2014

Annual Report
of the České dráhy Group

České dráhy

České dráhy


railjet
railjet
business

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 the comfort of our regional trains and higher quality trains. In cooperation with other transport providers we offer 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;
- ICT 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 chosen by travellers, ordering parties and freight transport customers. Thus, we must assume the role of the leader in the open market as a competitive, customer-focused and profitable company with a stable position in the railway sector. We focus on the key success elements – customer focus and the effort to make the services offered simple and easy to use. This is accompanied by the modernisation of the rolling stock and the implementation of modern technologies to handle the travellers and shipments.

Key Indicators of the ČD Group

Key indicators – IFRS consolidated financial indicators (CZK million)	**2014**	**2013**	**Difference**	**INDEX**
ČD group				
EBITDA (from continued operations)*	7,748	5,552	2,196	140
EBIT (from continued operations)**	1,863	-174	2,037	n/a
Profit/loss for the period	156	-1,953	2,109	n/a
Total assets	89,545	86,452	3,093	104
CAPEX	5,945	8,474	-2,529	70
Depreciation and amortisation	5,885	5,726	159	103
Leverage (%) – external funding/assets	57.5	55.8	1,7	103
Current liquidity (%) – short-term assets/short-term liabilities	64.8	45.9	18.9	141
ROCE (%) – EBIT/(total assets – short-term liabilities)	2.5	-0.2	2,7	n/a
Average FTE	24,163	25,043	-880	96
Passenger transport (ČD, a.s.) ***				
Number of passengers (mil.)	170.1	169.3	0,8	100
Traffic performance (mil. person-kilometres)	6,952	6,924	28	100
Transport performance (mil. train-kilometres)	119.0	120.7	-1.7	99
Average traffic distance (km)	41	41	0	100
Occupancy ratio (%)	26	25	1	104
Freight transport (ČD Cargo, a.s.)				
Traffic volume (mil. tonnes)	68.62	70.22	-1.60	98
Traffic performance (mil. tariff tonne-kilometres)	11,622	12,281	-659	95
Transport performance (mil. train-kilometres)	22.4	26,0	-3.6	86
Average traffic distance (km)	169	175	-6	97
DPOV, a.s.				
SOP – Average actual repair period (days)	70.97	80.80	-9.83	88
ODKP – Average commission repair period (days)	70.18	78.40	-8.22	90
Weighted average calculated from (SOP) – (ODKP)	0.79	2.40	-1.61	33

Notes
* EBITDA = 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 financial information on the passenger transport of ČD, a.s. does not include free-of-charge and fixed fee transportation services.

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Opening Statement of the Chairman of the Board of Directors

Dear Ladies and Gentlemen,

Under International Financial Reporting Standards, the net profit of the České dráhy Group for the year ended 31 December 2014 amounted to CZK 156 million, which represents a year-on-year improvement of over CZK 2 billion. Taking into the account that the EBITDA (2014: CZK 7.7 billion, 2013: CZK 5.5 billion) and EBIT (2014: CZK 1.9 billion, 2013: CZK -174 million) each also grew by approximately CZK 2 billion, we may refer to 2014 as a successful year. Our aim is to stabilise the ČD Group and maintain the majority share in the passenger and freight transport market. We will therefore continue to strive to increase the profitability of the key companies, ČD, a.s., ČD Cargo, a.s. and VUZ, a.s., which are the core business, and to push for maximum efficiency of the support activities provided by the subsidiaries ČD–IS, a.s. or DPOV, a.s. All of these companies achieved better results this year despite the growing competition. This is why I remain optimistic, although it is clear that we still have a great deal of work ahead of us in order to ensure the financial results of the ČD Group remain positive, especially in the passenger transport sector.

However, even the passenger transport sector achieved better results in the year ended 31 December 2014, despite the burden of financial expenses associated with increased leverage arising as a result of higher investments in vehicles. To make railway transport more attractive, we are increasing the number of barrier-free connections, developing modern sales channels as well as additional services such as free wi-fi. Passengers have acknowledged these high-quality services – last year alone we transported more than 170 million passengers. In particular, long-distance and suburban transport is undergoing rapid development. This is one of the reasons why sales from principal activities increased by CZK 800 million. Operating expenses and overhead costs, on the other hand, decreased significantly, so the loss in the passenger transport sector dropped from CZK 2 billion in 2013 to CZK 865 million in 2014.

The Group's results also showed positive development in the second most important sector of our business – freight transport. The Joint Stock Company ČD Cargo continued its restructuring in 2014, and managed to save hundreds of millions of crowns in operating expenses. This was reflected in the company's net profit of CZK 877 million, which was CZK 100 million more than in the previous year.

Ladies and gentlemen, the České dráhy Group achieved a significant improvement in all its key economic indicators in 2014. Likewise, the individual subsidiaries were successful, which could create the impression that we are now past the worst. However, let us not be deceived. As a business company, we are part of the free market and we will only be able to stand our ground if we maintain a well-defined, up-to-date strategy and fulfil it conscientiously. This is one of the main tasks that the Company's management will be facing in the upcoming period.

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


Pavel Krtek


Ludvík Urban


Michal Štěpán


František Bureš


Roman Štěrba

Statutory Bodies of the Company as of 31 December 2014

Board of Directors

Pavel Krtek
Chairman of the Board of Directors (since 10 November 2014), responsible for the department of economy, finance and management of the company, 44 years old.
Pavel Krtek studied at the French state technical university Ecole Central Paris. He began his career working for multinational company Lafarge Cement, the world's second biggest cement-producing company. He then worked for the petrochemical oil refinery group Unipetrol for nine years, of which he was a member of the company's board of directors for six years. He spent three years working at the company's headquarters as the head of financial controlling, then two years in the position of financial director of the railway transport department of Unipetrol Doprava in Litvínov, followed by two years at the company's headquarters in Prague and two years as the financial director of the Paramo refinery in Pardubice. He then worked in the field of investment funds. In February 2014, he became a member of the Board of Directors of České dráhy, a.s. and on 1 March 2014 he became Deputy CEO of ČD for economy and technology.

Ludvík Urban
Vice-Chairman of the Board of Directors (since 10 November 2014), responsible for the department of investment and cooperation with regions, 45 years old.
Ludvík Urban graduated from the University of Transport and Communications in Žilina. From 1991 to present, he has worked for České dráhy in several positions: stationmaster in Zlín, director of the Regional Centre of Passenger Transport for the Zlín region, deputy managing director for regional integration. He is a municipal representative in Holešov and a member of the local authority of the Zlín region.

Michal Štěpán
Member of the Board of Directors (since 21 February 2014), responsible for the department of passenger transport, 44 years old.
Michal Štěpán studied at the Industry High School of Railway Transport in Česká Třebová and then the University of Transport and Communications in Žilina. Until 1994, he worked in several different operations positions in passenger and freight railway transport and traffic. He then worked at the regional directorate in Hradec Králové for four years. Between 1998 and 2003, he worked at the Passenger Transport and Traffic division of the General Directorate of ČD. He held the position of stationmaster and chief stationmaster at the Chrudim junction train station. From 2005, he worked at the Pardubice Regional Centre of Passenger Transport, where he became director in 2008. In August 2013, he was entrusted with managing the sections of the executive director for marketing and products at the General Directorate of ČD, and for strategy and sales. As of 1 October 2013, he was appointed Deputy CEO for passenger transport.

František Bureš
Member of the Board of Directors (since 16 October 2014), responsible for the department of technology, repairs and assets, 41 years old.
František Bureš is an electro-technician with a university degree in philosophical sciences and an MBA degree from Canada. He graduated in law at the Masaryk University in Brno.
He began gaining his work experience in 1993 as a trader and later as the director of a company in Pilsen dealing with electrical engineering services for industry. When working for Škoda, he developed a system for managing sales and improving and outsourcing production. Between 2004 and 2007, he also participated in the acquisition and restructuring of the subsidiary Sibelelektroprivod in the Russian city of Novosibirsk. In the years 2007 to 2011, he worked for Alstom Power & Transport in the position of country manager for the Czech and Slovak Republics. From 1 January 2012 to 27 January 2015, he worked as Vice-Chairman of the Board of Directors and CEO of DPOV, a. s.

Roman Štěrba
Member of the Board of Directors (since 10 November 2014), responsible for the department of projects and cross-border relations, 42 years old.
Roman Štěrba graduated from the Faculty of Transport of the Czech Technical University in Prague. He took part in scientific and research scholarships at the Catalan University of Science and Technology in Barcelona and also at Technical University Dresden. He graduated from postgraduate study programmes at Technical University Dresden and at the College of Europe, Bruges.
He studied as an electrical mechanic for Czechoslovakian State Railways Northwest Railway, Praha-střed Engine Shed. During his studies at the Faculty of Operation and Economics of Transport and Communications of the University of Transport and Communications in Žilina, he was authorised as a train dispatcher at ČD Regional Directorate Prague.
From 1995, he was head of the Office of the Director of ROPID Praha. Since 1998, he has been working in the section of ČD's Deputy CEO for economy. He actively represents ČD in CER Brussels, OSŽD Warsaw and UIC Paris, and in later EUROFIMA Basel. He has been the project manager for the Internal Financial Management of ČD project since 2010.
Since 1995, he has also worked as an external lecturer at the Faculty of Transport of the Czech Technical University in Prague.

Changes in the Board of Directors
At the meeting of the Supervisory Board held on 20 February 2014, Dalibor Zelený was recalled from the position of member and Chairman of the Board of Directors with immediate effect and Karel Otava was recalled from the position of member. With effect from 21 February 2014, Michal Štěpán and Pavel Krtek were appointed members of the Board of Directors and the Supervisory Board appointed Daniel Kurucz as Chairman of the Board of Directors.
At the meeting of the Steering Committee, through which the state exercises its right of the sole shareholder, on 2 October 2014, the Steering Committee decided on an increase in the number of members of the Board of Directors of ČD, a.s. from three to five.
With effect from 16 October 2014, the Supervisory Board appointed František Bureš a member of the Board of Directors.
At the meeting of the Supervisory Board held on 10 November 2014, Daniel Kurucz was recalled as a member and Chairman of the Board of Directors and Pavel Krtek was appointed Chairman with immediate effect. Ludvík Urban was appointed a member and Vice-Chairman of the Board of Directors and Roman Štěrba was appointed a member of the Board of Directors.

Supervisory Board

Milan Feranec
Chairman of the Supervisory Board (member and Chairman since 19 June 2014), age: 50.
First Deputy Minister of Transport of the Czech Republic

Milan Křístek
Member of the Supervisory Board (since 20 March 2014), age: 45.

Josef Smýkal
Member of the Supervisory Board (since 20 July 2012), age: 60.

Vojtěch Kocourek
Member of the Supervisory Board (since 20 March 2014), age: 55.

Antonín Tesařík
Member of the Supervisory Board (since 20 March 2014), age: 54.

Jan Hart
Member of the Supervisory Board (since 02 October 2014), age: 40.

