals	-9,175	-35,997
Disposals, annual depreciation	-75,425	-74,939
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	105,404	181,839
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	16,364	-52,515
Transfers to assets held for sale (from IAS 40 to IFRS 5)	-58,031	-43,756
Change in the value	273	288
Transfers of assets held for sale (from IFRS 5 to IAS 40)	-2,374	12,399
Balance at the end of the year	**2,162,067**	**2,171,692**

(CZK '000)	Balance at 31 Dec 2013	Balance at 31 Dec 2012	Balance at 1 Jan 2012
Cost	3,509,998	3,454,630	3,227,643
Accumulated depreciation	-1,347,658	-1,282,650	-1,132,295
Impairment	-273	-288	-348
Net book value	**2,162,067**	**2,171,692**	**2,095,000**

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 2013, 2012 and 1 January 2012 is CZK 4,085,062 thousand, CZK 5,281,562 thousand and CZK 4,357,846 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 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Development costs	95,907	0	0	0	95,907	0	0	0	95,907
Software	1,396,692,	125,985	10,293	-4,039	1,508,345	230,994	36,873	-141	1,702,325
Valuable rights	633,451	27,563	0	577	661,591	20,965	422	145	682,279
Other assets	2,077	-1	0	0	2,076	403	0	0	2,479
Assets under construction	174,622	198,841	1,551	-175,126	196,786	144,605	0	-212,853	128,538
Prepayments	0	1075	0	0	1,075	327	1393	0	9
Total	**2,302,749**	**353,463**	**11,844**	**-178,588**	**2,465,780**	**397,294**	**38,688**	**-212,849**	**2,611,537**

(CZK '000)

Accumulated amortisation	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Development costs	95,907	0	0	0	95,907	0	0	0	95,907
Software	1,241,816	100,590	10,293	0	1,332,113	111,247	37,169	0	1,406,191
Valuable rights	396,172	68,943	0	0	465,115	71,571	422	0	536,264
Other assets	958	236	0	0	1,194	236	0	0	1,430
Total	**1,734,853**	**169,769**	**10,293**	**0**	**1,894,329**	**183,054**	**37,591**	**0**	**2,039,792**

(CZK '000)

Net book value	Balance at 1 Jan 2012	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Development costs	0	0	0
Software	154,876	176,232	296,134
Valuable rights	237,279	196,476	146,015
Other assets	1,119	882	1,049
Assets under construction	174,622	196,786	128,538
Prepayments	0	1,075	9
Total	**567,896**	**571,451**	**571,745**

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, POP, KASO and items related to the SAP R/3 accounting software and its modules.

Intangible fixed assets predominantly include the operational business information system of ČD Cargo, a.s. – PROBIS, that was put into use in 2013, in the amount of CZK 72,164 thousand, i.e. amount reduced by the financial support from OPD.

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 2013	Ownership percentage at 31 Dec 2013	Value of investment at 31 Dec 2012	Ownership percentage at 31 Dec 2012
RAILLEX, a.s.	Associate	12,051	50%	9,694	50%
BOHEMIAKOMBI, spol. s r.o.	Associate	2,837	30%	4,514	30%
Ostravská dopravní společnost, a.s.	Associate	41,871	20%	37,955	20%
JLV, a. s.	Associate	121,662	38.79%	120,665	38.79%
Masaryk Station Development, a. s.	Associate	0	34%	0	34%
Total – associates		**178,421**	**-**	**172,828**	**-**
Smíchov Station Development, a. s.	Joint venture	0	51%	0	51%
Žižkov Station Development, a. s.	Joint venture	747	51%	798	51%
Centrum Holešovice, a. s.	Joint venture	122	51%	128	51%
RAILREKLAM, spol. s r.o.	Joint venture	21,574	51%	0	51%
Total – joint ventures		**22,443**	**-**	**926**	**-**
Total – investments in joint ventures and associates		**200,864**	**-**	**173,754**	**-**

Summary of financial information on associates:

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Total assets	1,077,714	1,031,095	850,389
Total liabilities	544,323	513,971	357,957
Net assets	533,391	517,124	492,432
Share of the Company in associates' net assets	**170,584**	**166,654**	**159,822**

(CZK '000)	2013	2012
Total income	1,925,448	1,986,685
Profit for the period	33,692	57,067
Share of the Company in associates' profit for the period	**10,099**	**16,363**

Summary of financial information on joint ventures:

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Total assets	146,597	81,464	78,737
Total liabilities	115,506	90,468	85,091
Net assets	31,091	-9,004	-6,354
The Company's share of net assets	**15,856**	**-4,592**	**-3,240**

(CZK '000)	2013	2012
Total income	120,941	146
Profit (loss) for the period	4,263	-2,650
The Company's share of profit (loss)	**2,174**	**-1,352**

20 Inventories

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Spare parts for machinery and equipment	67,905	69,747	74,122
Spare parts and other components for rail vehicles and locomotives	784,754	758,118	685,163
Other machinery, tools and equipment and their spare parts	167,220	160,403	161,472
Fuels, lubricants and other oil products	28,789	31,834	25,154
Work clothes, work shoes, protective devices	99,768	125,478	146,715
Other	98,184	95,609	92,971
Total cost	**1,246,620**	**1,241,189**	**1,185,597**
Write-down of inventories to their net realisable value	-118,482	-62,437	-55,403
Total net book value	**1,128,138**	**1,178,752**	**1,130,194**

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

21 Trade Receivables

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Long-term	0	3,211	6,577
Short-term	3,409,896	3,236,625	3,550,338
Total	**3,409,896**	**3,239,836**	**3,556,915**

21.1 Aging of Trade Receivables

			Past due date (days)					Total past	
(CZK '000)	Category	Before due date	1 - 30 days	31 – 90 days	91 – 180 days	181 – 365 days	365 and more	due date	Total
31 Dec 2013	Gross	3,024,313	133,712	227,888	118,234	64,221	232,750	776,805	3,801,118
	Allowances	-104,929	-603	-745	-57,440	-39,393	-188,112	-286,293	-391,222
	Net	**2,919,384**	**133,109**	**227,143**	**60,794**	**24,828**	**44,638**	**490,512**	**3,409,896**
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**
1 Jan 2012	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**

21.2 Movements in Allowances for Doubtful Receivables

(CZK '000)	2013	2012
Balance at the beginning of the year	193,499	156,178
Recognition of allowances	311,205	111,709
Use of allowances	-113,482	-74,388
Balance at the end of the year	**391,222**	**193,499**

22 Other Financial Assets

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Financial assets available for sale	320,531	335,323	384,934
Receivables from finance leases	103,996	109,132	113,751
Hedging derivatives	1,177,625	258,047	415,497
Other financial derivatives	3,904	0	2,975
Other	13,666	22,015	29,918
Total non-current financial assets	**1,619,722**	**724,517**	**947,075**
Receivables from finance leases	-7,026	-6,784	-6,375
Hedging derivatives	91,638	46,920	44,373
Other financial derivatives	0	0	1,262
Other	97,330	152,335	231,575
Total current financial assets	**181,942**	**192,471**	**270,835**
Total	**1,801,664**	**916,988**	**1,217,910**

22.1 Receivables from Finance Leases

The Parent Company has leased the station buildings at Brno - hlavní nádraží.

	Minimum lease payments			Present value of minimum lease payments		
(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012	31 Dec 2013	31 Dec 2012	1 Jan 2012
Under 1 year	4,302	4,131	3,861	-7,026	-6,784	-6,375
From 1 to 5 years	28,099	26,569	24,376	-29,410	-27,694	-25,183
5 years and more	475,141	463,430	438,706	133,406	136,826	138,934
Total	**507,542**	**494,130**	**466,943**	**96,970**	**102,348**	**107,376**
Less: unrealised financial income	-410,572	-391,782	-359,567	0	0	0
Present value of receivables of minimum lease payments	**96,970**	**102,348**	**107,376**	**96,970**	**102,348**	**107,376**
In the statement of financial position as:						
– Other current financial assets				-7,026	-6,784	-6,375
– Other non-current financial assets				103,996	109,132	113,751
Total				**96,970**	**102,348**	**107,376**

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 2013	31 Dec 2012	1 Jan 2012
Total non-current assets	**58,530**	**80,760**	**118,326**
Prepayments made	217,244	180,935	205,119
Tax receivables (except for the corporate income tax)	687,620	516,941	900,554
Prepaid expenses	143,905	118,433	161,472
Other	44,205	56,039	54,459
Total current assets	**1,092,974**	**872,348**	**1,321,604**
Total	**1,151,504**	**953,108**	**1,439,930**

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 2013	31 Dec 2012	1 Jan 2012
Share premium	16,439,605	16,439,605	16,439,605
Statutory reserve fund	222,030	211,064	189,647
Cash flow hedging reserve	-364,956	-247,525	-9,172
Foreign currency translation fund	27,599	-1,689	501
Other	-1,871	-1,903	0
Non-controlling interests	-7257	-5,849	-4,179
Total	**16,315,150**	**16,393,703**	**16,616,402**

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

24.2.1 Cash Flow Hedging Reserve

(CZK '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of the year	-247,525	-9,172
Profit (loss) from revaluation	-140,847	-224,258
Settled deferred derivatives	-21,433	-6,285
Reclassifications to profit or loss upon settlement	22,718	-7,456
Total change in the cash flow hedging reserve	**-139,562**	**-237,999**
Relating income tax	22,131	-354
Balance at the year-end	**-364,956**	**-247,525**

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)	31 Dec 2013	31 Dec 2012
Balance at the beginning of the year	-1,689	501
Foreign exchange rate gains or losses arising from translation of foreign operations	29,288	-2,190
Tax on the profit relating to profits arising from translation of net assets of foreign operations	0	0
Balance at the year-end	**27,599**	**-1,689**

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 (i.e. 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 2013	31 Dec 2012	1 Jan 2012
Short-term bank loans	281,283	277,617	304,381
Short-term issued bills of exchange	0	0	2,556,573
Payables from finance leases	927,893	1,185,723	982,619
Payable to EUROFIMA	1,239,761	377,100	0
Overdraft accounts	844,691	859,505	349,709
Issued bonds	1,383,624	314,342	1,993,924
Other received short-term loans and borrowings	11,029	16,484	6,865
Total short-term	**4,688,281**	**3,030,771**	**6,194,071**
Payable to EUROFIMA	2,879,625	3,770,950	4,256,948
Issued bonds	21,874,864	17,490,291	9,843,618
Other – received loans and borrowings – long-term	51,411	58,018	13,723
Loan from ČSOB – long-term	0	257,617	528,761
Payables from finance leases	5,090,732	4,983,721	5,554,352
Total long-term	**29,896,632**	**26,560,597**	**20,197,402**
Total	**34,584,913**	**29,591,368**	**26,391,473**

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. The 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 2013 was CZK 2,908 thousand (2012: CZK 13,445 thousand, 2011: CZK 12,259 thousand). The maturity of the loan is 10 years for each individual tranche.

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.

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

On 23 July 2012, the Parent 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.

On 25 July 2013, the Parent Company issued bonds with a total nominal value of CZK 4 billion with the issue rate of 99.502% of the nominal value, with the maturity of five years and a variable coupon paid on a half-year basis which is composed of the 6M PRIBOR rate plus a markup of 1.7% p.a. The bonds issue is listed on the Regulated Market of the Prague Stock Exchange (Regulovaný trh Burzy cenných papírů Praha, a.s.) The lead managers of the issue were Česká spořitelna, a.s. and Československá obchodní banka, a.s.

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.

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.

As part of the terms underlying the bonds issue at Komerční banka, a.s., ČD Cargo's investors have an option in respect of the maturity of the total amount of issued debt securities of CZK 1 billion, this option is exercisable as of 20 June 2014. For this reason, the value of the issue was reclassified from the long-term portion to the short-term portion as of 31 December 2013.

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, 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 2013	31 Dec 2012	1 Jan 2012	31 Dec 2013	31 Dec 2012	1 Jan 2012
Less than 1 year	1,151,279	1,429,443	1,257,765	927,893	1,185,723	982,619
From 1 to 5 years	3,918,320	3,668,208	3,977,568	3,341,935	3,037,859	3,268,771
5 years and more	1,867,362	2,111,597	2,516,608	1,748,797	1,945,862	2,285,581
Total	**6,936,961**	**7,209,248**	**7,751,941**	**6,018,625**	**6,169,444**	**6,536,971**
Less future finance expenses	-918,336	-1,039,804	-1,214,970			
Present value of minimum lease payments	**6,018,625**	**6,169,444**	**6,536,971**	**6,018,625**	**6,169,444**	**6,536,971**
In the statement of financial position as:						
– short-term loans				927,893	1,185,723	982,619
– long-term loans				5,090,732	4,983,721	5,554,352
Total				**6,018,625**	**6,169,444**	**6,536,971**

The fair value of finance lease payables approximates their carrying amount, except for the items described in the Note 'Financial Instruments'.

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 2012	Charge	Use	Balance at 31 Dec 2012	Charge	Use	Balance at 31 Dec 2013
Provision for discounts and refunds	20,588	52,823	20,587	52,824	41,388	73,391	20,821
Provision for rents	8,222	1,006	2,717	6,511	206	1,969	4,748
Provision for legal disputes	286,382	70,928	21,151	336,159	293,628	23,937	605,850
Provision for outstanding vacation days	68,148	74,726	69,279	73,595	75,317	73,699	75,213
Provision for removal of the environmental burden	73,668	0	39,364	34,304	0	30,471	3,833
Provisions for employees benefits	355,056	163,349	144,623	373,782	96,183	119,587	350,378
Provisions for business risks	390,000	149,988	0	539,988	362,959	0	902,947
Provisions for restructuring	110,365	535,125	110,365	535,125	0	285,152	249,973
Other provisions	7,041	11,074	7,570	10,545	31,844	26,724	15,665
Total provisions	**1,319,470**	**1,059,019**	**415,656**	**1,962,833**	**901,525**	**634,930**	**2,229,428**
– long-term	*221,480*			*241,144*			*213,071*
– short-term	*1,097,990*			*1,721,689*			*2,016,357*

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. 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 to cover potential expenses relating to potential risks for business transactions by CZK 362,959 thousand. The amount of the provision at the end of the reporting period is CZK 902,947 thousand.

As of 31 December 2012, 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 cash outflows associated with the restructuring were estimated at CZK 535,000 thousand in the plan. During the year ended 31 December 2013, the amount of the provision decreased by the use by CZK 285,027 thousand to the balance of CZK 249,973 thousand as of 31 December 2013. These funds will be available to the company to cover the costs relating to the restructuring in the following reporting period.

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 2013	Short-term	6,430,037	64,052	75,091	5,428	2,316	5,633	152,520	**6,582,557**
31 Dec 2012	Short-term	7,153,972	188,347	16,043	3,155	24,607	42,575	274,727	**7,428,699**
1 Jan 2012	Short-term	7,439,039	98,673	43,841	18,755	3,276	2,943	167,488	**7,606,527**

Supplier invoices typically mature in 60 days.

28 Other Financial Liabilities

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Hedging derivatives	155,269	377,018	75,968
Other financial derivatives	10,014	0	301
Other long-term liabilities	255,380	431,264	618,276
Total long-term	**420,663**	**808,282**	**694,545**
Hedging derivatives	189,382	50,687	20,238
Other financial derivatives	14,616	41,661	919
Other	204,953	676,818	798,441
Total short-term	**408,951**	**769,166**	**819,598**
Total	**829,614**	**1,577,448**	**1,514,143**

"Other" predominantly includes a payable arising from supplier loans divided to short-term and long-term portions.

29 Other Liabilities

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Total long-term	**520,291**	**375,591**	**381,498**
Received prepayments	303,302	298,239	320,070
Payables from the transition period (SŽDC-transformation)	0	12,585	34,715
Payables to employees	1,043,061	1,110,783	1,145,826
Social security and health insurance payables	360,186	355,374	355,214
Subsidies	4,475	6,041	2,580
Other	1,145,669	1,104,074	1,049,555
Total short-term	**2,856,693**	**2,887,096**	**2,907,960**
Total	**3,376,984**	**3,262,687**	**3,289,458**

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 2013, 31 December 2012 and 1 January 2012.

30.2 Key Management Members Compensation

Directors and other members of key management received short-term employee benefits of CZK 220,829 thousand in 2013 (2012: CZK 173,826 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 Group's statutory and supervisory bodies in the years ended 31 December 2013 and 2012 amounted to CZK 37,372 thousand and CZK 49,332 thousand, respectively. Management of the Group 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 Group'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)		**2013**		**2012**
	SŽDC	**ČEZ group**	**SŽDC**	**ČEZ group**
Expenses	4,478,386	809,994	4,782,497	979,044
Income	870,918	758,483	890,282	1,337,667

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

(CZK '000)		**31 Dec 2013**		**31 Dec 2012**		**1 Jan 2012**
	SŽDC	**ČEZ group**	**SŽDC**	**ČEZ group**	**SŽDC**	**ČEZ group**
Receivables ("Trade receivables" line)	263,074	76,463	184,577	198,122	219,353	262,065
Payables ("Trade payables" line)	1,104,871	229,195	959,897	255,360	1,052,436	238,627
Prepayments made ("Other assets" short-term line)	32,177	2,774	47,492	724	47,935	976
Received prepayments ("Other liabilities" short-term line)	197,445	249	122,374	2,829	45,105	1,956
Estimated payables ("Trade payables" line)	51,442	1,568	15,064	3,069	29,350	1,269
Estimated receivables ("Trade receivables" line)	59,462	23	49,826	287	4,673	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 2013	31 Dec 2012	1 Jan 2012
Cash on hand and cash in transit	64,450	92,806	79,700
Cash at bank	1,551,485	1,431,863	2,150,112
Short-term securities and equity investments	140,000	0	308,503
Total	**1,755,935**	**1,524,669**	**2,538,315**

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 2013, 31 December 2012 and 1 January 2012 amount to CZK 53,582 thousand, CZK 52,665 thousand and CZK 45,933 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 2013 and 2012 amounted to CZK 68,831 thousand and CZK 58,350 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 536,822 thousand in 2013 (2012: CZK 554,335 thousand).

Direct operating expenses relating to investment property for 2013 amounted to CZK 203,064 thousand (2012: CZK 186,655 thousand).

Income from operating leases of movable assets in 2013 amounts to CZK 580,989 thousand (2012: CZK 553,892 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 20,221,310 thousand, of which CZK 5,268,766 thousand relates to supplies contracted for 2014 and CZK 1,645,846 thousand relates to supplies contracted for the following years. The remaining CZK 13,306,698 thousand was paid as of 31 December 2013. A significant portion of the obligations relating to expenses (CZK 19,059,019 thousand) include investments in railway vehicles.

34 Contingent Liabilities and Contingent Assets

In the year ended 31 December 2013, 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 13 December 2014; and

– Plzeň – Most railway track, in respect of the contract entitled "Ordered Transportation between Plzeň and Most", maturity on 13 December 2014, CZK 15 million.

In addition, the Parent Company renewed the bank guarantee of CZK 51,860 thousand with validity until 13 December 2014. This is a guarantee for the assurance of continuous operations and potential damages for the orderer, arising from the Contract for the Public Services in Passenger Railway Transportation in the Public Interest to provide for basic transportation services in part of the Liberec region for specific operations of the Jizera mountains railways ("Jizerskohorská železnice").

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 2013 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 2014.

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 2014.

ČD Cargo records a received bank guarantee issued in respect of ŠKODA TRANSPORTATION, A.S. arising from the contract for work dated 11 December 2008 for the "Modernisation of locomotives from 163 series to 363 series" project. The provider of the guarantee is Komerční banka, a.s., the guarantee amounts to CZK 179,550 thousand and it is due on 31 December 2013.

The Parent Company's aggregate costs of clean-ups in 2013 and 2012 were CZK 32 million and CZK 90 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. In 2013, the Parent Company issued bonds with the total nominal value of CZK 4 billion, the proceeds of the issue were used to settle the existing long-term debt, short-term debt and already contracted investments.

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 2013	31 Dec 2012	1 Jan 2012
Cash and bank accounts	1,755,935	1,513,949	964,515
Derivative instruments in designated hedge accounting relationships	1,269,263	304,967	459,870
Other financial derivatives	3,904	0	4,237
Held-to-maturity investments (term deposits and bills of exchange)	0	10,720	1,573,800
Loans and receivables	3,617,862	3,516,534	3,925,784
Available-for-sale financial assets	320,531	335,323	384,934
Total	**6,967,495**	**5,681,493**	**7,313,140**

(CZK '000)

Financial liabilities	31 Dec 2013	31 Dec 2012	1 Jan 2012
Derivative instruments in designated hedge accounting relationships	344,651	427,705	96,207
Other financial derivative instruments	24,630	41,661	1,219
Measured at amortised cost	41,627,803	38,128,149	35,414,717
Total	**41,997,084**	**38,597,515**	**35,512,143**

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	2013	2012	Reported in the statement of profit or loss line
Interest on cash in bank accounts	3,106	8,900	Other gains (losses)
Interest on investments held to maturity (term deposits and bills of exchange)	1,016	13,382	Other gains(losses)
Dividends from available-for-sale financial assets	1,926	3,491	Other gains (losses)
Total	**6,048**	**25,773**	

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 Parent 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 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. In line with the approved Risk Management Strategy, the Group hedges the long-term financing in a foreign currency up to 70%.

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 2013	EUR	USD	Other	Total
Financial assets	2,181,298	5,697	214,902	2,401,897
Financial liabilities	-22,749,772	-5,845	-138,168	-22,893,785
Total	**-20,568,474**	**-148**	**76,734**	**-20,491,888**

(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)

1 Jan 2012	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**

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 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)	2013	2012
Translation of items denominated in foreign currencies at the end of the period	735,035	785,549
Change in the fair value of derivatives at the end of the period	-543,348	-500,190
Total impact on the profit for the period	**191,687**	**285,359**
Change in the fair value of derivatives at the end of the period	43,093	-48,057
Total impact on other comprehensive income	**43,093**	**-48,057**

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 2013	26.45 – 27.25	EUR	24,000	-8,603
	26.066	EUR	86,000	-117,642
31 Dec 2012	25.17 – 26.20	EUR	12,000	3,123
	25.626	EUR	23,000	12,560
1 Jan 2012	25.62	EUR	41,561	-6,923

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 2013	26.94	EUR	44,000	21,648
	20.16	USD	1,110	-310
31 Dec 2012	24.84	EUR	205	-7
	19.32	USD	70	-20
1 Jan 2012	24.93	EUR	1,020	869
	19.05	USD	440	393

In 2013, the Parent Company concluded currency forwards in order to hedge repayments of EUR loans that will fall due in the first half of 2014. These derivatives were classified as fair value hedges.

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.

31 Dec 2013	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%	39,251
1 to 5 years	490,000	4.26%	-12,177,715	4.39%	648,228
5 years and more	250,000	4.13%	-6,350,000	4.478%	506,250
Total					**1,193,729**

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**

1 Jan 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	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, and, for this purpose, the Group concludes contracts for interest rate swaps so that the proportion of long-term external sources of funding with floating interest rates does not exceed the maximum level of 50%. 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)	2013	2012
Interest from loans and lease with variable rate for the period	-5,837	-6,820
Change in the present value of long-term provisions at the end of the period	25,968	30,587
Change in the fair value of derivatives at the end of the period	45,161	67,982
Total impact on the profit for the period	**65,292**	**91,749**
Change in the fair value of derivatives at the end of the period	466,237	237,700
Total impact on other comprehensive income	**466,237**	**237,700**

35.6.2 nterest 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 2013	Average contracted fixed interest rate	Principal	Fair value of assets (liabilities) in CZK thousand
Less than 1 year	1.13%	EUR 160 million	-36,075
	1.88%	EUR 5 000 million	-33,871
	3.27%	CZK 102 million	-14,847
1 to 5 years	1.50%	EUR 105 million	-54,751
	1.88%	CZK 5,000 million	-69,884
	1.67%	CZK 1,477 million	-22,187
5 years and more	1.82%	CZK 695 million	10,060
Total	**-**	**-**	**-221,555**

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 1,677,979thousand	-24,984
1 to 5 years	1.19%	EUR 160,000 thousand	-83,762
	3.13%	CZK 2,432,545thousand	-55,689
5 years and more	3.27%	CZK 477,901 thousand	-8,055
Total	**-**	**-**	**-205,506**

1 Jan 2012	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%	CZK 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	-27,761
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 2013	Fair value of assets (liabilities) in CZK thousand at 31 Dec 2012
Less than 1 year	1.13% - 3.13%	85,818	-2,585	-3,971
1 to 5 years	1.13% - 3.13%	402,585	3,242	-6,282
5 years and more	1.13% - 3.13%	117,458	662	31
Total			**1,319**	**-10,222**

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 the Group has the possibility of asking the regions and the state for increased payments for transportation; and
– Negotiating a fixed price of electricity from the relevant supplier always for the following calendar year.

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 purchased 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)	2013	2012
Costs of oil consumption for the period *)	-195,631	-205,927
Change in the fair value of derivatives at the end of the period	-1,865	5,874
Total impact on the profit for the period	**-197,496**	**-200,053**
Change in the fair value of derivatives at the end of the period	53,978	40,534
Total impact on other comprehensive income	**53,978**	**40,534**

*) includes both the hedged and unhedged part of oil consumption

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 2013	CZK 17,485	11,760	16,942
	14,200 – 19,300 (CZK/mt)	20,520	18,357
31 Dec 2012	CZK 17,277	21,650	7,350
	17,010 – 19,300 (CZK/mt)	8,640	-986
	670 - 820 (USD/mt)	786	1,996
1 Jan 2012	635 – 820 (USD/mt	5,501	18,274

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. The Parent Company manages its liquidity risk by a process of planning future cash flows and provision of short-term funding (bill-of-exchange programme and agreed overdraft loans). Forecasted and actual cash flows are monitored on a continuous basis. 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 2013. The reason predominantly relates to the urgent necessity for capital expenditure and the use of easily available short-term funds for this purpose. The Parent Company monitors its liquidity even with respect to the rating from the Moody´s rating agency, which assesses whether the Parent Company has available a sufficient reserve of unused, binding finances at a particular moment that it may immediately use.

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 2013	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2,910,901	2,828,963	1,032,099	139,495	58,899	6,970,357
Derivatives	11,439	24,671	167,890	163,645	1,636	369,281
Finance lease liabilities	121,034	201,991	828,254	3,918,320	1,867,362	6,936,961
Variable interest rate instruments	893,238	708,700	1,970,487	8,607,228	0	12,179,653
Fixed interest rate instruments	33	69	790,649	10,898,546	8,537,907	20,227,204
Total	**3,936,645**	**3,764,394**	**4,789,379**	**23,727,234**	**10,465,804**	**46,683,456**

(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)

1 Jan 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	2,999,378	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**

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 2013	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	3,845,376	746,903	668,067	10,707	320,531	5,591,584
Derivatives	14,941	4,156	72,541	674,616	506,913	1,273,167
Finance lease assets	4,235	0	67	28,099	475,141	507,542
Fixed interest rate instruments	0	0	0	5,775	0	5,775
Total	**3,864,552**	**751,059**	**740,675**	**719,197**	**1,302,585**	**7,378,068**

(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)

1 Jan 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	2,546,082	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**

35.9.2 Financing Facilities

The Group has access to the below loan facilities:

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Overdraft loan facilities:			
– amount of the loan facility	3,450,000	3,430,000	3,430,000
– amount unused	2,605,309	2,570,495	3,080,291
Bills of exchange programme:			
– amount of the loan facility	6,500,000	6,500,000	6,500,000
– amount unused	6,500,000	6,500,000	3,943,427

In April 2013, the ČD Group commenced implementing physical group cash-pooling. The total cash-pool overdraft facility is agreed to be CZK 1.5 billion. Komerční banka, a.s. was selected on the basis of a public tender to be the provider of physical cash-pooling, including the overdraft loan and the related banking services.