Vladislav Vokoun
Member of the Supervisory Board (since 01 January 2014), age: 55.
Chairman of the Company Committee of the Confederation of Railroad Unions (OSŽ)
First Vice-Chairman of the Confederation of Railroad Unions (OSŽ)

Antonín Leitgeb
Member of the Supervisory Board (since 01 January 2014), age: 56.
Secretary of the Company Committee of the Confederation of Railroad Unions (OSŽ)

Jaroslav Pejša
Member of the Supervisory Board (since 05 May 2011), age: 59.
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 Supervisory Board
On 19 March 2014, the Steering Committee discussed the resignation of Zdeněk Žemlička from the position of Chairman and member of the Supervisory Board with effect as of the same date. Miroslav Svítek, Ivana Kubaštová, Antonín Věchet and František Žerava were recalled from their position as members.
With effect from 20 March 2014, Milan Křístek, Vojtěch Kocourek, Antonín Tesařík and Michal Zdeněk were appointed members of the Supervisory Board. With effect from 19 June 2014, Milan Feranec was appointed a member and Chairman of the Supervisory Board.
On 2 October 2014, the Steering Committee recalled Michal Zdeněk as a member of the Supervisory Board and appointed Jan Hart as member of the Supervisory Board with immediate effect.

Steering Committee

Karel Dobeš
Chairman of the Steering Committee; Deputy Minister of Transport of the Czech Republic
Authorised and appointed following Resolution 125 of the Czech Government of 26 February 2014.

Kamil Rudolecký
Vice-Chairman of the Steering Committee; Deputy Minister of Transport of the Czech Republic
Authorised and appointed following Resolution 125 of the Czech Government of 26 February 2014.

Lukáš Wagenknecht
Member of the Steering Committee; First Deputy Minister of Finance of the Czech Republic
Authorised following Resolution 125 of the Czech Government of 26 February 2014.

Jiří Havlíček
Member of the Steering Committee; Deputy Minister of Industry and Trade of the Czech Republic and head of the Office of the Ministry of Industry and Trade of the Czech Republic
Authorised following Resolution 125 of the Czech Government of 26 February 2014.

Vladislav Koval
Member of the Steering Committee; employee of the Cabinet Section of the Czech Minister of the Ministry for Regional Development
Authorised following Resolution 125 of the Czech Government of 26 February 2014.

Jakub Kulhánek
Member of the Steering Committee; Deputy Minister of Defence (Deputy Minister of Foreign Affairs since 1 November 2014)
Authorised following Resolution 125 of the Czech Government of 26 February 2014.

Jindřich Kušnír
Member of the Steering Committee; Director of the Department of Railways, Railway and Combined Transport of the Ministry of Transport of the Czech Republic
Authorised following Resolution 125 of the Czech Government of 26 February 2014.

Changes in the Steering Committee
Following Resolution 125 of the Czech Government of 26 February 2014, the authorisation for activity in the Steering Committee of Veronika Kramaříková, Petr Pelech, Michal Janeba, Richard Vítek, Lukáš Hampl, Zbyněk Šolc and Josef Kubovský was revoked.

Report of the Supervisory Board

In 2014 the Supervisory Board held fourteen ordinary and one extraordinary meeting in the registered office of České dráhy, a.s. and the Supervisory Board always had a quorum. The members of the Company's Board of Directors regularly participated in the meetings.

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

As part of its supervisory activities, the Supervisory Board monitored the activities of the Board of Directors and of the Company. 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 the economic results of subsidiaries, particularly of ČD Cargo, a. s.

At the meetings of the Supervisory Board, required documentation and various applications filed by the Company's Board of Directors were presented by the Supervisory Board to obtain approval prior to specific legal acts. The Supervisory Board duly discussed and assessed all of the applications. The Supervisory Board entrusted the Board of Directors with examining the need for and the extent of investment projects in order to reduce the costs of the Company. As part of its activities, the Supervisory Board predominantly monitored the achievement of economic goals that were determined in the Company's annual business plan and required reasoning based on the Company's economic development.

The Supervisory Board states that in 2014 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 activities.

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

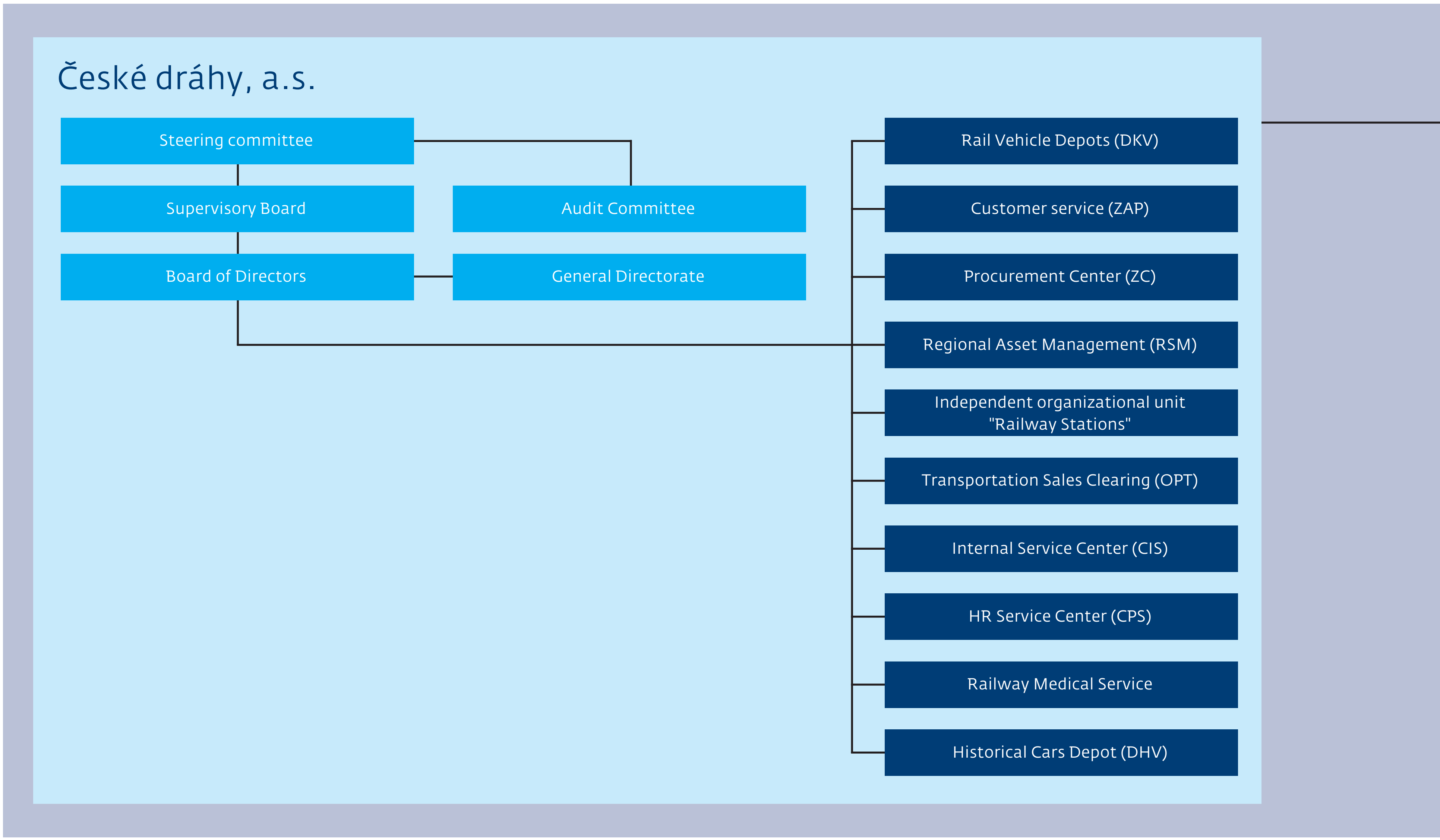
In conclusion, the Supervisory Board states that it was provided with all conditions necessary for the due performance of its activities and that the performance of its activities was fully in compliance with the provisions of the Company's Articles of Association and the legal regulations.

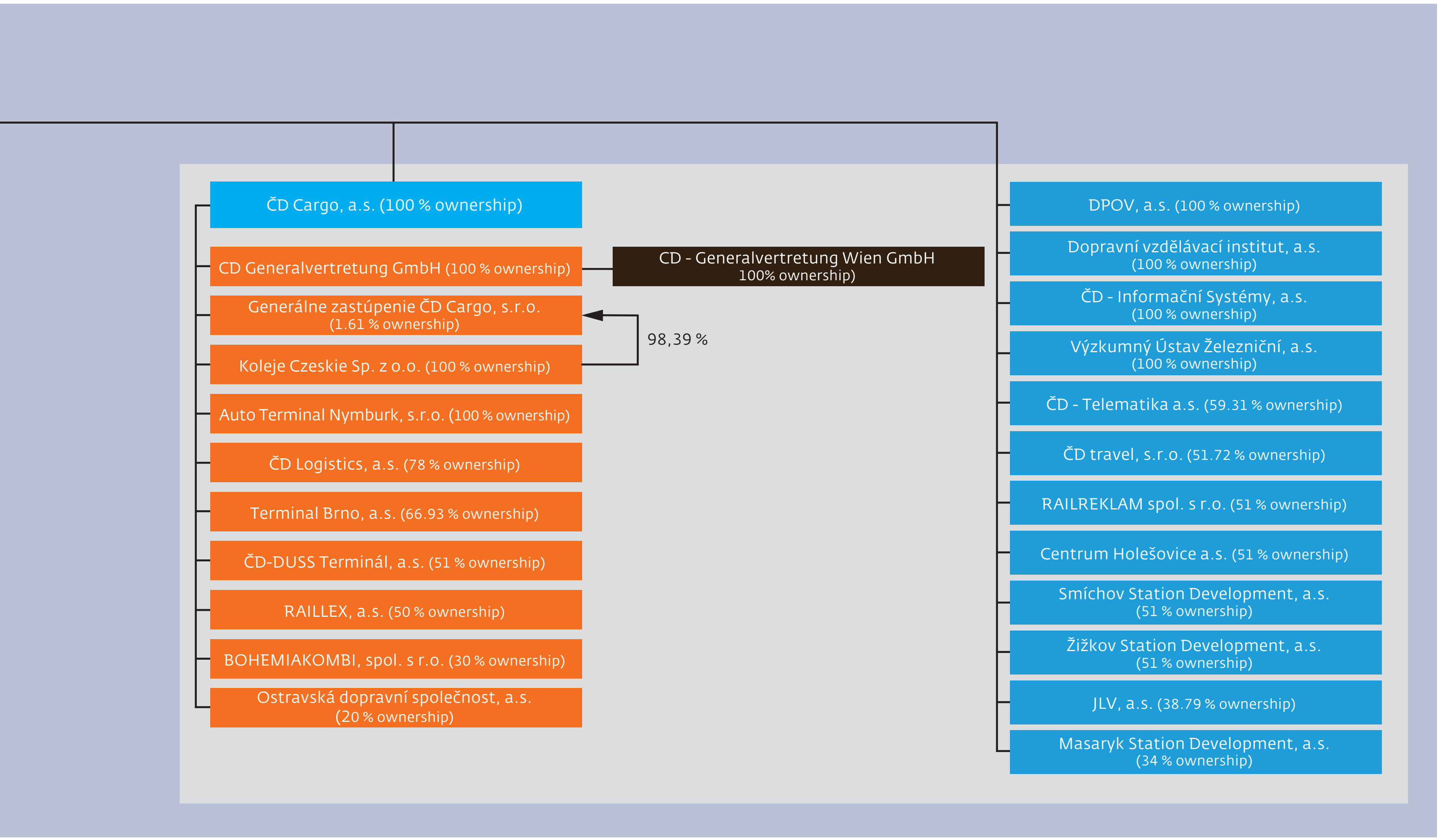
In Prague on 25 March 2015

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

Organisational Structure of the ČD Group

as of 31 December 2014




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 %
Koleje Czeskie Sp. z o.o. (100 % ownership)
Auto Terminal Nymburk, s.r.o. (100 % ownership)
ČD Logistics, a.s. (78 % ownership)
Terminal Brno, a.s. (66.93 % ownership)
ČD-DUSS Terminál, a.s. (51 % ownership)
RAILLEX, a.s. (50 % ownership)
BOHEMIAKOMBI, spol. s r.o. (30 % ownership)
Ostravská dopravní společnost, a.s.
(20 % ownership)
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)

2014 Event Calendar

January

It is no longer necessary to print in-country eTickets purchased in the ČD eShop and customers do not even need to bring a notebook or a smartphone. The staff on the train are able to verify the validity of eTickets based on the unique transaction code.