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 16,736,754 thousand as of 31 December 2013. Pursuant to the most recent market information (from November 2013), their listed value is CZK 17,653,253 thousand. However, the liquidity of bonds and the frequency of transactions is low.

In addition, the Parent Company issued CZK bonds with the carrying amount of CZK 4,015,920 thousand as of 31 December 2013. The bonds are listed on the Prague Stock Exchange; however, no transactions were made from the issue date to the financial statements date, hence the market price cannot be determined.

The fair value of the lease as of 31 December 2013 amounts to CZK 7,024,914 thousand. The fair value of leases calculated with the fixed rate is determined by the recalculation according to the current rate. This up-to-date rate is generated based on the margin of the most recent lease transactions and market interest rate applicable as of the year-end which is subsequently used to recalculate the remaining payable of fixed leases.

The fair value of bonds of ČD Cargo, a.s. as of 31 December 2013 amounts to CZK 2,476,240 thousand. The fair value of bonds is recalculated based on the up-to-date issue rate communicated by individual banks.

The Group believes that the carrying amount of the CZK bonds of the Parent Company and the carrying amount of all other financial assets and financial liabilities reported in the consolidated financial statements in carrying amounts does not significantly differ from 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 2013, 31 December 2012 and 1 January 2012 are included in Level 3.

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

(CZK '000)	**Derivatives**
Balance at 1 Jan 2012	**366,681**
Total gains (losses) from revaluation	-505,683
– in profit or loss	-281,425
– in other comprehensive income	-224,258
Purchases	0
Sales/settlement	-25,397
Balance at 31 Dec 2012	**-164,399**
Total gains (losses) from revaluation	1,037,215
– in profit or loss	1,178,061
– in other comprehensive income	-140,846
Purchases	0
Sales/settlement	31,070
Balance at 31 Dec 2013	**903,886**

36 Post Balance Sheet Events

Management of ČD Cargo, a.s. decided to sell its equity investment in the subsidiary ČD Interport, s.r.o.; the 51% equity investment was sold on 15 January 2014.

On 2 April 2014, the rating agency Moody's launched a review of České dráhy's rating at the Baa2 grade with a possible downgrade.

No other 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 8 April 2014.

Separate Financial Statements for the Year Ended 31 December 2013

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**
Company ID **70994226**

Components of the Separate Financial Statements for 2013

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 8 April 2014
Statutory body of the reporting entity

Daniel Kurucz
Chairman of the Board of Directors
České dráhy, a.s.

Pavel Krtek
Member of the Board of Directors
České dráhy, a.s.

Statement of Financial Position (Balance Sheet) as of 31 December 2013

		31 Dec 2013 CZK thousand	31 Dec 2012 CZK thousand	1 Jan 2012 CZK thousand
Property, plant and equipment	16	57,366,555	56,283,856	53,399,330
Investment property	17	2,162,067	2,171,692	2,095,000
Intangible assets	18	292,136	308,932	347,943
Investments in subsidiaries and associates and joint ventures	19	7,882,111	10,715,122	10,821,836
Other financial assets	22	1,595,520	705,606	884,782
Other assets	23	6,141	33,922	65,614
Total non-current assets		**69,304,530**	**70,219,130**	**67,614,505**
Inventories	20	907,254	959,596	926,362
Trade receivables	21	1,424,884	1,328,502	1,508,777
Tax receivables		0	0	357
Other financial assets	22	225,589	90,649	122,175
Other assets	23	697,732	638,144	889,314
Cash and cash equivalents	31	826,921	802,238	1,832,926
Assets held for sale	15	59,161	232,551	217,879
Total current assets		**4,141,541**	**4,051,680**	**5,497,790**
TOTAL ASSETS		**73,446,071**	**74,270,810**	**73,112,295**
Share capital	24	20,000,000	20,000,000	20,000,000
Reserve and other funds	24	16,302,100	16,325,183	16,556,983
Retained earnings		1,534,898	6,664,800	7,510,848
Total equity		**37,836,998**	**42,989,983**	**44,067,831**
Loans and borrowings	25	25,604,389	21,774,856	15,799,100
Provisions	26	146,474	168,960	150,439
Other financial liabilities	28	201,023	422,406	167,979
Total non-current payables		**25,951,886**	**22,366,222**	**16,117,518**
Trade payables	27	4,683,528	5,176,882	5,342,009
Loans and borrowings	25	2,380,191	1,347,622	5,192,058
Provisions	26	656,835	457,711	480,882
Other financial payables	28	90,727	99,493	38,059
Other payables	29	1,845,906	1,832,897	1,873,938
Total current payables		**9,657,187**	**8,914,605**	**12,926,946**
TOTAL LIABILITIES		**73,446,071**	**74,270,810**	**73,112,295**

Statement of Profit or Loss for the Year ended 31 December 2013

		Year ended 31 Dec 2013 CZK thousand	Year ended 31 Dec 2012 CZK thousand
CONTINUING OPERATIONS			
Revenue from principal operations	5	19,922,843	19,518,103
Other operating income	6	1,958,377	1,927,644
Purchased consumables and services	7	-9,857,710	-9,909,897
Employee benefit costs	8	-7,740,052	-7,755,493
Depreciation and amortisation	9	-4,412,310	-4,019,460
Other operating losses, net	10	-968,451	-192,764
Loss before interest and tax		**-1,097,303**	**-431,867**
Financial expenses	11	-740,830	-652,580
Other gains (losses), net	12	-3,291,605	246,949
Loss before tax		**-5,129,738**	**-837,498**
Income tax expense	13	-164	-486
Loss for the period from continuing operations		**-5,129,902**	**-837,984**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	15	0	0
Loss for the year		**-5,129,902**	**-837,984**

Statement of Comprehensive Income for the Year ended 31 December 2013

	Year ended 31 Dec 2013 CZK thousand	Year ended 31 Dec 2012 CZK thousand
Loss for the year	-5,129,902	-837,984
Cash flow hedging	-23,083	-239,864
Relating income tax	0	0
Other comprehensive income (loss) for the year (items that may be reclassified in profit or loss), net of tax	**-23,083**	**-239,864**
Total comprehensive income (loss) for the year	**-5,152,985**	**-1,077,848**

Statement of Changes in Equity for the Year ended 31 December 2013

	Share capital CZK thousand	Reserve and other funds CZK thousand	Retained earnings CZK thousand	Total equity CZK thousand
Balance at 1 January 2012	**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**
Loss for the period	0	0	-5,129,902	-5,129,902
Other comprehensive income for the year, net of tax	0	-23,083	0	-23,083
Allocation to the reserve fund	0	0	0	0
Balance at 31 December 2013	**20,000,000**	**16,302,100**	**1,534,898**	**37,836,998**

Cash Flow Statement for the Year ended 31 December 2013

		Year ended 31 Dec 2013 CZK thousand	Year ended 31 Dec 2012 CZK thousand
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year before tax		-5,129,738	-837,498
Dividend income	12	-177,651	-129,953
Financial expenses	11	740,830	652,580
Profit from the sale and disposal of non-current assets	6	-325,799	-391,853
Depreciation and amortisation of non-current assets	9	4,412,310	4,019,460
Impairment of non-current assets	10	272,952	-139,989
Impairment of trade receivables		154,225	56,662
Impairment of financial investments	12	2,852,321	0
Foreign exchange rate gains (losses)		683,420	-223,784
Other		28,134	-15,766
Cash flows from operating activities before changes in working capital		**3,511,004**	**2,989,859**
Decrease (increase) in trade receivables		-221,373	89,407
Decrease (increase) in inventories		-20,432	-41,632
Decrease (increase) in other assets		-10,267	307,840
Increase (decrease) in trade payables		159,262	193,147
Increase (decrease) in provisions		174,429	-5,734
Increase (decrease) in other payables		23,191	35,622
Total changes in working capital		**104,810**	**578,650**
Cash flows from operating activities		**3,615,814**	**3,568,509**
Interest paid		-670,140	-511,087
Income tax paid		-164	-485
Net cash flows from operating activities		**2,945,510**	**3,056,937**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment		-6,274,004	-7,017,079
Proceeds from disposal of property, plant and equipment		413,712	509,315
Payments for investment property		-5,600	-93,195
Costs of acquisition of intangible assets		-99,369	-76,413
Received interest		13,629	27,111
Loans and borrowings to related parties		-20,000	0
Received dividends		175,828	129,953
Net cash flows (used in) from investment activities		**-5,795,804**	**-6,520,308**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of loans and borrowings		3,975,560	7,628,551
Repayments of loans and borrowings		-1,080,717	-5,195,868
Net cash flows from financing activities		**2,894,843**	**2,432,683**
Net increase (decrease) in cash and cash equivalents		**44,549**	**-1,030,688**
Cash and cash equivalents at the beginning of the reporting period		802,238	1,832,926
Cash and cash equivalents at the end of the reporting period	**31**	**846,787**	**802,238**

Notes to the Financial Statements for the Year Ended 31 December 2013

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 2013. The reporting period is the calendar year, i.e. from 1 January 2013 to 31 December 2013. 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 Deputy CEOs:

Section of the Company's CEO;
Section of the Company's Deputy CEO for Passenger Transport;
Section of the Company's Deputy CEO for Economy and Technology;
Section of the Company's Deputy CEO for Asset Administration; and
Section of the Company's Deputy CEO for Cross-Functional Activities.

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 2013:

Steering Committee

Chairman	Lukáš Hampl
Vice Chairman	Josef Kubovský
Member	Michal Janeba
Member	Veronika Kramaříková
Member	Petr Pelech
Member	Zbyněk Šolc
Member	Richard Vítek

Pursuant to Resolution No. 543 of the Czech Government of 16 July 2013, the positions of members of the Steering Committee of Miloslav Hala, Michael Hrbata, Miloslav Müller and Jiří Žák expired. Pursuant to this resolution, Veronika Kramaříková, Josef Kubovský, Richard Vítek and Zbyněk Šolc were appointed members of the Steering Committee with effect from 17 July 2013. Josef Kubovský was appointed Vice-Chairman of the Steering Committee.

Pursuant to Resolution No. 125 of the Czech Government of 26 February 2014, the authorisations for the activities in the Steering Committee of České dráhy for Veronika Kramaříková, Petr Pelech, Michal Janeba, Richard Vítek, Lukáš Hampl, Zbyňek Šolc, Josef Kubovský were cancelled with effect from 26 February 2014. Pursuant to this resolution, Lukáš Wagenknecht, Jiří Havlíček, Vladislav Koval, Jakub Kulhánek, Kamil Rudolecký, Karel Dobeš and Jindřich Kušnír were authorised to perform the activities in the Steering Committee starting from 27 February 2014. Karel Dobeš was appointed Chairman and Kamil Rudolecký was appointed Vice-Chairman of the Steering Committee.

Board of Directors

Chairman	Dalibor Zelený
Member	Daniel Kurucz
Member	Karel Otava

On 30 July 2013, the Supervisory Board recalled Petr Žaluda from the position of a member and Chairman of the Board of Directors, and Roman Boček, Ctirad Nečas and Miroslav Šebeňa as members of the Board of Directors with immediate effect. The Supervisory Board appointed Dalibor Zelený, Daniel Kurucz, Pavel Švagr members of the Board of Directors with immediate effect. Dalibor Zelený was appointed Chairman of the Board of Directors. At its meeting held on 15 August 2013, the Supervisory Board recalled Pavel Švagr from his position of a member of the Board of Directors and appointed Karel Otava a member of the Board of Directors with effect from 16 August 2013.

At the meeting of the Supervisory Board held on 20 February 2014, Dalibor Zelený was recalled from the position of a members and Chairman of the Board of Directors and Daniel Kurucz and Karel Otava were recalled from the positions of members with effect from 20 February 2014. Daniel Kurucz, Michal Štěpán and Pavel Krtek were appointed members of the Board of Directors with effect from 21 February 2014. The Supervisory Board appointed Daniel Kurucz Chairman of the Board of Directors with effect from 21 February 2014.

Supervisory Board

Chairman	Zdeněk Žemlička
Member	Ivana Kubaštová
Member	Antonín Leitgeb
Member	Jaroslav Pejša
Member	Josef Smýkal
Member	Miroslav Svítek
Member	Antonín Věchet
Member	Vladislav Vokoun
Member	František Žerava

On 25 January 2013, the Steering Committee discussed the resignation of Miroslav Drobný and Martin Riegl as members of the Supervisory Board and Libor Antoš and Radim Jirout were appointed members of the Supervisory Board with effect from 26 January 2013. On 30 April 2013, the Steering Committee appointed David Karásek a member of the Supervisory Board. On 19 July 2013, the Steering Committee recalled Libor Antoš, Michael Hrbata, Radim Jirout, David Karásek and Miroslav Nádvorník as members of the Supervisory Board. Ivana Kubaštová, Miroslav Svítek, Antonín Věchet, Zdeněk Žemlička and František Žerava were appointed members of the Supervisory Board with immediate effect.
At the meeting of the Steering Committee held on 19 March 2014, František Žerava, Miroslav Svítek, Ivana Kubaštová, Antonín Věchet were recalled from the positions of members. In addition, the Steering Committee discussed the resignation of Zdeněk Žemlička which took effect also on 19 March 2014. Vojtěch Kocourek, Antonín Tesařík, Michal Zdeněk, Milan Křístek, Milan Feranec were appointed members of the Supervisory Board with effect from 20 March 2014.

Audit Committee	
Chairman	Miroslav Zámečník
Member	Ivana Kubaštová
Member	Zdeněk Prosek

At the meeting of the Steering Committee held on 25 September 2013, Michal Hrbata was recalled from the position of a member of the Audit Committee and Ivana Kubaštová was appointed a member of the Audit Committee.

A sub-committee of the Supervisory Board is the Remuneration Committee. As of 31 December 2013, positions of committee members were vacant. The position of a member of the Remuneration Committee of Martin Riegl expired concurrently with the expiration of his membership in the Supervisory Board on 25 January 2013 and the position of Miroslav Nádvorník expired concurrently with the recall from the position of a member of the Supervisory Board on 19 July 2013.

The permanent advisory body of the Board of Directors which has its role in the risk management is the Risk Management Committee. At its meeting held on 29 October 2013, the Board of Directors approved new members of the Risk Management Committee. Libor Müller was appointed Chairman of the Risk Management Committee.

Risk Management Committee	
Chairman	Libor Müller
Member	Daniel Kurucz
Member	Michal Štěpán
Member	Jaromír Urban
Member	Jan Čermák

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 current tax payable 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.

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.

2.18.13 Fair Value Hedges

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

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. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

3 Adoption of New and Revised International Financial Reporting Standards

3.1 Standards and Interpretations Effective for Annual Periods Ending 31 December 2013

During the year ended 31 December 2013, 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 1 – Amendments to IFRS 1 Government Loans	1 January 2013
– Removal of Fixed Dates for First-time Adopters	1 January 2013
– Severe Hyperinflation	1 January 2013
IFRS 7 – Amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
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 2013
IAS 19 – Employee Benefits (revised in 2011)	1 January 2013
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

The application of IAS 1 and IFRS 13 has no significant impact on the amounts reported in the financial statements of the Company, except for additional disclosures. Given that the Company has not concluded significant offsetting agreements, the application of IFRS 7 has no significant impact on the presentation of the information or on amounts disclosed in the financial statements. Other listed standards and interpretations have no impact on the disclosure or presentation.

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 9	
– Financial Instruments – Classification and Measurement and subsequent revisions from October 2010 and November 2013	will be determined
– Additions to IFRS 9 for Financial Liability Accounting	will be determined
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2017
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
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
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
IAS 36 – Amendments to IAS– Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 – Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Improvements to IFRS 2010-2012 (published in December 2013)	1 July 2014
Improvements to IFRS – 2011 - 2013 (published in December 2013)	1 July 2014
IFRIC 21 Levies	1 January 2014

*) effective since 1 January 2014 in the EU

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 disclosure under IFRS 12.

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 9	
– Financial Instruments – Classification and Measurement and subsequent amendments of October 2010 and November 2013	will be determined
– Subsequent amendments to IFRS 9 and IFRS 7 (issued in December 2011)	1 January 2017
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to IFRS 2010-2012 (published in December 2013)	1 July 2014
Improvements to IFRS – 2011 - 2013 (published in December 2013)	1 July 2014
IFRIC 21 Levies	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 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. The restructuring plan remains effective. 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.

As part of the arbitration proceedings at the Arbitration Court attached to the Economic Chamber of the Czech Republic and the Agricultural Chamber of the Czech Republic, České dráhy, a.s. is claiming a payment of contractual fines for the delay in the supply of locomotives. The total amount of contractual fines as of 31 December 2013 is approximately CZK 852.7 million, with České dráhy, a.s. having previously offset contractual fines of approximately CZK 208.3 million against the alleged claim of ŠKODA TRANSPORTATION a.s. for the payment of a part of the purchase price for the supply of individual production phases of certain locomotives. Concurrently, ŠKODA TRANSPORTATION a.s. is seeking the payment of the allegedly outstanding part of the purchase price of CZK 216.5 million (including default interest) that České dráhy, a.s., as ŠKODA TRANSPORTATION a.s. believes, unlawfully offset against part of the required claim for the contractual fine. The Arbitration Court has not yet decide on the merit of the above claims. 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)	**2013**	**2012**
Revenue from passenger transportation - fare	7,133,648	7,124,541
– Intrastate passenger transportation	*5,048,457*	*5,160,120*
– International passenger transportation	*2,085,191*	*1,964,421*
Revenue from passenger transportation - payments from public service orderers	12,771,890	12,372,037
– Payment from the state budget	*4,030,252*	*4,024,168*
– Payment from the regional budget	*8,741,638*	*8,347,869*
Other revenue from principal operations	17,305	21,525
Total revenue from principal operations – continuing operations	**19,922,843**	**19,518,103**

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)	**2013**	**2012**
Gain from property, plant and equipment and investment property	325,799	391,853
Gain from the sale of inventory	60,075	72,434
Sales of other services	467,314	471,650
Rental income	747,658	628,550
Compensations for deficits and damage	88,184	93,394
Gain on material	33,405	27,091
Other subsidies	22,665	33,084
Other	213,277	209,588
Total other operating income – continuing operations	**1,958,377**	**1,927,644**

7 Purchased Consumables and Services

(CZK '000)	**2013**	**2012**
Traction costs	-2,897,421	-2,976,271
– Traction fuel (diesel)	-1,362,537	-1,400,328
– Traction electricity	-1,534,884	-1,575,943
Payment for the use of railway route	-1,737,719	-1,665,079
Other purchased consumables and services	-5,222,570	-5,268,547
– Consumed material	-856,723	-882,922
– Consumed other energy	-517,942	-514,051
– Consumed fuel	-96,929	-87,345
– Repairs and maintenance	-528,684	-541,631
– Travel costs	-109,757	-109,080
– Telecommunication, data and postal services	-275,674	-272,639
– Other rental	-91,384	-88,900
– Rental for rail vehicles	-531,092	-506,243
– Transportation charges	-265,302	-210,425
– Services of dining and sleeping carriages	-107,646	-123,847
– Services associated with the use of buildings	-263,945	-279,163
– Operational cleaning of rail vehicles	-357,457	-395,788
– Border area services	-248,966	-228,572
– Advertising and promotion costs	-136,300	-150,877
– Other services	-834,769	-877,064
Total purchased consumables and services – continuing operations	**-9,857,710**	**-9,909,897**

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

8 Employee Benefit Costs

(CZK '000)	**2013**	**2012**
Payroll costs	-5,478,036	-5,485,854
Severance pay	-86,661	-87,226
Statutory social security and health insurance	-1,803,911	-1,812,318
Benefits resulting from the collective agreement	-82,270	-83,036
Other social costs	-284,194	-282,301
Other employee benefit costs	-4,980	-4,758
Total employees benefit costs – continuing operations	**-7,740,052**	**-7,755,493**

9 Depreciation and Amortisation

(CZK '000)	2013	2012
Depreciation of property, plant and equipment	-4,220,661	-3,861,214
Depreciation of investment property	-75,425	-74,939
Amortisation of intangible assets	-116,224	-83,307
Total depreciation and amortisation – continuing operations	**-4,412,310**	**-4,019,460**

10 Other Operating Losses

(CZK '000)	2013	2012
Change in other provisions	-228,344	-5,463
Losses from impaired receivables	-102,550	-39,191
Losses (reversal of losses) from impaired property, plant and equipment, investment property and assets held for sale	-272,952	139,989
Write-down of inventories to their net realisable value	-53,381	-5,243
Taxes and fees	-18,062	-33,296
Other operating expenses	-293,162	-249,560
Total other operating losses – continuing operations	**-968,451**	**-192,764**

11 Financial Expenses

(CZK '000)	2013	2012
Interest on bank overdraft accounts and loans	-766	-209
Interest on the loan from ČSOB and loans from Eurofima	-15,529	-57,044
Interest on issued bonds	-722,573	-591,680
Interest on finance lease payables	-108,680	-137,363
Other interest	-9,917	-56,670
Less: amounts capitalised as part of the costs of an eligible asset	118,844	191,470
Unwinding of the discount of provisions	-2,209	-1,084
Total financial expenses – continuing operations	**-740,830**	**-652,580**

The capitalisation rate in the year ended 31 December 2013 is 2 % p. a. (2012: 2.8 % p. a.).

12 Other Gains (Losses)

(CZK '000)	2013	2012
Net foreign exchange gains (losses)	-638,895	140,636
Received dividends	177,651	129,953
Received interest	13,669	25,577
Banking fees	-13,479	-13,913
Actuarial gains (losses)	26,272	-20,694
Other*)	-2,856,823	-14,610
Total other gains (losses) – continuing operations	**-3,291,605**	**246,949**

*) 2013: Impairment of the equity investments in CD Cargo, a.s. of CZK 2,852,321 thousand.

13 Income Taxation

13.1 Income Tax Reported in Profit or Loss

(CZK '000)	2013	2012
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 *)	-164	-486
Total tax charge relating to continuing operations	**-164**	**-486**

*) 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)	2013	2012
Loss from continuing operations before tax	-5,129,738	-837,498
Income tax calculated using the statutory rate of 19%	974,650	159,125
Effect of the unrecognised deferred tax asset	-715,135	-90,660
Other*)	-259,679	-68,951
Income tax reported in profit or loss	**-164**	**-486**

*) 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 2012 – calculated	**785,037**	**-673,820**	**119,952**	**-3,523**	**7,685**	**261**	**235,592**
Balance at 1 Jan 2012 - 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**
Deferred tax recognised in profit or loss:	0	0	0	0	0	0	0
– of which current changes in the deferred tax	*352,679*	*403,056*	*-10,139*	*-37,038*	*20,894*	*-14,317*	*715,135*
*– of which impairment *)*	*-352,679*	*-403,056*	*10,139*	*37,038*	*-20,894*	*14,317*	*-715,135*
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*	*41,042*	*41,042*
*– of which impairment *)*	*0*	*0*	*0*	*0*	*0*	*-41,042*	*-41,042*
Balance at 31 Dec 2013 – calculated	**775,110**	**257,176**	**60,669**	**-73,440**	**33,076**	**69,184**	**1,121,775**
Balance at 31 Dec 2013 - 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 2013 taxation period, the Company records a utilisable tax loss for the 2009 and 2013 taxation periods in the amount of CZK 4,079,527 thousand. The tax loss is utilisable always in five taxation periods subsequent to the period in which the relevant loss was assessed, ie the loss from 2009 is utilisable through 2014 and the loss for 2013 is utilisable between 2014 and 2018. 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.
– 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.

2013

(CZK million)	Passenger transportation	Administration of assets	Other	Elimination and reconciliation *)	Total
Revenue from principal operations					
Revenue from passenger transportation	7,134	0	0	0	7,134
Revenue from securing railway routes	0	0	0	0	0
Payments from orderers	12,772	0	0	0	12,772
Other	0	0	0	17	17
	19,906	**0**	**0**	**17**	**19,923**
Purchased consumables and services					
Traction costs	-2,898	0	0	0	,-2,898
Payment for the use of the railway route	-1,687	0	0	-51	-1,738
Other purchased consumables and services	-6,195	-645	-332	1,950	-5,222
	-10,780	**-645**	**-332**	**1,899**	**-9,858**
Staff costs					
Payroll costs	-4,888	-178	-433	-66	-5,565
Social security and health insurance	-1,635	-59	-124	14	-1,804
Statutory social costs	-30	-2	-3	-250	-285
Statutory social costs - benefits arising from the collective agreement	-236	-5	-8	163	-86
	-6,789	**-244**	**-568**	**-139**	**-7,740**
Other operating income and expenses	500	918	-252	-176	990
Intracompany income and expenses	-94	99	-5	0	0
Overhead costs – operating	-1,086	-71	1,157	0	0
Depreciation and amortisation	-2,275	-217	-87	-1,833	-4,412
Other income and expenses	-1,270	0	187	-2,950	-4,033
Overhead costs – financial and other	93	7	-100	0	0
Loss for the period from continuing operations	**-1,795**	**-153**	**0**	**-3,182**	**-5,130**
Profit (loss) for the period from discontinued operations	0	0	0	0	0
Loss for the period	**-1,795**	**-153**	**0**	**-3,182**	**-5,130**

*) The 'Elimination and reconciliation' column includes eliminations of intracompany relations and differences between balances under Czech Accounting Standards and IFRS. Most significant IFRS adjustments include components (CZK (446) million), leases (CZK 198 million), employee benefits (CZK 101 million), social fund (CZK (108) million), impairment of the equity investment in CD Cargo, a.s. (CZK (2,852) million).

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. Most significant IFRS adjustments include components (CZK (445) million), leases (CZK 183 million) and employee benefits (CZK 58 million), social fund (CZK (67) million).

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 2013 financial statements date, intensive negotiations are pending with regard to amendments to long-term contracts for 2014. The amount of payments in 2014 will be substantially impacted by the launching of new vehicles and a significant increase in the fee for the railway route, 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 2014 – as equal to the amount of the prepayments from 2013.