As of 10 January 2014, the licence for operating freight transport (ČD Cargo) was changed – since this date, ČD Cargo has no longer provided public railway transportation with the purpose of transporting things.

Management of ČD Cargo decided to sell its share in the subsidiary ČD Interport, s.r.o., the sale of the 51 % equity interest took place on 15 January 2014.

February

In the Pardubice region, ČD took over the last vehicle (a motor unit of 844 series – RegioShark) acquired with the contribution of ROP Severovýchod.

ČD Cargo launched the regular transport of cars to Jeneč.

March

ČD launched premium services (offering refreshment and daily press for free) to the travellers in the 1st class of EC and IC trains.

Based on a commission from the Liberec region, ČD became the main transport partner of the Ski Flying World Championship that took place in Harrachov from 13 to 16 March. ČD despatched extra trains to Harrachov and increased the capacity of its regular trains.

April

Since April, ČD has included modernised multifunctional conditioned vehicles of the Bbdgmee series in express trains on selected routes: R5 Prague – Ústí nad Labem – Karlovy Vary – Cheb and R11 Brno – Jihlava – České Budějovice – Plzeň. Since mid-June, these vehicles have also been used on routes R8 and R9 from Prague to Brno across the Vysočina and from Brno to Ostrava.

ČD together with partners (BESIP, ČD Cargo, SŽDC, the Railway Inspectorate, the Police of the Czech Republic and the Fire Brigade) organised an event called Prevention Train – Safe Railway. Schoolchildren and students from Valašské Meziříčí and Vsetín had the opportunity to attend.

ČD has significantly increased the number of stations in Germany to which it is possible to purchase an eTicket. In addition to the previously offered First Minute tickets to 24 German towns, travellers can now buy regular international tickets to approximately another two thousand stations in Germany through the eShop.

May

The first ČD Railjet train officially launched its trial run with passengers on 6 May. The first regular connection on which the ČD Railjet train made its premiere journey was the IC 571 Zdeněk Fibich train from Prague to Břeclav.

ČD agreed with the German national transport company, Deutsche Bahn, to continue their cooperation on the Prague – Dresden – Berlin – Hamburg route. From December 2015, trains with modernised vehicles will operate on this route. The companies will also focus on enhancing their marketing.

In mid-May, the ČD Cinema Train returned to the tracks for the eleventh time. The mobile railway cinema started its eleventh season in Mladá Boleslav and travelled through the Karlovy Vary, Pardubice and Olomouc regions to Zlín. For the first time, the train also crossed the Czech border and went to Wałbrzych in Poland.

On 23 May, ČD, SŽDC and BESIP organised a common prevention-safety event in Havlíčkův Brod called "Happy Returns Home". Visitors had the opportunity to see simulated collisions of a train with a person and with a car, including the response of the integrated rescue system.

June

The sale of ČD in-country tickets was launched at Václav Havel Airport in Prague in cooperation with the Prague Information Service.

On 15 June, the trial run of ČD Railjet trains was launched on the route from Prague to Vienna.

On 20 June, the first low-floor double-system electric unit of 650 series – RegioPanter was handed over to the South Moravia region at a ceremony.

ČD presented the Company together with its subsidiaries, DPOV, VUZ, ČD - Telematika, ČD–IS and ČD Cargo, at the Czech Raildays fair.

At the occasion of the 10th anniversary of the opening of ČD repair services, a new paint shop was opened in DPOV, a. s. in Nymburk.

July

On Saturday 5 July, trains began operating on the renewed section of the railway from Dolní Poustevna to Sebnitz. ČD in cooperation with DB Regio introduced a new U28 line on the following route: Děčín – Bad Schandau – Sebnitz – Dolní Poustevna – Rumburk.

August

ČD and Škoda Vagonka concluded a contract for the supply of 14 units from the RegioPanter series, adapted for long-distance transport. The units will be produced in 2015 and 2016 and will be operated as in-country express trains.

September

ČD organised the tenth event of the Prevention Train. People had the opportunity to attend the event in Prague Bubny and in Břeclav.

The ČD National Railway Day, which took place on 27 September in Břeclav, reminded visitors of the 175-year-long history of rail transport in the Czech Republic. In addition to historical vehicles and locomotives, the latest modern ČD Railjet and Pendolino trains were exhibited.

October

ČD concluded a contract with Pars nova, a. s. for the comprehensive modernisation of 31 passenger vehicles of the Bp series for EC and IC trains. The modernised interior of the vehicles is air-conditioned, has an audio-visual information system and 230 V wall sockets that offer passengers the possibility of charging small electronic devices. The contract includes an option for the modernisation of another 31 vehicles.

On 30 October, ČD launched the "My Train" official mobile application, which offers ČD passengers comprehensive travel services. Apart from common functions such as finding a connection, purchasing tickets etc, the application includes an on-board portal with information on the train's journey, transfers or traffic closures and unexpected railway situations. The application was immediately highly appreciated by the users.

In early October, upon ČD's invitation, a meeting of the members of the International Railway Union (UIC) PRM PASSAGE working group took place in Prague. The group deals with assistance services provided to handicapped passengers in cross-border transport.

November

On 27 November, a new ČD Railjet train first carried passengers between the Austrian cities of Vienna and Graz.

December

The news in the new train schedule for 2014/2015 includes the introduction of a two-hour interval for ČD Railjet trains between Prague, Brno, Vienna and Graz, shortening the travel time between Prague and Vienna to 4 hours and 10 minutes; extending the route of the Pendolino train to Košice, shortening the travel time between Prague and Košice to a historical minimum of 7.5 hours; and the renewal of a direct daily connection between Prague and Warsaw.

ČD launched 1st phase of loyalty programme for eShop customers.

On 1 December, ČD together with the town of Třinec celebrated the beginning of the construction of the Třinec Transfer terminal.

ČD has gradually launched the operation of another forty modernised express train vehicles – 15 vehicles from the ABpee series and 26 from the Bdtee series.

Corporate Governance

Legal Relationships, Shareholder Structure and Supreme Body of the Company

Legal Relationships of the Company
The legal relationships of the Joint Stock Company České dráhy are governed by:

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

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

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

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 on the basis of the legislation stipulating the legal relationships of the Company or by the Articles of Association of ČD, a.s. The decision-making procedure of the Steering Committee is governed by the legislation stipulating the legal relationships of the Company, the Articles of Association of ČD, a.s. and the Steering Committee's Rules of Procedure.

Elective Company Bodies

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. For the larger part of 2014, the Board of Directors was composed of three members, and was extended to five members as a result of the change in the Articles of Association of ČD, a.s. of 2 October 2014. Members of the Board of Directors are elected and recalled by the Supervisory Board. The Board of Directors meets as needed, usually 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. The decision-making procedure of the Board of Directors is governed by the legislation stipulating the legal relationships of the Company and by the Articles of Association of ČD, a.s.

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 annual business plan and the budget for operating the Company's railway transport; and (iii) granting the prior approval of asset management, if such a procedure is required

by the Company's Articles of Association. The decision-making procedure of the Supervisory Board is governed by the legislation stipulating the legal relationships of the Company, the Articles of Association of ČD, a.s. and the Rules of Procedure of the Supervisory Board.

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;
- Monitoring the efficiency of internal controls and of ČD's risk management system and internal audit system;
- Monitoring the process of the compulsory audit of the financial statements and the consolidated financial statements;
- Assessment of the auditors' and audit company's independence; and
- Recommending the auditor to the supervisory body.

The activities of the Audit Committee are based on Act No. 93/2009 Coll., on Auditors, as amended, and the Articles of Association of ČD, a.s. The Audit Committee's decision-making procedure is stipulated by the Company's Articles of Association.

Internal audit and risk prevention

Internal Audit

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

Compliance

Until 1 May 2014, the principal activities of the office of ČD's CEO included ensuring compliance of internal regulations with generally-binding legal regulations and compliance with individual internal regulations, identification of potential risks and the impacts arising from anticipated changes in legal regulations, the presentation of comments and the discussion of proposed changes in legal and internal regulations. Since 1 May 2014, the legislative and compliance department of ČD's Legal Division has ensured the managing function in terms of internal regulations, as well as 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 corporate governance codes

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

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 improvement of risk monitoring and assessment processes, is actively used 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 within 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 ČD Group actively benefits from IT support (eRisk software application), which forms the basis for a systematic approach to identifying, analysing and monitoring all significant business risks, including their communication.

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 regular basis to discuss the current risk position of ČD and the ČD group based on the approved plan of activity. 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 summary reports. Thanks to the continuous monitoring of risks, the Company's management is informed on a timely basis of the current state of affairs. As part of active risk management, the approved limits of the respective organisational units were also regularly monitored and assessed during the year ended 31 December 2014.

Market Risks

Due to 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.

The ČD Group ensures that financial risk limits are adhered to using standard hedging transactions on financial markets.

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 and concentration to a single financial institution. To reduce the net exposure, the 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 fiscal 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 liabilities arising from concluded supplier contracts.

A key instrument of liquidity management is the prediction of the short-term and medium-term development of liquidity and cash flows. To ensure short-term liquidity, the ČD Group uses overdraft accounts and issuances of short-term securities (promissory notes programme). Short-term funding within the Group is based on real cash pooling and loan contracts between ČD and the subsidiaries.

Operational Risk
In the field of operational risk, attention is principally devoted to meeting strategic objectives of the Group focused on achieving high standards of service quality and customer satisfaction with an emphasis on operation that 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 ordering parties 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 a negative impact on the cash flow and profit or loss.

Corporate Social Responsibility

Corporate social responsibility has a long-established tradition in ČD. 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 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 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 2014. ČD now owns more than 600 wheelchair-accessible railway units. In regional transport, these are Regionova and CityElefant vehicles. RegioPanter and RegioShark vehicles and the recently deployed 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, which is a welcome change not only by the disabled but also by the elderly and parents with children in prams.

An important part of the corporate social responsibility of ČD is the support of travel and the help for the disabled and socially-disadvantaged social groups. In cooperation with several charities, ČD 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", a project for screening films and fairy tales for children to all train stations.