15 Discontinued Operations and Assets Held for Sale

15.1 Assets Held for Sale

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Intangible assets	0	0	0
Land	53,922	60,000	90,000
Buildings	5,239	172,551	127,879
Investments in subsidiaries and associates	0	0	0
Total	**59,161**	**232,551**	**217,879**

16 Property, Plant and Equipment

(CZK '000)

Cost	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Land	6,030,555	32,899	5,047	-36,681	6,021,726	7,461	23,599	-82,735	5,922,853
Structures	14,017,682	311,769	145,162	-394,560	13,789,729	196,912	87,140	-117,632	13,781,869
Individual movable assets	64,743,386	6,615,321	1,101,955	1,614	70,258,366	9,205,900	1,212,343	497	78,252,420
- Machinery, equipment, and furniture and fixtures	2,249,929	125,539	88,980	-507	2,285,981	28,075	64,524	-261	2,249,271
- Vehicles	58,094,459	6,440,261	998,294	15,767	63,552,193	9,118,034	1,114,070	758	71,556,915
- Vehicles acquired under finance leases	4,345,119	15,970	9,009	19,941	4,372,021	59,791	29,180	0	4,402,632
- Other	53,879	33,551	5,672	-33,587	48,171	0	4,569	0	43,602
Other assets	4,152	0	77	-972	3,103	9,840	0	0	12,943
Assets under construction	1,842,282	6,341,990	27,411	-6,028,393	2,128,468	7,516,898	20,973	-8,279,913	1,344,480
Prepayments	4,274,143	922,200	1,222,497	0	3,973,846	0	3,003,374	0	970,472
Total	**90,912,200**	**14,224,179**	**2,502,149**	**-6,458,992**	**96,175,238**	**16,937,011**	**4,347,429**	**-8,479,783**	**100,285,037**

(CZK '000)

Accumulated depreciation	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Structures	6,566,277	285,827	104,774	-142,374	6,604,956	281,968	78,454	-154,350	6,654,120
Individual movable assets	30,046,983	3,470,243	936,780	460	32,580,906	3,850,789	1,092,850	194	35,339,039
- Machinery, equipment, and furniture and fixtures	1,680,324	91,759	77,578	-1,064	1,693,441	94,951	64,240	-258	1,723,894
- Vehicles	27,771,248	3,155,491	843,217	-728	30,082,794	3,527,520	995,774	452	32,614,992
- Vehicles acquired under finance leases	546,366	221,630	10,569	2,536	759,963	227,538	28,299	0	959,202
- Other	49,045	1,363	5,416	-284	44,708	780	4,537	0	40,951
Other assets	134	0	0	-73	61	0	0	0	61
Total	**36,613,394**	**3,756,070**	**1,041,554**	**-141,987**	**39,185,923**	**4,132,757**	**1,171,304**	**-154,156**	**41,993,220**

(CZK '000)

Impairment	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Land	3,817	35,697	0	0	39,514	16,612	0	0	56,126
Structures	44,834	0	1,401	0	43,433	11	0	0	43,444
Individual movable assets	850,825	93,763	322,076	0	622,512	263,924	129,558	0	756,878
- Machinery, equipment, and furniture and fixtures	79	1,442	37	0	1,484	661	1,484	0	661
- Vehicles	850,746	92,321	322,039	0	621,028	263,263	128,074	0	756,217
Assets under construction	0	0	0	0	0	68,814	0	0	68,814
Total	**899,476**	**129,460**	**323,477**	**0**	**705,459**	**349,361**	**129,558**	**0**	**925,262**

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 2012	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Land	6,026,738	5,982,212	5,866,727
Buildings	7,406,571	7,141,340	7,084,305
Individual movable assets	33,845,578	37,054,948	42,156,503
- Machinery, equipment, and furniture and fixtures	*569,526*	*591,056*	*524,716*
- Vehicles	*29,472,465*	*32,848,371*	*38,185,706*
- Vehicles acquired under finance leases	*3,798,753*	*3,612,058*	*3,443,430*
- Other	*4,834*	*3,463*	*2,651*
Other assets	4,018	3,042	12,882
Assets under construction	1,842,282	2,128,468	1,275,666
Prepayments	4,274,143	3,973,846	970,472
Total	**53,399,330**	**56,283,856**	**57,366,555**

Principal additions from 1 January 2012 to 31 December 2013 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 2013, this primarily involves the purchase of train sets for regional transportation and purchase of seven Siemens Viaggio Comfort trains.

In 2013, the Company acquired fixed assets financed through government grants in the amount of CZK 1,568,619 thousand (2012: CZK 945,483 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 2013, 2012 and 1 January 2012 is the loss on the 680 series tilting trains (Pendolino) amounting to CZK 609,233 thousand, CZK 492,953 thousand and CZK 719,340 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 increase in the impairment loss between 2012 and 2013 is primarily due to the current market developments and the arrival of competitors to the passenger railway transportation market. 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
Components	2 – 15
Machinery and equipment	8 – 20

16.2 Assets Pledged as Collateral

The Company holds assets at the net book value of CZK 3,120,231 thousand that were pledged as collateral, of which train sets of the 471 series amounted to CZK 2,447,743 thousand, the Ampz passenger coaches amounted to CZK 302,374 thousand and the Bmz passenger coaches amounted to CZK 370,114 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 248,945 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)	**2013**	**2012**
Balance at the beginning of the year	2,171,692	2,095,000
Additions from subsequent capitalised expenses	13,339	89,373
Disposals	-9,175	-35,997
Disposals, annual depreciation	-75,425	-74,939
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	105,404	181,839
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	16,364	-52,515
Transfers to assets held for sale (from IAS 40 to IFRS 5)	-58,031	-43,756
Change in the value	273	288
Transfers of assets held for sale (from IFRS 5 to IAS 40)	-2,374	12,399
Balance at the end of the year	**2,162,067**	**2,171,692**

(CZK '000)	**Balance at 31 Dec 2013**	**Balance at 31 Dec 2012**	**Balance at 1 Jan 2012**
Cost	3,509,998	3,454,630	3,227,643
Accumulated depreciation	-1,347,658	-1,282,650	-1,132,295
Impairment	-273	-288	-348
Net book value	**2,162,067**	**2,171,692**	**2,095,000**

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 2013, 2012 and 1 January 2012 is CZK 4,085,062 thousand, CZK 5,281,562 thousand and CZK 4,357,846 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 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Development costs	95,907	0	0	0	95,907	0	0	0	95,907
Software	494,573	46,703	151	0	541,125	106,243	8,303	0	639,065
Valuable rights	520,594	23,074	0	0	543,668	19,887	0	0	563,555
Other assets	760	0	0	0	760	0	0	0	760
Assets under construction	135,630	58,862	0	-84,344	110,148	60,628	0	-87,007	83,769
Total	**1,247,464**	**128,639**	**151**	**-84,344**	**1,291,608**	**186,758**	**8,303**	**-87,007**	**1,383,056**

(CZK '000)

Accumulated amortisation	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Development costs	95,907	0	0	0	95,907	0	0	0	95,907
Software	460,789	25,983	151	0	486,621	56,102	8,602	0	534,121
Valuable rights	342,065	57,323	0	0	399,388	60,744	0	0	460,132
Other assets	760	0	0	0	760	0	0	0	760
Total	**899,521**	**83,306**	**151**	**0**	**982,676**	**116,846**	**8,602**	**0**	**1,090,920**

(CZK '000)

Net book value	Balance at 1 Jan 2012	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Development costs	0	0	0
Software	33,784	54,504	104,944
Valuable rights	178,529	144,280	103,423
Other assets	0	0	0
Assets under construction	135,630	110,148	83,769
Total	**347,943**	**308,932**	**292,136**

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, POP, KASO 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 2013	Value of investment as of 31 Dec 2012	Value of investment as of 1 Jan 2012
Výzkumný Ústav Železniční, a. s.	Prague	382,711	382,711	382,711
ČD – Telematika a. s.	Prague	939,905	939,905	1,182,129
DPOV, a. s.	Přerov	385,291	385,291	385,291
ČD Cargo, a. s.	Prague	5,907,679	8,760,000	8,760,000
ČD – Informační systémy, a.s.	Prague	121,880	121,880	0
Dopravní vzdělávací institut, a. s.*)	Prague	6,009	6,009	0
ČD travel, s. r. o. *)	Prague	7,621	7,621	0
Total		**7,751,096**	**10,603,417**	**10,710,131**

*) Investments in these entities were treated as immaterial in the prior reporting period. In the financial statements as of 1 January 2012, they were reported as other financial assets available for sale. In the financial statements as of 31 December 2012 and 2013, 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. As of 29 February 2012, the process of transferring the shares of ČDT - Informační Systémy, a.s. from the original owner, ČD – Telematika a. s., to the acquirer, České dráhy, a. s. was completed. 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 2013, the Company tested the equity investment in ČD Cargo, a.s. for impairment. The impairment testing was performed using the method of the liquidation price, ie selling price of individual parts of assets. The analysis of the liquidation price is undertaken by ČD Cargo, a.s. for its internal purposes – the analysis is thus based on its own conclusions. The key aspect for this valuation is the value of railway vehicles as the principal asset item of the Company. It is valued partially by an expert appraisal and partially in the value of the purchase price of scrap. For other balance sheet components, the market value equals the carrying amount. Off-balance sheet items are not reflected. This testing highlighted that the value of the equity of ČD Cargo, a.s. is lower than the carrying value of the financial investment reported in the balance sheet of České dráhy, a.s.; for this reason, an impairment of the equity investment of CZK 2,852,321 thousand was reported as of 31 December 2013.

Name of the entity	Principal activities	Investment as of 31 Dec 2013	Investment as of 31 Dec 2012	Investment as of 1 Jan 2012
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%	100%	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	Investment as of 31 Dec 2013	Investment as of 31 Dec 2012	Investment as of 1 Jan 2012
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 2013	Investment as of 31 Dec 2012	Investment as of 1 Jan 2012
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 2013	Masaryk Station Development, a.s.	JLV, a. s.	Total
Total assets	106,132	393,450	499,582
Total liabilities	130,107	78,994	209,101
Net assets	-23,975	314,456	290,481
Share of the Company in associates' net assets	**-8,152**	**121,977**	**113,825**
Total income	8,940	318,074	327,014
Profit for the period	-5,576	12,138	6,562
Share of the Company in associates' profit for the period	**-1,896**	**4,708**	**2,812**

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**

1 January 2012	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 2013	Investment as of 31 Dec 2012	Investment as of 1 Jan 2012
Smíchov Station Development, a. s.	Prague	0	0	0
Žižkov Station Development, a. s.	Prague	1,020	1,020	1,020
Centrum Holešovice, a. s.	Prague	982	982	982
RAILREKLAM, spol. s r. o. *)	Prague	19,310	0	0
Total		**21,312**	**2,002**	**2,002**

*) In the previous reporting period, the investment was treated as immaterial. In the financial statements as of 1 January 2012 and 31 December 2012, it was reported as other financial assets available for sale. In the year ended 31 December 2013, it is reported as a joint venture.

Name of the entity	Principal activities	Investment as of 31 Dec 2013	Investment as of 31 Dec 2012	Investment as of 1 Jan 2012
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%
RAILREKLAM, spol. s r. o.	Advertising and mediation of services	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.

Summary of financial information on joint ventures:

(CZK '000)

31 Dec 2013	Smíchov Station Development, a. s.	Žižkov Station Development, a. s.	Centrum Holešovice, a. s.	RAILREKLAM, spol. s r. o.	Total
Total assets	49,018	7,661	26,478	63,440	146,597
Total liabilities	61,934	6,195	26,239	21,138	115,506
Net assets	-12,916	1,466	239	42,302	31,091
The Company's share of net assets	**-6,587**	**748**	**122**	**21,574**	**15,857**
Total income	0	0	0	120,941	120,941
Profit for the period	-2,096	-99	-12	6,470	4,263
The Company's share of profit	**-1,069**	**-50**	**-6**	**3,300**	**2,175**

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**

1 January 2012	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 2013	31 Dec 2012	1 Jan 2012
Spare parts for machinery and equipment	65,938	67,563	72,158
Spare parts and other components for rail vehicles and locomotives	628,618	600,414	542,104
Other machinery, tools and equipment and their spare parts	83,608	84,628	85,871
Fuels, lubricants and other oil products	24,182	26,993	22,637
Work clothes, work shoes, protective devices	97,771	123,680	145,233
Other	73,503	69,324	66,145
Total cost	**973,620**	**972,602**	**934,148**
Write-down of inventories to their net realisable value	-66,366	-13,006	-7,786
Total net book value	**907,254**	**959,596**	**926,362**

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

21 Trade Receivables

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Long-term	0	0	0
Short-term	1,424,884	1,328,502	1,508,777
Total	**1,424,884**	**1,328,502**	**1,508,777**

21.1 Aging of Trade Receivables

					Past due date (days)			Total past	
(CZK '000)	Category	Before due date	1 - 30 days	31 – 90 days	91 – 180 days	181 – 365 days	365 and more	due date	Total
31 Dec 2013	Gross	1,328,116	41,739	61,742	57,233	36,340	65,980	263,034	1,591,150
	Allowances	-28,800	0	-590	-38,182	-36,076	-62,618	-137,466	-166,266
	Net	**1,299,316**	**41,739**	**61,152**	**19,051**	**264**	**3,362**	**125,568**	**1,424,884**
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**
1 Jan 2012	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**

21.2 Movements in Allowances for Doubtful Receivables

(CZK '000)	2013	2012
Balance at the beginning of the year	62,177	65,045
Recognition of allowances	186,760	49,585
Use of allowances	-82,671	-52,453
Balance at the end of the year	**166,266**	**62,177**

22 Other Financial Assets

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Financial assets for sale	307,872	327,184	341,664
Receivables from finance leases	103,996	109,132	113,751
Hedging derivatives	1,175,760	258,047	415,497
Other	7,892	11,243	13,870
Total non-current financial assets	**1,595,520**	**705,606**	**884,782**
Receivables from finance leases	-7,026	-6,784	-6,375
Hedging derivatives	85,343	29,397	44,373
Group cash pooling	62,067	0	0
Other	85,205	68,036	84,177
Total current financial assets	**225,589**	**90,649**	**122,175**
Total	**1,821,109**	**796,255**	**1,006,957**

22.1 Receivables from Finance Leases

The Company leased the station buildings at Brno - hlavní nádraží.

	Minimum lease payments			Present value of minimum lease payments		
(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012	31 Dec 2013	31 Dec 2012	1 Jan 2012
Under 1 year	4,302	4,131	3,861	-7,026	-6,784	-6,375
From 1 to 5 years	28,099	26,569	24,376	-29,410	-27,694	-25,183
5 years and more	475,141	463,430	438,706	133,406	136,826	138,934
Total	**507,542**	**494,130**	**466,943**	**96,970**	**102,348**	**107,376**
Less: unrealised financial income	-410,572	-391,782	-359,567	0	0	0
Present value of receivables of minimum lease payments	**96,970**	**102,348**	**107,376**	**96,970**	**102,348**	**107,376**
In the statement of financial position as:						
– Other current financial assets				-7,026	-6,784	-6,375
– Other non-current financial assets				103,996	109,132	113,751
Total				**96,970**	**102,348**	**107,376**

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 2013	31 Dec 2012	1 Jan 2012
Total non-current assets	6,141	33,922	65,614
Prepayments made	89,813	102,076	121,596
Tax receivables (except for the corporate income tax)	512,775	431,258	677,021
Prepaid expenses	51,253	51,433	38,915
Other	43,891	53,377	51,782
Total current assets	**697,732**	**638,144**	**889,314**
Total	**703,873**	**672,066**	**954,928**

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 2013	31 Dec 2012	1 Jan 2012
Share premium	16,438,594	16,438,594	16,438,594
Statutory reserve fund	100,951	100,951	92,887
Cash flow hedging reserve	-237,445	-214,362	25,502
Total	**16,302,100**	**16,325,183**	**16,556,983**

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

24.2.1 Cash Flow Hedging Reserve

(CZK '000)	2013	2012
Balance at the beginning of the year	-214,362	25,502
Revaluation loss	-27,295	-214,763
Settled deferred derivatives	-21,438	-6,290
Reclassification to profit or loss	25,650	-18,811
Total change in the cash flow hedging reserve	**-23,083**	**-239,864**
Relating income tax	0	0
Balance at the year-end	**-237,445**	**-214,362**

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 2013**	**31 Dec 2012**	**1 Jan 2012**
Loan from ČSOB	281,283	257,617	264,381
Payable to EUROFIMA	1,239,761	377,100	0
Short-term issued bills of exchange	0	0	2,556,573
Payables from finance leases	433,322	398,563	377,180
Group cash pooling	42,201	0	0
Overdraft accounts	0	0	0
Issued bonds	383,624	314,342	1,993,924
Total short-term	**2,380,191**	**1,347,622**	**5,192,058**
Payable to EUROFIMA	2,879,625	3,770,950	4,256,948
Issued bonds	20,369,051	15,003,808	7,863,509
Loan from ČSOB	0	257,617	528,761
Payables from finance leases	2,355,713	2,742,481	3,149,882
Total long-term	**25,604,389**	**21,774,856**	**15,799,100**
Total	**27,984,580**	**23,122,478**	**20,991,158**

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 2013 was CZK 2,908 thousand (2012: CZK 13,445 thousand, 2011: CZK 12,259 thousand). The maturity of the loan is 10 years for each individual tranche.

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.

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

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.

On 25 July 2013, the Company issued bonds with a total nominal value of CZK 4 billion with the issue rate of 99.502% of the nominal value, with the maturity of five years and a variable coupon paid on a half-year basis which is composed of the 6M PRIBOR rate plus a markup of 1.7% p.a. The bonds issue is listed on the Regulated Market of the Prague Stock Exchange (Regulovaný trh Burzy cenných papírů Praha, a.s.) The lead managers of the issue were Česká spořitelna, a.s. and Československá obchodní banka, a.s.

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. In 2013, the Company renewed the car fleet, under finance lease arrangements. Payables arising from finance leases are as follows:

	Minimum lease payments			Present value of minimum lease payments		
(CZK '000)	**31 Dec 2013**	**31 Dec 2012**	**1 Jan 2012**	**31 Dec 2013**	**31 Dec 2012**	**1 Jan 2012**
Less than 1 year	523,088	517,007	519,727	433,323	398,563	377,180
From 1 to 5 years	1,865,897	1,972,854	2,091,162	1,640,552	1,642,237	1,670,475
5 years and more	755,459	1,193,438	1,640,764	715,160	1,100,244	1,479,407
Total	**3,144,444**	**3,683,299**	**4,251,653**	**2,789,035**	**3,141,044**	**3,527,062**
Less future finance expenses	-355,409	-542,255	-724,591			
Present value of minimum lease payments	**2,789,035**	**3,141,044**	**3,527,062**	**2,789,035**	**3,141,044**	**3,527,062**
In the statement of financial position as:						
– short-term loans				*433,322*	*398,563*	*377,180*
– long-term loans				*2,355,713*	*2,742,481*	*3,149,882*
Total				**2,789,035**	**3,141,044**	**3,527,062**

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 2012**	**Charge**	**Use**	**Balance at 31 Dec 2012**	**Charge**	**Use**	**Balance at 31 Dec 2013**
Provision for rents	8,222	1,006	2,717	6,511	206	1,969	4,748
Provision for legal disputes	268,838	16,296	4,249	280,885	237,207	7,286	510,806
Provision for outstanding vacation days	41,488	44,088	41,488	44,088	47,102	44,088	47,102
Provision for removal of the environmental burden	73,668	0	39,364	34,304	0	30,471	3,833
Provisions for employees benefits	239,105	104,814	83,036	260,883	58,207	82,270	236,820
Total provisions	**631,321**	**166,204**	**170,854**	**626,671**	**342,722**	**166,084**	**803,309**
– long-term	*150,439*			*168,960*			*146,474*
– short-term	*480,882*			*457,711*			*656,835*

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. 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)			Total past	
Year	**Category**	**Before due date**	**1 – 30 days**	**31 – 90 days**	**91–180 days**	**181-365 days**	**365 and more**	**due date**	**Total**
31 Dec 2013	Short-term	4,641,466	26,078	3,928	4,427	2,081	5,548	42,062	4,683,528
31 Dec 2012	Short-term	4,973,555	124,970	9,352	2,242	24,189	42,574	203,327	5,176,882
1 Jan 2012	Short-term	5,265,847	23,014	29,264	18,336	2,796	2,752	76,162	5,342,009

Supplier invoices typically mature in 60 days.

28 Other Financial Liabilities

(CZK '000)	**31 Dec 2013**	**31 Dec 2012**	**1 Jan 2012**
Financial derivatives	114,622	305,873	44,520
Other	86,401	116,533	123,459
Total long-term	**201,023**	**422,406**	**167,979**
Financial derivatives	64,448	63,367	8,880
Other	26,279	36,126	29,179
Total short-term	**90,727**	**99,493**	**38,059**
Total	**291,750**	**521,899**	**206,038**

29 Other Liabilities

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Total long-term	**0**	**0**	**0**
Received prepayments	284,709	256,463	172,727
Payables from the transition period (SŽDC-transformation)	0	12,585	34,715
Payables to employees	681,889	675,934	717,215
Social security and health insurance payables	219,502	213,231	214,046
Other	659,806	674,684	735,235
Total short-term	**1,845,906**	**1,832,897**	**1,873,938**
Total	**1,845,906**	**1,832,897**	**1,873,938**

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

2013

(CZK '000)	Sale of inventories	Sale of services	Other income	Total
ČD – Telematika a. s.	1	33,108	811	33,920
Výzkumný Ústav Železniční, a. s.	23	3,599	39	3,661
DPOV, a.s.	147,271	39,897	3,012	190,180
ČD Cargo, a. s.	661,733	145,435	3,023	810,191
ČD - Informační systémy, a.s.	4	18,101	87	18,192
JLV, a. s.	0	15,752	0	15,752
Dopravní vzdělávací institut, a.s.	355	4,400	46	4,801
ČD travel, s.r.o.	34	42,464	63	42,561
Total	**809,421**	**302,756**	**7,081**	**1,119,258**

2012

(CZK '000)	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**

30.2 Purchases from Subsidiaries and Associates

2013

(CZK '000)	Purchase of material	Services	Other expenses	Total
ČD - Telematika a. s.	10,844	29,479	3	40,326
Výzkumný Ústav Železniční, a. s.	0	557	0	557
DPOV, a.s.	16,348	78,155	65	94,568
ČD Cargo, a.s.	1,925	22,423	11	24,359
ČD - Informační systémy, a.s.	7,070	193,799	0	200,869
JLV, a. s.	0	107,646	0	107,646
Dopravní vzdělávací institut, a.s.	0	32,385	0	32,385
ČD travel, s.r.o.	0	29,936	0	29,936
Total	**36,187**	**494,380**	**79**	**530,646**

2012

(CZK '000)	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
ČD - Informační 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**

30.3 Purchases and Sales of Fixed Assets and Financial Assets with Subsidiaries and Associates

(CZK '000)

Sales	Intangible fixed assets 2013	Tangible fixed assets 2013	Intangible fixed assets 2012	Tangible fixed assets 2012
ČD - Telematika a. s.	183	393	0	0
Výzkumný Ústav Železniční, a. s.	0	0	0	0
DPOV, a.s.	0	0	149	0
ČD Cargo, a.s.	0	0	407	10
Dopravní vzdělávací institut, a.s.	0	0	230	0
Total	**183**	**393**	**786**	**10**

(CZK '000)

Purchases	Intangible fixed assets 2013	Tangible fixed assets 2013	Non-current financial assets 2013	Intangible fixed assets 2012	Tangible fixed assets 2012	Non-current financial assets 2012
ČD - Telematika a. s.	0	0	0	0	196,226	121,880
Výzkumný Ústav Železniční, a. s.	0	152	0	90	0	0
DPOV, a.s.	0	714,369	0	0	760,222	0
ČD Cargo, a.s.	0	64	0	0	457	0
ČD - Informační systémy, a.s.	17,510	0	0	29,119	9,830	0
Total	**17,510**	**714,585**	**0**	**29,209**	**966,735**	**121,880**

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 2013	Receivables	Payables
ČD - Telematika a. s.	29,150	24,856
Výzkumný Ústav Železniční, a. s.	1,567	331
DPOV, a.s.	38,147	309,620
ČD Cargo, a.s.	270,638	4,903
JLV, a. s.	1,020	43,419
ČD - Informační systémy, a.s.	12,327	61,386
Dopravní vzdělávací institut, a.s.	346	1,957
ČD travel, s.r.o.	2,462	5,756
Total	**355,657**	**452,228**

(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)

1 Jan 2012	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**

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 ʻ000)	31 Dec 2013	31 Dec 2012
ČD - Telematika a. s.	843,958	1,006,221
Výzkumný Ústav Železniční, a. s.	1,876	1,887
DPOV, a.s.	3,081,619	3,763,433
ČD Cargo, a.s.	41,687	38,706
JLV, a. s.	303,754	415,647
ČD-Informační systémy, a.s.	483,022	545,845
Dopravní vzdělávací institut, a.s.	64,559	95,016
ČD travel, s.r.o.	51,276	47,459
RAILREKLAM, spol. s r.o.	8,290	0
ČD Restaurant, a.s.	17,088	0
Masaryk Station Development, a.s.	0	19
Total	**4,897,129**	**5,914,233**

30.6 Loans to Related Parties

In the year ended 31 December 2013, České dráhy, a.s. provided a loan to DPOV, a.s. of CZK 20,000 thousand with the maturity in March 2014. As of 31 December 2012 and 1 January 2012, 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 100,960 thousand in 2013 (2012: CZK 60,006 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 4,979 thousand and CZK 4,758 thousand in 2013 and 2012, 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 ʻ000)		2013		2012
	SŽDC	ČEZ group	SŽDC	ČEZ group
Expenses	2,544,556	799,425	2,400,292	929,579
Income	213,693	3,017	187,848	1,981

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

(CZK '000)	31 Dec 2013		31 Dec 2012		1 Jan 2012	
	SŽDC	**ČEZ group**	**SŽDC**	**ČEZ group**	**SŽDC**	**ČEZ group**
Receivables ("Trade receivables" line)	11,751	5,168	15,477	4,383	22,834	1,430
Payables ("Trade payables" line)	552,982	228,767	514,824	253,929	535,732	231,689
Prepayments made ("Other assets" short-term line)	27,222	753	31,628	724	47,935	976
Received prepayments ("Other liabilities" short-term line)	71,462	107	61,147	2,829	45,105	1,956
Estimated payables ("Trade payables" line)	4,656	0	0	988	21,507	1,208
Estimated receivables ("Trade receivables" line)	57,172	23	46,552	287	0	0

31 Cash and Cash Equivalents

For cash flow statement purposes, cash and cash equivalents include cash on hand, cash at bank, cash pooling 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 2013	31 Dec 2012	1 Jan 2012
Cash on hand and cash in transit	61,232	89,511	71,890
Cash at bank	765,689	712,727	1,761,036
Receivables/payables from cash pooling	19,866	0	0
Total	**846,787**	**802,238**	**1,832,926**

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 2013, 31 December 2012 and 1 January 2012 amount to CZK 6,142 thousand, CZK 6,289 thousand and CZK 6,556 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 2013 and 2012 amounted to CZK 49,207 thousand and CZK 47,888 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 2013 from investment property based on the operating leases amounts to CZK 536,822 thousand (2012: CZK 554,335 thousand).

Direct operating expenses relating to investment property for the period amounted to CZK 203,064 thousand (2012: CZK 186,655 thousand).

Income from operating leases of movable assets in 2013 amounts to CZK 211,783 thousand (2012: CZK 79,326 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 17,991 million, of which CZK 4,650 million relates to supplies agreed for 2014 and CZK 707 million relates to supplies agreed for the following years. The remaining amount of CZK 12,634 million was paid as of 31 December 2013. A significant part of the obligations relating to expenses (CZK 17,754 million) include investments in railway vehicles.

34 Contingent Liabilities and Contingent Assets

In the year ended 31 December 2013, 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 13 December 2014; and
– Plzeň – Most railway track, in respect of the contract entitled "Ordered Transportation between Plzeň and Most", maturity on 13 December 2014, CZK 15 million.

In addition, the Company renewed the bank guarantee of CZK 51,860 thousand with validity until 13 December 2014. This is a guarantee for the assurance of continuous operations and potential damages for the orderer, arising from the Contract for the Public Services in Passenger Railway Transportation in the Public Interest to provide for basic transportation services in part of the Liberec region for specific operations of the Jizera mountains railways ("Jizerskohorská železnice").