ČD s activities in the field of the education of children and youth are a part of the "Junior Programme", the mascot of which is Elfík, an elephant. Within the Junior Programme, the "My Train" and "Elfík's Notebooks" magazines are published, presenting the railway to children in an entertaining way. Other events for children include "Visiting the Zoo with Elfík", Children's Day and St. Nicolas train rides. Each year, ČD takes part in the "Bambiriáda" event. ČD is a partner of the RunCzech family runs and supported sporting events such as "Sport without Prejudice" or the Czech Sport Union.

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

ČD is involved in other activities too; for example, it supports significant projects dealing with important social topics. ČD 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 third time, ČD also participated in the "Lustig Train" project, which informs the general public about the holocaust. Other projects in which ČD participates that are worth mentioning are the "Delivery of the Bethlehem Light" project and the "Night of Literature".

Last but not least, ČD shares a great deal of responsibility for the preservation of technical and cultural railway heritage. On its premises and in the Czech Railways Museum in Lužná u Rakovníka, ČD 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 kolo" foundation.

Report of the Board of Directors

Report on the Company's Business Activities and Assets

Financial Results of the ČD Group

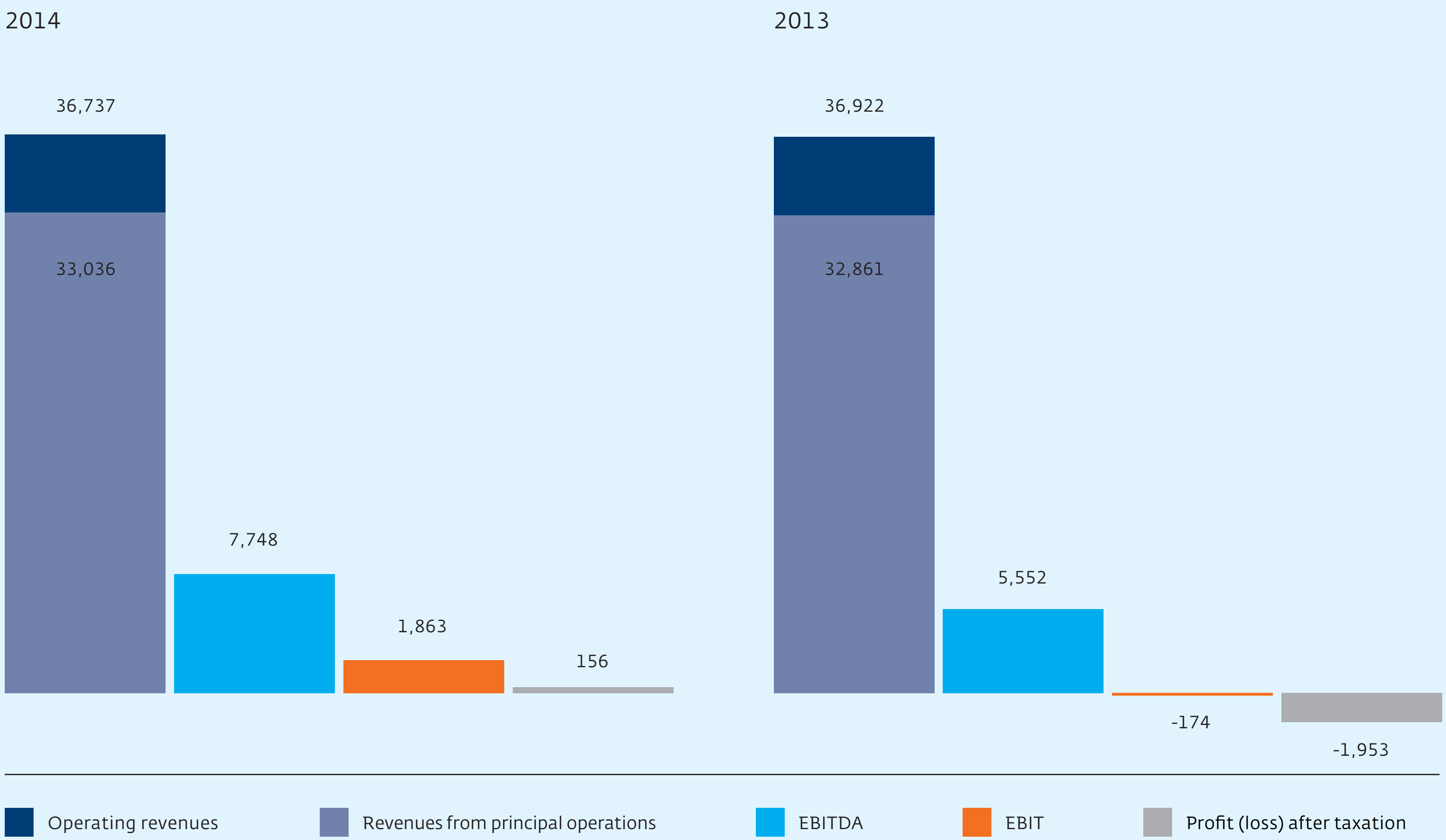
The overall financial results of the ČD Group for the year ended 31 December 2014 were positively impacted by significant savings in operating expenses and partially also by the improving economic situation in the Czech Republic and the Eurozone. Despite the stagnation in total operating revenues, EBITDA* grew by CZK 2.2 billion (40 %) year-on-year. The EBIT** indicator amounted to CZK 1.9 billion, which is a significant increase compared to the loss in the prior year, which amounted to CZK 174 million. Overall, the ČD Group reported a profit of CZK 156 million in the year ended 31 December 2014, as compared to the loss of CZK 1.95 billion in the previous year.

The total operating revenues of the ČD Group and revenues from principal activities were at a comparable level with that of last year. Revenues from principal activities slightly increased by 0.5 %, which was positively impacted by the increased revenues in passenger transport, primarily international, but partially also domestic. In the international sector, there was a year-on-year increase in sales in international passenger transport and passenger transport using ČD passenger vehicles abroad due to the difference in the EUR/CZK exchange rate. In the sector of domestic transport, steps were taken to promote pro-revenue measures in the area of tariffs. Thanks to these, ticket office sales grew, as well as revenues from the integrated transport system and supplementary services (special trains and luggage transport). Freight transport in 2014 decreased year-on-year in revenues of CZK 584 million (4 %), which was caused by the loss of certain transports of black coal and lignite, which were not substituted by other transports, and also by lower volumes of purchased consumables and services.

Significant costs savings were achieved in purchased consumables and services, which decreased by CZK 950 million year-on-year (6 %). The cost reduction was attributable to a decrease in traction costs (traction energy and traction oil) of CZK 344 million (8 %) due to a decreased volume of freight transports and partially also due to a drop in electricity and oil prices on the market. Significant savings were also achieved in staff costs, which decreased by CZK 577 million year-on-year (5 %) owing to restructuring measures taken in the freight transport segment. The reserve which was recognised in 2013 for possible legal disputes and which was not recognised in 2014, and provisions against receivables, fixed assets and inventory had a significant impact on the Group's year-on-year financial results.

* EBITDA = 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 revenues, EBITDA, EBIT, Profit (loss) after taxation (in CZK mil.)

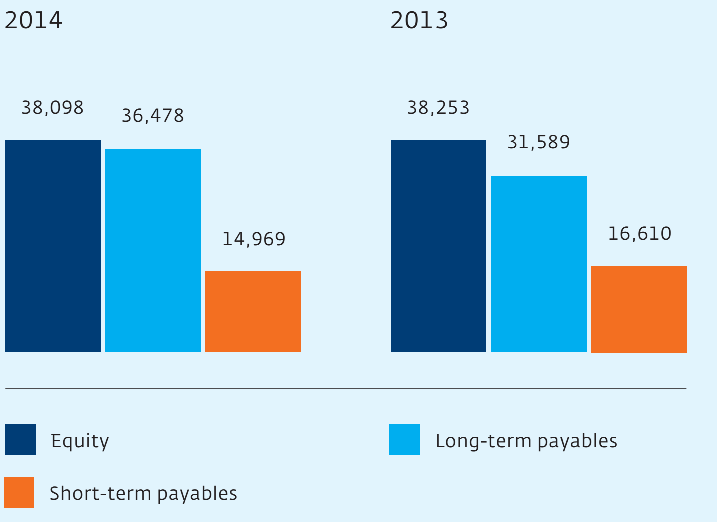


Assets Structure
The year-on-year increase in assets amounted to CZK 3 billion (4 %). Short-term assets increased at over CZK 2 billion (27 %), due to the increased funds in cash and cash equivalents. The funds were obtained from issued bonds in the total nominal value of EUR 180 million in the form of a private placement in November 2014.

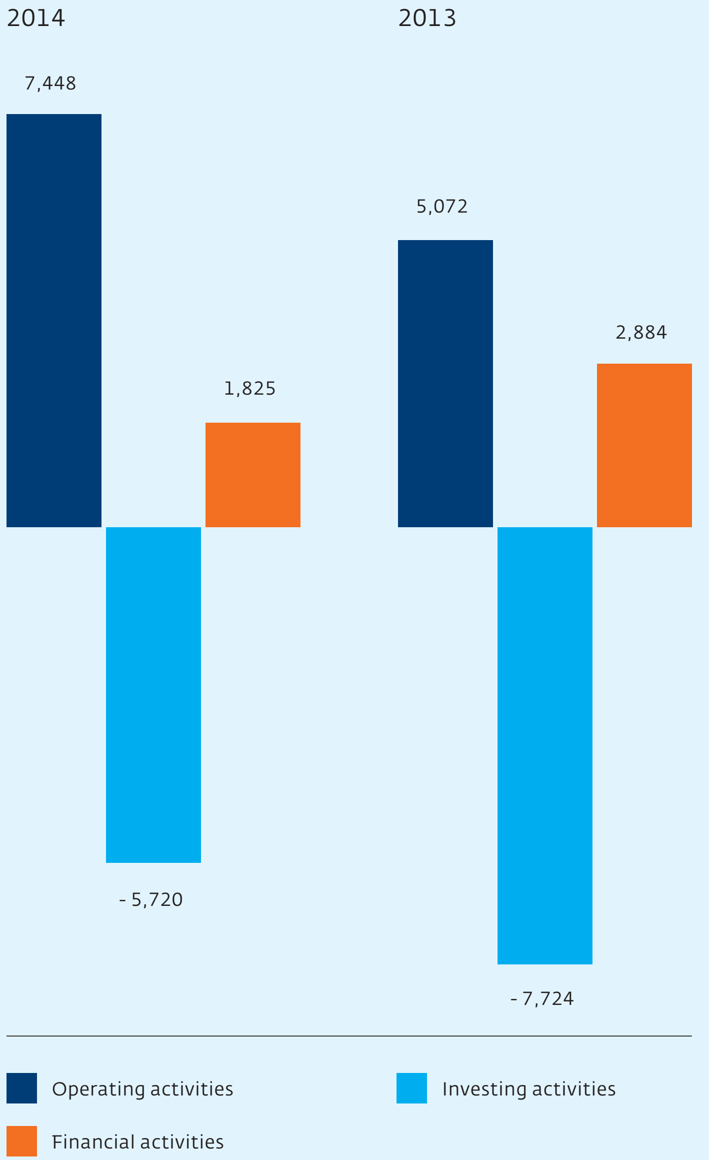
Liabilities Structure
The amount of equity did not change year-on-year. Long-term payables grew by CZK 4.9 billion (16 %), which was caused by a bond issue in the total nominal value of EUR 180 million in the form of a private placement in November 2014. Short-term payables decreased by CZK 1.6 billion (10 %). The bond issue and the generated proceeds covered the repayment of short-term loans (overdraft account). Compared to 2013, short-term payables also reflected a lower recognition of reserves.