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 2013 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 2013 and 2012 were CZK 32 million and CZK 90 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. In 2013, the Company issued bonds with the total nominal value of CZK 4 billion, the proceeds of the issue were used to settle the existing long-term debt, short-term debt and already contracted investments.

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 2013	31 Dec 2012	1 Jan 2012
Cash and bank accounts	826,921	791,518	259,126
Financial derivatives used in hedge accounting	1,261,103	287,444	459,870
Held-to-maturity investments (term deposits and bills of exchange)	0	10,720	1,573,800
Loans and receivables	1,677,018	1,510,129	1,714,200
Available-for-sale financial assets	307,872	327,184	341,664
Total	**4,072,914**	**2,926,995**	**4,348,660**

(CZK '000)

Financial liabilities	31 Dec 2013	31 Dec 2012	1 Jan 2012
Financial derivatives used in hedge accounting	179,070	369,240	53,400
Measured at amortised cost	32,780,788	28,452,019	26,485,805
Total	**32,959,858**	**28,821,259**	**26,539,205**

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	2013	2012	Reported in the statement of profit or loss line
Interest on cash in bank accounts	1,573	6,237	Other gains
Interest on cash pooling	686	0	Other gains
Interest on investments held to maturity (term deposits and bills of exchange)	119	8,758	Other gains
Dividends from available-for-sale financial assets	1,926	3,491	Other gains
Total	**4,304**	**18,486**	

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. In line with the approved Risk Management Strategy, the Company hedges the long-term financing in a foreign currency up to 70%.

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 2013	EUR	USD	Other	Total
Financial assets	761,857	323	1,932	764,112
Financial liabilities	-22,208,306	0	-645	-22,208,951
Total	**-21,446,449**	**323**	**1,287**	**-21,444,839**

(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)

1 Jan 2012	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**

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 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)	2013	2012
Translation of items denominated in foreign currencies at the end of the period	778,620	803,727
Change in the fair value of derivatives at the end of the period	-543,348	-500,190
Total impact on the profit for the period	**235,272**	**303,537**
Change in the fair value of derivatives at the end of the period	-56,902	-81,081
Total impact on other comprehensive income	**-56,902**	**-81,081**

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:

31 Dec 2013	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%	39,251
1 to 5 years	490,000	4.26%	-12,177,715	4.39%	648,228
5 years and more	250,000	4.13%	-6,350,000	4.478%	506,250
Total					**1,193,729**

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**

1 Jan 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	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.

35.5.3 Currency Forwards

In 2013, the Company concluded currency forwards in order to hedge repayments of EUR loans that will fall due in the first half of 2014. These derivatives were classified as fair value hedges.

31 Dec 2013	Average agreed exchange rate (CZK/EUR)	Principal	Fair value in CZK thousand
In 6 months	26.94	EUR 44 million	21,648

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; for this purpose, the Company concludes contracts for interest rate swaps so that the proportion of long-term external sources of funding with floating interest rates does not exceed the maximum level of 50%. 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)	2013	2012
Interest from loans and lease with variable rate for the period	-2,367	-2,858
Change in the present value of long-term provisions at the end of the period	18,281	21,821
Change in the fair value of derivatives at the end of the period	0	0
Total impact on the profit for the period	**15,914**	**18,963**
Change in the fair value of derivatives at the end of the period	433,581	198,102
Total impact on other comprehensive income	**433,581**	**198,102**

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:

	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value of assets (liabilities) in CZK thousand as of 31 December 2013
Less than 1 year	Loans from Eurofima and ČSOB	1.13%	EUR 160 million	-36,075
	variable interest bearing bonds	1.61%	CZK 4 000 million	-22,150
				-58,225
1 to 5 years	Loans from Eurofima and ČSOB	1.50%	EUR 105 million	-54,751
	variable interest bearing bonds	1.61%	CZK 4,000 million	-59,870
	leases	1.23%	CZK 1,158 million	666
				-113,955
5 years and more	leases	1.23%	CZK 494 million	**11,696**
Total				**-160,484**

	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 1 January 2012
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**

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 the Company has the possibility of asking the regions and the state for increased payments for transportation; and
– Negotiating a fixed price of electricity always for the following calendar year.

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:
– Changes in prices of purchased commodities; and
– Change in the fair value of concluded financial derivatives.

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)	2013	2012
Costs of oil consumption for the period *)	-143,850	-148,501
Change in the fair value of derivatives at the end of the period	-1,865	5,874
Total impact on the profit for the period	**-145,715**	**-142,627**
Change in the fair value of derivatives at the end of the period	40,506	28,376
Total impact on other comprehensive income	**40,506**	**28,376**

*) includes both the hedged and unhedged part of oil consumption

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 2013	CZK 17,244	4,560	8,783
	14,200 – 19,300 CZK/mt	20,520	18,357
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
1 Jan 2012	635 – 820 (USD/mt)	5,501	18,274

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. The Company manages its liquidity risk by a process of planning future cash flows and provision of short-term funding (bill-of-exchange programme and agreed overdraft loans). Forecasted and actual cash flows are monitored on a continuous basis. 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 2013. 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 monitors its liquidity even with respect to the rating from the Moody´s rating agency, which assesses whether the Company has available a sufficient reserve of unused, binding finances at a particular moment that it may immediately use.

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 2013	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1,632,245	2,317,204	798,343	31,717	58,899	4,838,408
Derivatives	60	1,349	63,040	114,621	0	179,070
Finance lease liabilities	43,591	87,181	392,316	1,865,897	755,459	3,144,444
Variable interest rate instruments	46,818	705,246	874,164	7,498,249	0	9,124,477
Fixed interest rate instruments	0	0	709,622	10,293,407	8,537,832	19,540,861
Total	**1,722,714**	**3,110,980**	**2,837,485**	**19,803,891**	**9,352,190**	**36,827,260**

(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)

1 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	1,809,987	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**

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 2013	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1,480,859	358,590	559,143	8,377	307,872	2,714,841
Finance lease assets	4,235	0	67	28,099	475,141	507,542
Fixed interest rate instruments	0	0	0	0	0	0
Hedging derivatives	14,310	2,910	68,123	669,510	506,250	1,261,103
Total	**1,499,404**	**361,500**	**627,333**	**705,986**	**1,289,263**	**4,483,486**

(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)

1 Jan 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	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**

35.9.2 Financing Facilities

The Company has access to the below loan facilities:

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Overdraft loan facilities:			
– amount of the loan facility	2,200,000	1,550,000	1,550,000
– amount unused	2,200,000	1,550,000	1,550,000
Bills-of-exchange programme:			
– amount of the loan facility	3,000,000	3,000,000	3,000,000
– amount unused	3,000,000	3,000,000	2,443,427

The overdraft loan facility was increased in 2013 due to the conclusion of the Contract for the Provision of Bilateral Cash-pooling for the Economically Related Group between Komerční banka, a.s. and ČD, a.s. and the related Contract for the Overdraft Loan. Pursuant to these contracts, an overdraft loan is provided to ČD, a.s. to the pool account for both ČD, a.s. and for "involved accounts of group members" (ie subsidiaries). The loan facility of subsidiaries using the cash-pooling amounts to CZK 750 million.

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 16,736,754 thousand as of 31 December 2013. Pursuant to the most recent market information (from November 2013), their listed value is CZK 17,653,253 thousand. However, the liquidity of bonds and the frequency of transactions is low.

In addition, the Company issued CZK bonds with the carrying amount of CZK 4,015,920 thousand as of 31 December 2013. The bonds are listed on the Prague Stock Exchange; however, no transactions were made from the issue date to the financial statements date, hence the market price cannot be determined.

Management of the Company believes that the amount of the above CZK bonds and the carrying value of all other financial assets and financial liabilities reported in the financial statements in carrying amounts does not significantly differ from 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 2013, 31 December 2012 and 1 January 2012 are included in Level 3.

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

(CZK '000)	**Derivatives**
Balance at 1 Jan 2012	**406,470**
Total gains (losses) from revaluation	-452,772
– in profit or loss	-238,009
– in other comprehensive income	-214,763
Purchases	0
Sales/settlement	-35,494
Balance at 31 Dec 2012	**-81,796**
Total gains (losses) from revaluation	1,129,859
– in profit or loss	1,157,154
– in other comprehensive income	-27,295
Purchases	0
Sales/settlement	33,970
Balance at 31 Dec 2013	**1,082,033**

36 Post Balance Sheet Events

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 8 April 2014.

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 2013:

a) The number of submitted information requests and the number of issued declining decisions:

In the reporting period, the total number of information requests and the total number of declining decisions was 27 and 14, respectively. The latter figure also includes decisions issued regarding partially-declined requests, when the applicant was partially satisfied (10 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, three judgements regarding a review of the legality of the obligated entity's decision to decline the information request were delivered to the obligated entity.

Copy of significant parts of each ruling:

i) Pursuant to the ruling, the resolution on the rejection of the application is cancelled and the case is returned to the obligated entity for a new hearing, as the court stated that the resolution is unappealable.
ii) Pursuant to the ruling, the resolution on the rejection of the application is cancelled due to its unlawfulness consisting of an incorrect legal assessment of the case is management error consisting of an insufficient assessment of required data.
iii) Pursuant to the ruling, the court stated that it is necessary to deal with the request for information in the full scope.

In the concerned period, the obligated entity spent an amount of CZK 13,798 for the costs of proceedings in respect of legal proceedings on the rights and obligations in accordance with the legislation and an amount of CZK 1,500 corresponding to the costs of its own employees without incurring any costs for legal representation.

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, four complaints against the procedure of settling the information request were submitted. In the complaint, the complaining party only objected that it did not receive any reply to its information request.

i) The complainant did not agree with the original handling of the request and required the dealing with the request in accordance with the legislation. The superior body decided on the complaint as follows: the obligated entity has to provide the information within the period of 15 days.
ii) The complainant was not content with the original handling of the request, it complained about the procedure of the obligated entity in accordance with Section 16 (5) of Act No. 106/1999 Coll., as amended, and required that the superior body satisfy the complaint and provide the requested information. The superior entity ordered that the obligated entity re-discuss the case and deal with it in line with the legislation.
iii) The complainant filed a complaint in line with Section 16a of Act No. 106/1999 Coll., as amended, as the complainant states that it did not receive the required information in a requested period. The superior body found that the original request was not dealt with as it was not delivered to the obligated entity. The obligated entity ordered that the obligated entity deal with the request in line with the legislation in the period of 15 days.
iv) The complainant filed a complaint in line with 16a of Act No. 106/1999 Coll., as amended, as the complainant states that it was not dealt with in the requested period. The superior body found that the original request of the complainant was not dealt with as it was not delivered to the obligated entity. The superior body ordered that the obligated entity deal with the request in line with the legislation in the period of 15 days.

Post Balance Sheet Events

Management of ČD Cargo, a.s. decided to sell its equity investment in the subsidiary ČD Interport, s.r.o.; the 51% equity investment was sold on 15 January 2014.

On 20 February 2014, the Supervisory Board recalled from the Board of Directors Dalibor Zelený, Daniel Kurucz, and Karel Otava. Subsequently, the Supervisory Board newly appointed Daniel Kurucz, Michal Štěpán and Pavel Krtek to the Board of Directors. Daniel Kurucz was further elected the chairman.

Pursuant to Resolution no. 125 of the Czech Government dated 26 February 2014 on changes in the composition of members of the Steering Committee of České dráhy, the government, in accordance with Section 12 (1 and 3) of Act No. 77/2002 Sb., on the joint stock company České dráhy, state organisation Správa železniční dopravní cesty and the change in Act No. 266/1994 Coll., on Railway Organisations, as amended, and Act No. 77/1997 Coll., on the state company, as amended,
I. as of 26 February 2014 cancels the authorisation for the activities in the Steering Committee of České dráhy of:

1. Veronika Kramaříková, representative of the Ministry of Finance;
2. Petr Pelech, representative of the Ministry of Trade and Industry;
3. Michal Janeba, representative of the Ministry for Regional Development,
4. Richard Vítek, representative of the Ministry of Defence;
5. Lukáš Hampl, representative of the Ministry of Transport;
6. Zbyňek Šolc, representative of the Ministry of Transport;
7. Josef Kubovský, representative of the Ministry of Transport;

II. authorises the following persons to act in the Steering Committee of České dráhy with effect from 27 February 2014

1. Lukáš Wagenknecht, First Deputy Minister of Finance;
2. Jiří Havlíček, Deputy Minister of Trade and Industry and Head of the Office of the Ministry of Trade and Industry;
3. Vladislav Koval, employee of the cabinet of the Minister for Regional Development;
4. Jakub Kulhánek, Deputy Minister of Defence;
5. Kamil Rudolecký, Deputy Minister of Transport;
6. Karel Dobeš, Deputy Minister of Transport;
7. Jindřich Kušnír, Head of the Railways, railway and Combined Transport Division of the Ministry of Transport;

III. appoints with effect from 27 February 2014:

1. Karel Dobeš Chairman of the Steering Committee of České dráhy,
2. Kamil Rudolecký Vice-Chairman of the Steering Committee of České dráhy.

The Steering Committee of České dráhy, a.s. at its meeting on 19 March 2014 approved the resignation of Mr. Zdeněk Žemlička from the function of the Chairman of the Supervisory Board (he submitted his resignation already on Feb 20, 2014) and with the immediate effect recalled from the Supervisory Board of České dráhy, a.s.:

1. Ivana Kubaštová from the function of the member of the Supervisory Board,
2. Miroslav Svítek from the function of the member of the Supervisory Board,
3. Antonín Věchet from the function of the member of the Supervisory Board ,
4. František Žerava from the function of the member of the Supervisory Board.

With the effect as of 20 March 2014 the Steering Committee newly appointed the following members of the Supervisory Board:

1. Michal Zděnek to the function of the member of the Supervisory Board,
2. Milan Křístek to the function of the member of the Supervisory Board,
3. Milan Feranec to the function of the member of the Supervisory Board,
4. Vojtěch Kocourek to the function of the member of the Supervisory Board,
5. Antonín Tesařík to the function of the member of the Supervisory Board.

On 2 April 2014, the rating agency Moody's put České dráhy's rating of Baa2 on review with a possible downgrade.

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 2013, 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 8 April 2014

Daniel Kurucz
Chairman of the Board of Directors
České dráhy, a.s.

Pavel Krtek
Member of the Board of Directors
České dráhy, a.s.

Report on Relations between Related Parties for the Year Ended 31 December 2013

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 2013 to 31 December 2013.

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:

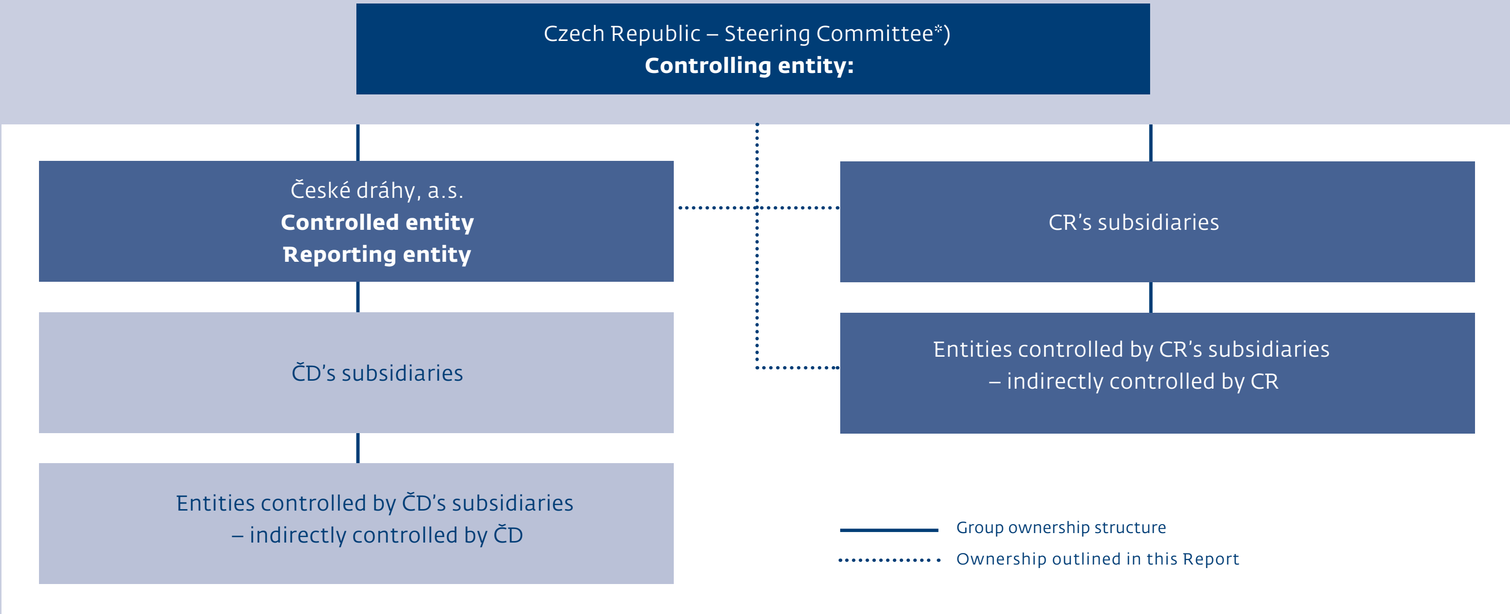
Propojenými osobami se pro účely Zprávy o vztazích rozumí osoby, které jsou státem přímo nebo nepřímo ovládané. Pro výběr takových osob jsme použili následující kriteria:

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/cs/verejny-sektor/hospodareni/majetek-statu/2013/majetkove-ucasti-ministerstva-financi-ke-16423

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 2013 or to/from which it provided/received supplies in 2013.

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 2013.

ČEPRO, a.s.

Contract	Description
E296-DS-0091/07-A	Water and sewerage

ČEZ Distribuce, a. s.

Contract	Description
E296-DS-0043/12-G	Electricity
E296-DS-0014/11-G	Electricity
E297-10_NN_1_02210574	Contract on the connection of an off-take device
E297_9_NN_1_01927964	Contract on the connection of an off-take device
E408-03186059	Electricity Borová
E296-DS-0066/10-G	Electricity

ČEZ Prodej, s.r.o.

Contract	Description
E297-10_NN_1_02438410	Contract on the connection of an off-take device
E008-23/2012-O8	Contract on the supplies of electricity (traction)
E166-SML_D-EE-0577130	Contract on joint services for the supply of electricity
E166-SML_D-EE-1074230	Electricity supply - Hlinsko, Nádražní 545
E294-S/0007/2011	Contract on joint services for the supply of electricity
E296-DS-0105/10-G	Electricity
E296-DS-0106/10-G	Electricity
E297_9_NN_1_0010308206	Contract on the connection of an off-take device
E294-10/CEZDI/02245076	Contract on joint services for the supply of electricity

ČEZ Teplárenská, a.s.

Contract	Description
E294-T/0003/2009	Contract on heat supplies 6990
E296-DS-0018/10-C	Gas
E296-DS-0197/07-C	Heat supplies
E296-DS-0198/07-C	Heat supplies
E166-SML_D-EN-T-007TRU	Supplies of heat to PJ TRU
E294-T/680500021	Contract on heat supplies 68050002_1
E296-DS-0232/08-T	Heat supplies
E296-DS-0014/12-T	Heat supplies and hot service water

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 2013.

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 31 March 2014

Daniel Kurucz
Chairman of the Board of Directors
České dráhy, a.s.

Pavel Krtek
Member of the Board of Directors
České dráhy, a.s.

Appendix 1

List of joint stock companies controlled by the State from 1 January 2013 to 31 December 2013 according the website of the Ministry of Finance

Company	Corporate ID	CZ'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 liquidation	60109092	46.99	
Municipální finanční společnost, a.s.	60196696	49.00	
PORCELÁN HOLDING a.s. in liquidation	25082442	50.00	
ČEZ, a.s.	45274649	69.37	
Kongresové centrum Praha, a.s.	63080249	69.44	
BH CAPITAL, a.s. in liquidation	00546682	71.89	
Výzkumný a zkušební letecký ústav, a.s.	00010669	100.00	
VIPAP VIDEM KRŠKO d.d.		96.50	based in Slovenia
HOLDING KLADNO, a.s. in liquidation	45144419	96.85	
Bohemia Crystalex Trading, a.s.	25004085	97.19	insolvency proceedings
CENTRUM - F, a.s.	00013455	100.00	
ČEPRO, a.s.	60193531	100.00	
Český Aeroholding, a. s.	24821993	100.00	
DRIVE PRODUCTION FILM s.r.o. in liquidation	25610830	100.00	
Explosia a.s.	25291581	100.00	
GALILEO REAL, k.s.	26175291	100.00	
Hotelinvest, a. s. in bankruptcy	00251976	100.00	
IMOB a.s.	60197901	100.00	
JUNIOR centrum, a.s. in liquidation	48154946	100.00	
MERO ČR, a.s.	60193468	100.00	
PRISKO a.s.	46355901	100.00	
SANDY Strážnice, spol. s r.o.	45474656	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	

Report on the Quality of Provided Services

Assessment of Quality Standards for 2013
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 were obliged to verify the reasons, adopt measures remedying the situation and implement them immediately.

Sheet of Standards		Level of requirement	2013	Meeting the standards
2.1.	**Compliance with the agreed scope of transportation °**	**99%**	**99.96%**	**met**
2.2.	**Operational extraordinary events in the railway transportation**	**90%**	**88.71%**	**not met**
2.3.	**Compliance with the planned requirements and planned train capacity**	**97%**	**97%**	**met**
2.4.	**Accuracy of compliance with the time schedule in the long-distance and commercial transportation °°**			
A.	**Long-distance transportation (EC, SC, Ex, R)°°**	**83%**	**83.90%**	**met**
	EC – EuroCity		74.4	
	SC – SuperCity		87.9	
	Ex – Express train		80.8	
	R – Fast Train		85.2	
	EN –EuroNight		67.5	
	C – InterCity		90.0	
2.5.	**Accuracy of compliance with the time schedule in the regional transportation °°**			
	Regional transportation (Sp, Os)°°	**93%**	**93.20%**	**met**
	Sp – Rapid train		90.3	
	Os- Slow train		93.3	
2.6.	**Total average percentage of the delay by type of trains according to the train time schedule**			
	Trains arriving within the tolerance limit (0 - 5 minutes) for accurate transportation	**91%**	**91%**	**met**
	Trains arriving within the tolerance limit (6 - 60 minutes) for accurate transportation	**8%**	**9%**	**not met**
	Trains arriving within the tolerance limit exceeding 60 minutes for accurate transportation	**2%**	**0.2%**	**met**
	Delay of trains of 5 minutes (in time)	**91%**	**91%**	
	EC – EuroCity	68.8		
	SC – SuperCity	78.3		
	Ex – Express train	74.8		
	R – Fast Train	78.7		
	EN –EuroNight	68.0		
	IC – InterCity	84.6		
	Sp – Rapid train	87.6		
	Os- Slow train	92.1		
	Delay of trains by 6 to 15 minutes	**8%**	**7.2%**	
	EC – EuroCity	16.1		
	SC – SuperCity	15.4		
	Ex – Express train	15.6		
	R – Fast Train	14.8		
	EN –EuroNight	14.1		
	IC – InterCity	9,6		
	Sp – Rapid train	9.4		
	Os- Slow train	6.5		
	Delay of trains by 16 to 30 minutes	**8%**	**1,4%**	
	EC – EuroCity	8.0		
	SC – SuperCity	3.7		
	Ex – Express train	3.6		
	R – Fast Train	4.4		

Sheet of Standards		Level of requirement	2013	Meeting the standards
	EN –EuroNight	5.9		
	IC – InterCity	3.2		
	Sp – Rapid train	2.3		
	Os- Slow train	1,0		
	Delay of trains by 31 to 60 minutes	**8%**	**0.4%**	
	EC – EuroCity	4,5		
	SC – SuperCity	1,7		
	Ex – expres	4,5		
	R – rychlík	1,4		
	EN – EuroNight	5,4		
	IC – InterCity	1,6		
	Sp - spěšný vlak	0,5		
	Os- osobní vlak	0,2		
	Delay of trains by more than 60 minutes	**2%**	**0,2%**	
	EC – EuroCity	2.7		
	SC – SuperCity	0.9		
	Ex – Express train	1.5		
	R – Fast Train	0.7		
	EN –EuroNight	6.6		
	IC – InterCity	1.0		
	Sp – Rapid train	0.2		
	Os- Slow train	0.1		
2.7.	**Compliance with connecting trains °**	**95%**	**96%**	**met**
2.8.	**Percentage of cancelled trains**	**99%**	**99.72%**	**met**
2.9.	**Assistance provided to disabled people and people with restricted movement capability (9,861 orders)**	**100%**	**100%**	**met**
2.10.	**Behaviour of train crew and station staff**	**100%**	**98.06%**	**not met**
2.11.	**Sale and inspection of tickets and provision of information in trains**	**100%**	**97.82%**	**not met**
2.12.	**Sale and inspection of tickets and provision of information in stations**	**100%**	**82.51%**	**not met**
2.13.	**Information systems in trains and stations**	**100%**	**99.38%**	**not met**
2.14.	**Cleanness of stations and operational equipment**	**70%**	**89%**	**met**
	Availability of toilets at stations	80%	80%	met
2.15.	**Cleanness and comfort of trains**	**95%**	**95.38%**	**met**
2.16.	**Dealing with complaints of passengers°°°**	**100%**	**100%**	**met**
Coefficients of filings per 100 thousand transported passengers		7	5.43	met
Coefficient of justified filings per 100 thousand transported passengers		4	2.68	met
Average period for the dealing with the filed complaint		30 days	18 days	met

Sheet of Standards		Level of requirement	2013	Meeting the standards
2.17.	**Exercising of the right arising from the transportation contracts and refunds to passengers**	**100%**	**100%**	**met**
	Unjustified refusal of the request	none	none	met
	Loss of the request	none	none	met
	Dealing with the request in the determined period	100%	100%	met
	Average length of dealing with the request	4 weeks	3 weeks	met
2.18.	**Age of vehicles**	**27 years**	**21.67 years**	**met**
2.19.	**Satisfaction survey among customers**			
	Minimum number of respondents	300	5,253	met
	Required number of surveys	3	4	met

*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

Date 28 February 2014

Person responsible for the preparation - Vladimír Pelíšek

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.
ČDIS	ČD - Informační systémy, a.s.
ČDT	ČD - Telematika a.s.
DPOV	Dílny pro opravy vozidel, a.s. / Repair and Maintenance of Rail Vehicles
DVI	Dopravní vzdělávací institut, a.s. / Institute for Training and Education in Railway Transport
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

Abbreviation	Description
IFRS	International Financial Reporting Standards
JLV	Jídelní a lůžkové vozy, a.s.
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 Infrastructure 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

Name of the company:	**České dráhy, a.s.**
Registered office:	**Praha 1, Nábřeží L. Svobody 1222, 110 15**
Corporate ID:	**70994226**
Tax ID:	**CZ70994226**
Register of Companies:	**Prague**
File no:	**Section B, File 8039**
Telephone:	**972 111 111**
Fax:	**972 232 498**
E-mail:	**info@cd.cz** **info@cdcargo.cz**
Websites:	**www.cd.cz** **www.cdcargo.cz** **www.cdvuz.cz** **www.dpov.cz** **www.dvi.cz** **www.cdt.cz** **www.cdis.cz** **www.jlv.cz** **www.railreklam.cz** **www.cdtravel.cz**

České dráhy