Assets Structure (in CZK mil.)

Liabilities Structure (in CZK mil.)



Cash Flow (in CZK mil.)



Cash Flow

Alongside the better operating results, the Company also reported a year-on-year increase in net operating cash flows.

The decrease in investment cash flows was influenced by freight transport, which significantly reduced its investments as part of restructuring measures. Passenger transport also experienced a year-on-year drop. This was either due to the postponing of certain projects or the deferring of certain payments. The total capital costs for 2014 amounted to CZK 5.9 billion. A significant part of investments (approximately CZK 4.9 billion) was invested in passenger transport, with another CZK 1 billion in freight transport.

Given the reduced investment activities, expenses (cash flows) from financial activities also decreased.

Profit/Loss by Principal Activity Segment

(CZK million)		Passenger transport	Asset management	Freight transport	Other	Elimination and reconciliation*	Total
Revenue from principal operations	2014**	20,723	0	13,629	0	-1,316	33,036
	2013**	19,923	0	14,213	0	-1,275	32,861
Purchased consumables and services	2014**	-8,619	-502	-7,735	-2,533	3,118	-16,271
	2013**	-8,883	-643	-8,133	-2,382	2,820	-17,221
Staff costs	2014**	-6,877	-260	-3,808	-1,353	191	-12,107
	2013**	-6,923	-249	-4,246	-1,422	156	-12,684
EBITDA from continuing operations	2014**	4,519	135	2,554	581	-41	7,748
	2013**	3,321	-6	2,289	499	-550	5,552
Depraciation/amortization	2014**	-4,397	-240	-1,075	-332	159	-5,885
	2013**	-4,088	-237	-1,137	-350	86	-5,726
EBIT from continuing operations	2014**	122	-105	1,479	249	118	1,863
	2013**	-767	-243	1,152	149	-464	-174
Profit (loss) for the period	2014**	-865	-92	877	255	-19	156
	2013**	-2,053	-225	777	-2,669***	2,217	-1,953

* The 'Elimination and reconciliation' column includes eliminations of intergroup relations.
** In January 2014, the Group made a change in the segment reporting methodology. Individual segments are reported under IFRS. The comparative period was restated.
*** The profit (loss) for the "Other" column includes the impairment of the equity investment in ČD Cargo of CZK 2,852 million.

Passenger Transport

In the year ended 31 December 2014, the passenger transport segment managed to maintain its positive operating profit. EBITDA amounted to CZK 4.5 billion, which is a year-on-year growth of 36 %, and EBIT increased by CZK 889 million (from a loss of CZK 767 million to a profit of CZK 122 million). The total loss of the segment for the year ended 31 December 2014 decreased by CZK 1.2 billion year-on-year (from CZK 2 billion to CZK 865 million).

The improvement in the segment of passenger transport was achieved in part by the increase of CZK 800 million (4 %) in the total revenues from principal operations, in which the increased sales in both domestic and international transport were reflected. A proactive approach to customers and measures that lead to higher quality and comfort in travel also contributed to the increase in revenues.

Operating expenses directly related to services (purchased consumables and services) decreased by CZK 264 million (3 %) year-on-year. The decrease was influenced by the lower costs of traction energy and traction diesel. The Company has also succeeded in reducing overhead costs (marketing, advisory, legal services, etc).

Staff costs were at a comparable level to that of 2013.

The lower charge for reserves for potential legal disputes and the lower provisions against receivables, fixed assets and inventory were also positively reflected in the improved operating results.

Following the change in the method of reporting individual segments, all 2013 financial indicators were restated to be comparable to 2014.

The analysis of the passenger transport segment corresponds with the segment analysis in the notes to the consolidated financial statements under IFRS.

Freight Transport

Despite the year-on-year decrease in revenues of CZK 584 million (4 %) due to the reduced amount of purchased services and the loss of black coal and lignite transports, the freight transport segment achieved a year-on-year EBITDA increase of CZK 265 million (12 %), an EBIT increase of CZK 327 million (28 %) and a net income increase of CZK 100 million (13 %) as a result of substantial cost-saving measures.

This positive result was achieved mainly due to the continuing austerity and restructuring measures. The year-on-year decrease in operating costs of CZK 398 million (5 %) was achieved through the reduced amount of purchased services and the lower costs of energy, fuel and materials. As a result of company restructuring, significant savings were also achieved in staff costs, which decreased year-on-year by CZK 438 million (10 %).

Following the change in the method of reporting individual segments, all 2013 financial indicators were restated to be comparable to 2014.

The analysis of the freight transport segment corresponds with the segment analysis in the notes to the consolidated financial statements under IFRS.

Asset Management

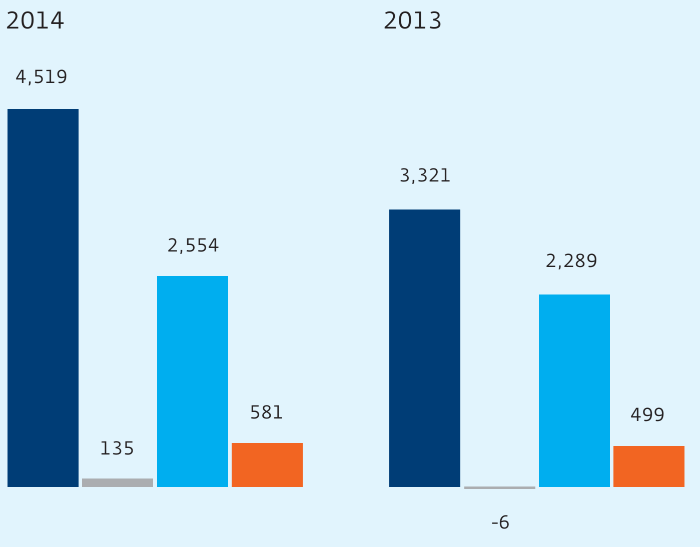
In the year ended 31 December 2014, asset management reported a loss of CZK 92 million, compared to 2013, when the loss amounted to CZK 225 million.

In the year ended 31 December 2014, the Company did not manage to fully achieve the planned sales of redundant assets, primarily due to the condition, location and character of the real estates sold. The varying quality of the portfolio of railway real estates, together with the crisis situation on the real estate market, in which even premium real estates are difficult to sell, have had a significant impact on the sales results of ČD's redundant assets in 2014. These sales were also partially influenced by the municipal elections that took place in autumn 2014, which led to an interruption in the sale of specific real estates to towns and municipalities.

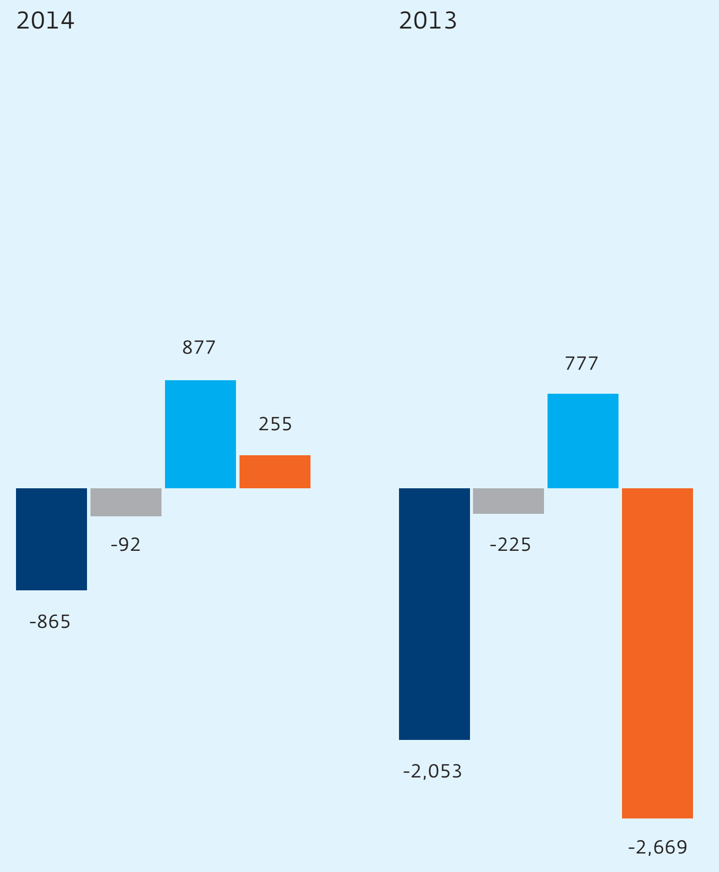
Following the change in the method of reporting individual segments, all 2013 financial indicators were restated to be comparable to 2014.

The analysis of the asset management segment corresponds with the segment analysis in the notes to the consolidated financial statements under IFRS.

EBITDA by Segments (in CZK mil.)



Profit (loss) for the Year by Segments (in CZK mil.)



Passenger transport
Asset management
Freight transport
Others

Information on the Financial Situation and Financing of the ČD Group

The 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, bonds, a promissory note programme, etc. The Group 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 only the necessary volumes of funding and leaves a sufficient reserve of undrawn committed credit lines.

In 2014, the funding for the Group's investment and operational needs was primarily ensured though a combination of internal and external short-term funding (overdraft loan facilities and a promissory note programme) and long-term resources (bonds).

On 28 May 2014, the Moody's rating agency downgraded the rating of ČD, a.s. from Baa2 with a stable outlook to Baa3 with a stable outlook.

On 5 November 2014 ČD issued a EUR 180 million dual tranche debt private placement, consisting of a EUR 30 million 2.875 % standalone bond with maturity of 10 years and a EUR 150 million 3.50 % registered note ("Namensschuldverschreibung") with maturity of 15 years. The lead manager of the debt issue was Deutsche Bank AG. Of the total volume placed, EUR 177 million was hedged against interest rate and currency risks.

In 2014, the subsidiary ČD Cargo carried out its third and final tranche of the leaseback of the modernised 363.5 series of traction vehicles (the financing of the modernisation of the last 10 pieces of traction vehicles from the 163 series to the 363.5 series).

Future Outlook

The ČD Group's key aim is the growth of its operating profitability. In 2015, the passenger transport segment will primarily focus on increasing the quality of its services and adapting the portfolio of offered services to suit customer needs, by which it would like to continue the trend of increasing passenger numbers and ensure the growth of sales. Due to the extensive construction works planned by the railway infrastructure manager, keeping the trend of increasing number of passenger will be a great challenge. Improving the quality of railway vehicles and increasing the efficiency of regional and long-distance connections is one of the primary assumptions for ČD to achieve its aims in this segment. However, improving the quality of transport will bring considerable costs for the maintenance and service of railway vehicles. Another factor that will have an impact on the Company's financial results will be the increase in operating costs relating to substitute bus transportation to ensure that passengers are cared for during periods of large-scale traffic closures. Slight growth in the costs of traction electric energy and traction diesel is also anticipated (the same amount of energy consumption is expected as in 2014; the total costs are affected by the stock market price and weather conditions). In 2015, increased staff costs are also expected due to the approved increase in tariff salaries and the increase in performance bonuses for employees with hazardous jobs. The increase in costs will be compensated by a number of optimisation measures, such as the centralisation of the purchase of services and materials.

The segment of freight transport is prepared to continue with the restructuring process it has already started working on. One of the main tasks is to ensure the sustainable operation of the transport system of single wagon business on the Czech railway network.

In 2015, the second bond issue in the amount of CZK 1 billion is due. ČD Cargo plans to issue a new bond and thus ensure long-term resources for the funding of investments.

The external funding of the ČD Group will continue to be based on a combination of bonds (long-term funding of investments) and short-term overdraft loans and the promissory notes programme (management of operating liquidity).

Passenger Railway Transport Operation

Passenger railway transport is the core business of ČD. In the year ended 31 December 2014, the passenger transport sector continued to increase the quality of transport services and customer services. This trend was positively reflected in the increasing interest in travelling with ČD – the number of transported passengers increased to 170.1 million persons, while traffic performance amounted to 6,952.3 million person-kilometres. Despite the strong competition on the Prague – Ostrava line, the total number of passengers transported by ČD trains increased by 0.8 million persons and the traffic performance by 28 million person-kilometres as compared to 2013.

Regional Passenger Transport

The extent of regional transport remained roughly the same in most regions in 2014; only certain regions (for example the Plzeň region) experienced a slight decrease as a result of the shortage of available funds in regional budgets. The aim, at the same time, is to maximise the potential of increased mobility offered by suburban transport. In connection with the conditions of subsidy contracts, the Company managed to extend the effective periods of long-term contracts for fulfilling the public service commitment ('závazek veřejné služby', ZVS) on the routes where vehicles co-financed from Regional Operational Programmes operate. Cooperation intensified with the organisers of integrated transport, including the gradual integration of long-distance transport and cooperation in the field of electronic ticket purchasing. The process of continuously assessing passengers' ticket purchases was established in the form of country-wide inspections carried out by ticket inspectors on trains, with the aim of reducing revenue outflow in regional transport.

Long-Distance Passenger Transport

In the field of long-distance international transport, ČD continued its previous cooperation with its foreign partners. In the course of 2014, ČD received a supply of new non-traction ČD Railjet units. In cooperation with the Austrian national transporter Österreichische Bundesbahnen (ÖBB), the preparations for launching the operation of these units were steadily taking place. Subsequently, these were gradually introduced, first on the Prague - Vienna route and then, following the validity of the new train timetable 2014/2015, on the Prague – Brno – Vienna – Graz route along with ÖBB Railjet trains. The ČD Railjet units have a regular two-hour interval and complete the journey from Prague to Vienna in 4 hours and 10 minutes, shortening the travel time by approximately 30 minutes compared to previous journeys.

Cooperation with the German DB Fernverkehr has also increased on the Prague – Berlin – Hamburg route. As a result of signing a long-term contract for 5 years with an option for another five years, the rolling stock will be modernised to suit the high standards of quality on long-distance passenger railway transport. ČD and Deutsche Bahn have committed to coordinating the unification of the product and the tariff policy on this line, and to ensuring a common marketing strategy to support travel on this route.

A whole new concept has also been introduced for transportation to Russia. Twice in the summer months and three times in winter, comfortable trains built using modern Russian railway company (RŽD) sleeping cars operate on the Prague – Moscow line, and the travel time has been shortened by five hours. ČD customers also had an opportunity to use RŽD trains operating once a week on the Moscow – Ostrava – Břeclav – Milan – Monte Carlo – Nice line.

Concerning cooperation with the Slovak Railway Company (ZSSK), apart from the current two-hour interval on the Prague – Olomouc – Ostrava – Žilina line, the number of direct connections has been increased and the basic two-hour inter-state interval has also been introduced for the Prague – Olomouc – Vsetín – Žilina route. Important news in the 2014/2015 timetable includes the introduction of Pendolino units on the Prague – Košice line, which makes the connection on this traditional route the fastest in history. The travel time between Prague and Košice has been shortened by almost an hour – to 7.5 hours. The direct daily connection between Prague and Košice will be further strengthened by an EC train on the Prague – Ostrava – Žilina – Košice route, which will depart from Prague on Friday afternoons and from Košice on Sundays.

Another change in the new 2014/2015 timetable concerns night transport. There is only one train on the Prague – Humenné line, which also transports cars from Prague to Košice and to Humenné on selected days. Other trains on the Prague – Žilina line now have shorter travel times. A new pair of EC trains has been introduced on the Ostrava – Žilina route which will ensure an early morning connection to Slovakia and, three times a week, the last evening connection in the other direction.

In the area of domestic transport, ČD has introduced a new Rx category of trains (higher-quality express trains) starting with the validity of the new 2014/2015 timetable for traditional express train connections now ensured by modernised units. The first such trains have been introduced on the Prague – Plzeň – Cheb/Klatovy line, using units that had operated on prestigious international EC/IC connections until now.

Freight Railway Transport Operation

Freight railway transport is the core business of ČD Cargo, 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 has an extensive rolling stock of drawn vehicles capable of operating on most of the European railway networks, 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 perceives the combined transport 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 2014, ČD Cargo maintained its position among the five largest freight railway transporters in the EU. It is a significant employer in the Czech Republic. It operated more than 825 locomotives of dependent and independent traction. It has almost 26 thousand railway vehicles able to satisfy almost all transport requirements of customers. In 2014, it offered two principal products to its customers – complete trains and transport of single wagon shipments. Thanks to this offer, ČD Cargo is the only transporter in the Czech Republic to offer real network-wide services.

Aims for the upcoming period

The aim of ČD for 2015 is to enhance the Company's competitive ability in international transport, domestic long-distance transport, and suburban and regional transport. In particular, the segments of long-distance and suburban transport have been reporting a stable growth trend for over five years. This is closely related to the upward trend in the general mobility of the Czech Republic's inhabitants and the trend of suburbanisation in the key agglomerations in the Czech Republic. ČD is therefore expecting performance and the number of passengers to grow in these two segments. However, achieving these aims is conditional on the continuing modernisation and renovation of rolling stock as well as increasing the speed and capacity of the railway route on the state-owned railway infrastructure. Through the continued process of improving the quality of services, ČD strives to maintain and develop its market share on important long-distance routes, including Prague – Ostrava, Prague – Brno and Prague – Plzeň.

In respect of market segments, the aim for the following period will also be to increase sales on long-distance lines. Furthermore, it is important to take advantage of the growing number of passengers resulting from the renovation of the D1 motorway and on the Prague – Plzeň (– Cheb) line due to the completion of the third and fourth part of the railway corridor.

ČD is intensively preparing for tenders opening in line with the published document entitled the "Time Schedule of Opening the Market in Long-Distance Passenger Transport" (September 2014) for selecting a carrier to provide public interest services, despite certain issues which may discriminate ČD in such competitions (charges for using public spaces of railway stations, the sector contracting authority's obligation according to Act No. 137/2006 Coll. on Public Procurement, the provision of transport advantages in line with Act No. 77/2002 Coll., etc) not having been resolved yet.

Asset Management

In 2014, the asset administration segment of ČD, a.s. administered 5,334 buildings, of which 1,153 were railway stations accessible to passengers. In 2014, the number of redundant buildings decreased by 288. At the end of 2014, the buildings included 3,026 apartments, of which 2,153 were rented (the number of leased apartments decreased by 130 year-on-year).

A total of 11,615 external lease contracts were concluded for premises and land, which is 39,980 leased buildings in records and 2,722 internal contracts, ie 13,466 leased buildings.

To provide services to passengers, the most significant buildings are railway stations, of which ČD owns 1,153. Their long-term condition looks poor, and for this reason increased attention should be paid to their maintenance, repairs and renovations. This constitutes a significant cost item.

Optimising the management of railway station buildings relates to the efforts made by ČD, a.s. in finding a system solution for payments for the operations of publicly-accessible premises. Railway station buildings are part of the railway route regardless of their owner, according to the Act on Railways and its implementation regulations. ČD 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 is looking for a method of how to charge for 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 services provided, many railway station buildings are significantly oversized. For the use of these buildings to be economically-defensible, they will have to undergo construction optimisation so that their premises can be used for the provision of services related to transportation and related commercial services.

During 2014, about 50 railway station buildings underwent renovation work; technical improvements were also carried out. In Prague main station, the renovation of commercial premises of the already reconstructed middle part of the Fanta building continued. The reconstruction of the building at the Prague Smíchov train station was also launched – the roof of the building and of the adjacent eaves was renovated.

ČD engaged in intensive negotiations with the majority shareholder of Masaryk Station Development, a.s. concerning adjustments to contractual relationships.

The sales of redundant assets were mostly affected by the condition, location and character of the real estates sold. A total of 124 sales took place.

The consolidated ČD Group also incorporates other developer projects: 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 is in the process of centralising its 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 HR processes are centralised in regional HR Centres. The activities of subsidiaries are provided by a standalone HR Centre based in Prague and Ostrava.

The headcount of the ČD Group recalculated to full time employees in 2014 was 24,163, of which ČD, a.s. employed 15,246 persons and ČD Cargo, a.s. employed 7,396 persons – a year-on-year decrease of 880 employees.

In 2014, ČD continued its transformation process to a modern and effectively operating business that provides quality services in railway transport. Accordingly, HR work focused on optimising the structure of professions as well as 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 services provided.

The optimisation of the number of employees will continue in 2015. The focus on the socially-acceptable nature of the reduction in employee numbers in cooperation with labour unions will be one of the priorities for HR in 2015.

In line with the relevant legislation and in cooperation with the trade unions, another priority involved the monitoring of employees' medical condition and the impact of performing their jobs on their health. In 2014 13,578 preventive medical examinations were carried out on ČD's employees and 256 examinations were carried out as part of preventive healthcare in the workplace.

In 2014, ČD, a.s. had 10 trade unions. During the course of the year, the trade unions participated in a social dialogue resulting in the conclusion of the 2015 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 professionals 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 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 and training centres all over the Czech Republic, a unique electronic log-in system, iTutor educational system, and professionals in specific areas of education. DVI provides for both the professional education of employees and ongoing periodic education for the maintenance of qualifications. According to the requirements of clients, training takes the form of attendance in lessons, e-learning or combined education. Other activities include language lessons, soft skills training, the preparation of electronic lessons for presentation and e-learning, welding courses, psychological evaluations, etc.

International Relations

In terms of international relations, the ČD Group's objective was to enhance its position on the market, including in both passenger and freight transport. This objective was fulfilled through bilateral meetings as well as meeting 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 discussed regularly with all ČD Group entities.

In the field of transport and politics, the key topic was the discussion on the fourth railway package of the European Commission. The package has (so far informally) been divided into the political and the technical parts, and opinions on both of these parts varied at the time of the Greek and especially the Italian presidency of the EU. The key countries, mainly represented by Germany and France, would like to continue in discussing only the technical part and believe that the political issues (the structure of railway enterprises and public-interest services) are sufficiently covered by the existing legislation. The other group of countries would like to continue negotiations also on the political part of the package. ČD has continued to support the technical part and, within the political part, the principal of equal treatment of all transporters on the market and equal competition.

In 2014, some key institutional changes were implemented in the EU – a new European Commission was appointed, ČD actively participated in the preparation of position documents and statements by CER (the Community of European Railway and Infrastructure Companies) on current topics, and prepared for meetings with the newly-appointed representatives of the Commission and DG MOVE (the EU General Directorate for Mobility and Transport of European Commission). In November, the proposal of the new EU investment programme was presented in Strasbourg; one of its key tools will be the European Fund for Strategic Investments. ČD, together with CER, is lobbying for the funds from this programme to be used in railway transport to the largest possible extent.

Within the International Railway Union (UIC), ČD representatives are actively participating in all key bodies and thus contributing to maintaining the high level of the technical and operational norms and recommendations – primarily the UIC regulations. In its statements, the presidential railway of the UIC (the Russian railway) places emphasis mainly on the harmonisation of the technical and operational parameters of the European and Asian railways and on the development of the key corridors on the East-West axis. The ČD Group supports these initiatives, as these steps also impact the business activities of ČD and ČD Cargo.

ČD benefits from the activities of the Organisation for the Cooperation of Railways (OSŽD) in respect of developing business cooperation in the eastern direction. Experts in the field of passenger and freight transport within the OSŽD regularly meet and thus contribute to the further development of transports. ČD would like to continue contributing to the transformation of OSŽD, within its new structure, into a dynamic tool for the development of railway transport in the Eurasian area. The main scope of activities of the OSŽD is the development of business contacts, especially with Eastern European and Asian countries. ČD was entrusted with organising the thirtieth Conference of the CEOs of OSŽD, which will take place in April 2015 in Prague.

ČD regularly organises bilateral meetings of infrastructure managers and carriers. At these meetings, primarily business and operational issues are discussed in an efficient way for the benefit of all players on the market in the given country.

Marketing
The business-marketing strategy focused on three key areas supporting the ČD brand and its products in 2014.

The first area is long-distance transport, connected primarily with the promotion of ČD's premium trains. The marketing campaign, which draws attention to the newly introduced ČD Railjet units on the Prague – Brno – Vienna – Graz line, focused on travellers who usually prefer to travel by car or bus. This well-executed campaign helped increase the number of persons travelling by train on this route and strengthened the image of ČD. The marketing support for the extension of the SC Pendolino connections between Western Bohemia and the Ostrava region continued. In December, the connection to Eastern Slovakia was added. Passengers were also offered a new product named "First Minute Europe", tickets for international long-distance connections, and a special ČD Tip offer for travel to Christmas markets.

The second area is commuting to work or school on ČD trains and in particular the marketing of the In Karta customer card. In Karta provides discounts for individual groups of travellers and gives students the possibility of combining the In Karta with other youth discounts. The wide support for this advantageous product led to an overall increase in the number of its users.

The third area is the support of travelling for leisure. Within this area, the Group Weekend Ticket has been marketed and campaigns were carried out to promote the ČD Ski and ČD Bike services. Summer vacation travelling was supported within the Summer Ticket campaign.

Building ČD's brand awareness was also successful thanks to involvement at events including exhibitions, fairs, partnerships at sporting events, and other supporting activities, or through the presentation of new, modernised and historical vehicles.

Emphasis continues to be placed on electronic services for ČD passengers. In addition to communication via the website and the mobile web, the "My Train" application was launched in 2014, making the whole travelling process easier – from the purchase of the ticket to information on the current situation on the railway. The application enables customers to search for train connections, including the purchase of the ticket, and supports on-line and off-line connection searches. The application also provides basic information on specific trains (vehicle arrangements, timetables, services provided on trains, delays etc), specific stations (services provided at the station, Integrated Transport System, ticket purchasing at the station, GPS, etc), and synchronises electronic tickets from the eShop.

In late 2014, a new customer loyalty programme called ČD Points (ČD Body) was launched with the aim of rewarding regular customers, strengthening good relations with existing customers, attracting new customers and motivating them to use ČD's services.

As part of supplementary services, ČD focused on the development of the bus connection to Václav Havel Aiport Prague by increasing the number of connections in the seasonal timetable. In addition, the ČD Parking product was developed, which ensures advantageous parking for passengers from outside of Prague.

Environmental Protection
In the area of environmental protection, the ČD Group focused on the implementation of legislative amendments and compliance with all the relevant obligations. 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, the Department of Railway Vehicles,

established the Register of Legal and Other Requirements, which is updated regularly. Members of the ČD Group are informed about any eventual changes in the area of environmental protection without undue delay so that internal regulations can be updated and relevant training provided.

In the area of environmental protection, the 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 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 the combustion gas circuit).
- Waste management (disposal of hazardous and other waste so that it can be used or disposed of; establishing a register of waste types and waste management; monitoring 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 operations and the travelling public, and the killing of weeds, where a mechanical process is preferred to the use of chemicals).
- Chemical substances and agents (training on and checking of the management of chemicals and chemical substances).
- Information systems (maintenance of the software for recording hazardous waste management and air protection, including the Ecologist Handbook).
- Noise pollution and vibrations – compliance with healthy noise limits.

In the long-term, ČD monitors the individual environmental protection areas. The results of the monitoring are used not only for statistical purposes stipulated by legislation, but also for the Company's own assessments and for monitoring the development of the individual components of environmental protection. Based on the results with regard to the efficiency of everyday operation, measures are proposed for the next period.

Research And Development

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

In countries within and outside the EU, VUZ is a renowned company that specialises 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 (security method for evaluating and assessing risks).

In its Velim testing centre, VUZ operates two railway test circuits equipped with modern infrastructure. Thanks to an extensive modernisation from 2009 to present, the centre in Velim has become a popular and reputable testing centre for railway technologies and equipment in Europe. A significant improvement in the technical parameters of the testing centre in recent years has resulted in the growing prestige of VUZ among local and foreign clients and appreciation among professionals. The development of the Velim testing centre opened the way for the expansion of VUZ's authorised and accredited activities and the strengthening of their commercial position. In connection with the lasting tradition of the company, which includes professionally-educated and respected specialists in railway transport, good relationships with its clients and high-quality services provided, the current parameters of the testing centre allow for the further strengthening of the testing centre's position on the local and international market. This position is additionally strengthened by close cooperation with leading producers, academic institutions and labour unions, both in the European Union and outside the European Union.

As part of their involvement in research projects financed or supported by national or EU programmes, VUZ actively participated in the implementation of the following projects in 2014:

- EUREMCO Project - European Railway Electromagnetic Compatibility – was solved as part of the seventh EU Framework programme between October 2011 and September 2014. It dealt 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 – was solved as part of the seventh EU Framework programme between October 2011 and October 2014. It dealt 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 the approval process for 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 UIC committee for railway research (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 the lines connecting Europe and Asia, primarily by applying the most recent results of railway research.

Information Technologies

Support and development of passenger transport is the priority for ICT. Emphasis is placed on the sale of tickets through on-line distribution channels.

As part of the eShop, a loyalty programme has been developed and implemented to support customers who purchase tickets this way. Loyalty points can be collected within the ČD eShop and in the My Train application.

The My Train native mobile application has been developed for Android and iOS operating systems, which will ensure a significant improvement in selling tickets as well as information for customers. Ticket purchasing is also supported by train staff who are equipped with smartphones that use applications for informing passengers, particularly in cases of traffic closures and train delays (My Train application, company e-mail, ČD mobile web, Mapy.cz, first aid advice). Other applications are also being prepared (such as the Closures and Unexpected Events application).

The structure of the In Karta has also undergone significant conceptual changes. The implementation of the MAP system will enable cheaper connections between individual partners, more efficient offline work and the use of only one carrier for electronic tickets with subsequent virtualisation, as well as improved security and faster ticket-purchasing and ticket inspections.

In the area of operations management, alignment with the TAF TSI and TAP TSI telematics standards continued in 2014. In cooperation with SŽDC, railway operations management systems are being changed and modified in line with EU legislation, primarily in the Dispatcher Information System for Passenger Transport DISOD, and in the systems for the preparation of timetables, primarily in the KASO system. Another key project is the implementation of the system for supporting the flexible management of passenger transport in DISOD. In 2014, the second phase of this project was successfully finished and put into operation, and in April 2015 the implementation of the third and final phase will begin.

Concerning transport planning, a project named the Short-Term Plan of Performances is currently underway, which should further improve quality and make the planning and management of passenger transport more efficient.

In the field of economic information systems, the "ČD Strategic Controlling" project was successfully completed. Its aim was to create management reporting to support and improve the information awareness of ČD's management on the whole ČD Group. Another significant project was Investment Monitoring for the ČD Group, within which reporting in the SAP BW system was created and implemented.

In the year ended 31 December 2014, information technologies successfully underwent audits focussed on optimising the use of applications and licence policies. An Analysis of the Application Portfolio (APA) was carried out on a regular basis by an independent external authority. Its results and recommendations affected subsequent measures in the field of optimisation of the number and architecture of applications, technologies, platforms, and, subsequently, operational and licence costs.

In the field of hardware and infrastructure, significant changes occurred concerning the purchases of end devices (computers). Instead of purchasing the devices, the Company is now renting services, ie renting computers including full service. The same transformation process has begun to be applied to comprehensive printing services as well (renting the printers as a service, while the provider also takes care of the consumables' logistics).

ČD - Informační systémy a. s. (ČD-IS), a subsidiary of ČD, focuses on the provision of services in the field of transport and logistics within the ČD Group. The key areas of the Company's product portfolio include customer and SAP solutions for passenger and freight transport in the fields of economics and HR. In 2014, the Company participated in a number of projects aimed at delivering ICT solutions within the ČD Group and SŽDC – especially including supplying the operational information system, management reporting in the field of economics and operation, or the centralisation of the SAP HR modules.
In respect of operations, this concerns the implementation of a unified printing solution and the standardisation of user stations. The Company has set up the capacity management of the sources of the data centre and the corresponding provision of services to customers.

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 railway infrastructure. In addition to railway infrastructure and transport-sector customers, its clients include state administration and self-government bodies, large local companies and other entities primarily providing telecommunication services.

In 2014, ČDT continued to provide services for the transport and maintenance of the railway telecommunication assets of SŽDC, for which it also delivered the Measurement Vehicles project. It successfully finished the project of Equipping railway vehicles belonging to ČD and ČD Cargo with GSM-R radio-stations and began the reconstruction of vehicle and base radio-stations in the 150 MHz band. It also used its potential in delivering telematic solutions in other projects.

Another important activity was the operation and extension of the Company's own optical infrastructure in the length of 3,500 km and the provision of telecommunication services on this network to local internet providers. An important investment in 2014 was the expansion of the existing data centre in Prague with a new technology hall, constructed in line with the latest trends, a high security standard and non-stop surveillance. The technology hall was designed for the "confidential" classification level. In line with the aim of the secure operation of the internet, ČDT has become a member of the FENIX Project – Safe Internet in the Czech Republic, and developed the ČDT-MONITOR product with a new detection method.

ČDT successfully extended its existing ISO certifications in the provision of ICT services, including quality assurance. It is a certificate holder under ČOS 051622 (AQAP 2110) standard.

ČDT's strategy for the following period continues to be the development of new business opportunities in the ČD Group and the growth of sales outside the railway infrastructure and transport sector as well as further strengthening the strategic partnership with SŽDC in the administration and servicing of the railway telecommunication infrastructure.

By delivering a contract for the ŘSD (Road and Motorway Directorate of the Czech Republic), namely the Adjustment of Technology Devices in the Pisárecký tunnel in Brno – Renewal of the Control System, ČDT also confirmed its ability to deliver telematic solutions in the field of road transport.

Major growth opportunities can be identified predominantly in telecommunication services, focusing primarily on the wholesale data services segment; in the offer of telehousing services with high added value; and in the provision of sophisticated services in the leasing of computer technology and related ICT solutions and outsourcing even in the state administration segment.

Repair and Maintenance

DPOV, a.s. (DPOV) is one of the leading companies engaged in the repair of railway vehicles in the Czech Republic. The principal role of DPOV in the ČD Group is to provide periodic medium- and high-grade repairs, modernisations, renovations and other various types of common maintenance of railway vehicles. DPOV also provides its services on the open market and provides repairs to external customers.

In 2014, in line with the plan to transform the company into a modern, prosperous company, a pilot project was launched to increase the efficiency of production management and the planning process through IS SAP, using electronic records of performances. The project is expected to have a significant impact on economic and other qualitative indicators of individual projects. DPOV applies the principle of cost management with a focus on decreasing prices for customers and increasing work efficiency.

Catering Services for Travelling Customers

JLV, a. s., (JLV), a provider of catering services, has been operating on Czech railways for 55 years and maintained its dominant position in 2014. The main business activities of the company include the provision of railway catering and accommodation services, the development and operation of retail and catering services, and the administration of real estates. The company's significant partners in the field of catering are České dráhy and Deutsche Bahn. Key projects in 2014 included launching the provision of catering services on premium ČD Railjet trains on the Prague – Wien – Graz route. In this context, significant investments were made in the fields of logistics, technology and transportation of the central production of food. Thanks to a newly-constructed training centre, which is designed as a replica of a restaurant vehicle, much attention was paid to training and improving the professional, customer-oriented approach of the stewards. In 2014, JLV, a. s., was also active in developing stationary products by BURGER KING, fast-restaurant concept MOMENTO, Caffee MOMENTO, BIO POINT and others.

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, affordable holidays for a wide range of clients. It organises holidays both in the Czech Republic and abroad. The offer includes stays in wellness centres and holidays designed for seniors (55 years and over). Holidays abroad include transport service either by plane or bus, or, less often, by train. Most clients travel to Croatia, Greece and Turkey. The agency plans sightseeing 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 the whole of 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, which ranks it among other middle-sized travel agencies.

Advertising and Media

RAILREKLAM, spol. s r.o. (RAILREKLAM) has been operating in the Czech outdoor advertising market since 1991. Since its foundation, it has focused on the use of movable and immovable railway assets for advertising purposes. Following the split of České dráhy into the transporter ČD, a.s. and railway infrastructure administrator – Správa železniční dopravní cesty, s.o., it cooperates with both organisations and covers all their assets. With almost 20 years of experience in the operations and construction of advertising spaces, RAILREKLAM guarantees 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 graphic design to the production and installation of advertising. In the coming years, the Company plans to make new investments in its advertising network with the objective of maximising the advertising potential of the assets of ČD and SŽDC.

Investment Development of the ČD Group

Investments by individual entities within the ČD Group are driven by the nature of their principal activities. A significant part of ČD's investments are made in the renovation of rolling stock for both regional and long-distance passenger transport. In regional transport, the last supplies of vehicles acquired with EU support within regional operational programmes were carried out, in particular the low-floor electric and motor RegioPanter and RegioShark units. In addition, electric RegioPanter units began to be supplied for the South Moravian region. In the segment of long-distance and international transport, a significant part of the supplies of new railway vehicles was carried out – the most significant supply was the acquisition of new seven-vehicle Viaggio Comfort trains for international transport, which are known under the business name of Railjet. Supplies of modernised, air-conditioned, multifunctional and large-space passenger railway units for long-distance domestic and international transport were completed with ČD buying 84 vehicles from ÖBB, of which 70 vehicles have a speed of 200 km/h. From newly-concluded contracts, the most significant investments were represented by a contract for the supply of 14 new electric units for long-distance domestic transport and a contract for the modernisation of 31 passenger railway vehicles from the Bp series (with the option for purchase of further 31 railway vehicles). 41 modernized railway vehicles used in long-distance transport were supplied (15 railway vehicles of ABpee series and 26 railway vehicles of Bdtee series). Most other significant investments included the second stage of equipping railway vehicles with GSM-R radio-stations within the project that was co-financed by the Operational Programme Transport. ČD investments in construction and machinery in 2014 took place mainly in the sector of railway vehicles to ensure the operational care, repair and maintenance of newly-supplied vehicles. The most significant investment activity was the revitalisation of the Prague-Libeň DKV Prague operational unit. Another important investment among recently started activities is the renovation of the maintenance hall for passenger vehicles in the Hradec Králové DKV Česká Třebová operational unit. ČD investments in the field of ICT were especially aimed at the development of ticket purchasing and operational systems in passenger railway transport.

In the year ended 31 December 2014, ČD Cargo invested primarily in the renewal of its rolling stock. This meant the modernisation and technical improvement of freight vehicles and traction vehicles, the most significant investment activity being the technical improvement and repair of four-axle high-sidewall vehicles from the Eas series and four-axle discharging vehicles from the Falls series. The purchase of freight vehicles on the basis of expiring lease contracts was completed. Construction, machinery and other investments of ČD Cargo were limited to activities ensuring the due functioning of the Company in 2014. In other fields within construction, ICT and other investments, important investment activities were represented by the second phase of equipping traction vehicles with GSM-R radio-stations (similarly as at ČD) with the financial support of the Operational Programme Transport, and an upgrade of the information system connected with TSI-TAF.

VUZ investments focused on the development of the VUZ Velim Testing Centre, often with financial support from the EU. In 2014, a large-scale investment called the "Modernisation of the Velim testing centre" continued, supported by an EU subsidy from the Operational Programme Enterprise and Innovation, within which the construction of a device for testing the ETCS L2 train securement on a large testing circuit is taking place and should be finished in 2015.

DPOV investments are primarily represented by investments in construction and machinery in order to improve repair capabilities. The most significant investment activity in 2014 was the acquisition of a testing room for passenger vehicles for the functional testing of electric devices.

ČD-IS investments focused on meeting the ICT needs of the ČD Group. Investment activities focused primarily on the development of data centres, data storage and the related licences. The most significant investment activities in 2014 included the purchase of ORACLE server licences, the extension of disk fields, the strengthening of the data centre's infrastructure and the purchase of the UNIPOK device.

ČDT investment activities included investments in construction and ICT investments in the field of telecommunication services and infrastructure, and in addition to the needs of the ČD group, they are aimed at supporting contracts with external customers. The most significant investment activity was the extension and renovation of the company's own optical network from previous years, the strengthening of hardware in L2/L3 and the renovation of the L2/L3 access network, as well as the strengthening of the WDM platform for customer projects and the extension of coverage. In late 2014, the project of the construction of a medium-sized data centre using the latest technologies and the corresponding Tier III standard was nearly finished.

DVI investments focused primarily on improving the education process of railway transport employees.

RAILREKLAM investments in 2014 focused on further development in the field of premium outdoor and indoor (inside railway stations) advertising. Investments in outdoor advertising space in Prague are complicated due to the uncertain situation concerning the new construction regulations for Prague, which should introduce strict limits for outdoor advertising in the capital city.

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 2014, 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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter
We draw attention to Note 34 to the financial statements which describes the uncertainty relating to the dispute with ŠKODA TRANSPORTATION and the related recognised provision. Both involved parties are conducting a dispute regarding the manner of finalising this business case and providing mutual financial settlement. The ultimate outcome of the dispute cannot be anticipated as of the financial statements date. Our opinion is not modified in respect of this matter."

Report on the Consolidated Financial Statements

(in accordance with International Financial Reporting Standards)

Based upon our audit, we issued the following audit report 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 2014, 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 2014, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter
We draw attention to Note 35 to the financial statements which describes the uncertainty relating to the dispute with ŠKODA TRANSPORTATION and the related recognised provision. Both involved parties are conducting a dispute regarding the manner of finalising this business case and providing mutual financial settlement. The ultimate outcome of the dispute cannot be anticipated as of the financial statements date. Our opinion is not modified in respect of this matter."

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 2014 which is included in this annual report on pages 176 to 181. 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 2014 contains material factual misstatements.

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

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2014 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 2015

Audit firm:

Deloitte

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

Statutory auditor:

Václav Loubek
certificate no. 2037

Consolidated Financial Statements for the Year Ended 31 December 2014

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 2014

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 2015
Statutory body of the reporting entity

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

Roman Štěrba
Member of the Board of Directors
České dráhy, a.s.

Statement of Financial Position (Balance Sheet) as of 31 December 2014

		31 Dec 2014 CZK thousand	31 Dec 2013 CZK thousand	1 Jan 2013 CZK thousand
Property, plant and equipment	16	74,999,328	74,197,376	73,545,823
Investment property	17	2,140,185	2,162,067	2,171,692
Intangible assets	18	594,896	571,745	571,451
Investments in joint ventures and associates	19	187,875	200,864	173,754
Deferred tax asset	13	5,858	12,022	6,439
Trade receivables	21	0	0	3,211
Other financial assets	22	1,812,882	1,619,722	724,517
Other assets	23	106,998	58,530	80,760
Total non-current assets		**79,848,022**	**78,822,326**	**77,277,647**
Inventories	20	1,199,967	1,128,138	1,178,752
Trade receivables	21	3,127,474	3,409,896	3,236,625
Tax receivables		60	1,191	10,279
Other financial assets	22	125,807	181,942	192,471
Other assets	23	1,151,710	1,092,974	872,348
Cash and cash equivalents	31	4,042,971	1,755,935	1,524,669
Assets held for sale	15	49,454	59,161	232,551
Total current assets		**9,697,443**	**7,629,237**	**7,247,695**
TOTAL ASSETS		**89,545,465**	**86,451,563**	**84,525,342**
Share capital	24	20,000,000	20,000,000	20,000,000
Reserve and other funds	24	16,046,019	16,315,150	16,393,703
Retained earnings		1,276,631	1,196,207	3,176,714
Equity attributable to equity holders of the parent company		**37,322,650**	**37,511,357**	**39,570,417**
Non-controlling interests		775,505	741,544	748,588
Total equity		**38,098,155**	**38,252,901**	**40,319,005**
Loans and borrowings	25	33,135,989	29,896,632	26,560,597
Deferred tax liability	13	751,416	538,538	364,298
Provisions	26	826,019	213,071	241,144
Other financial liabilities	28	1,183,234	420,663	808,282
Other liabilities	29	581,252	520,291	375,591
Total non-current payables		**36,477,910**	**31,589,195**	**28,349,912**
Trade payables	27	6,694,581	6,582,557	7,428,699
Loans and borrowings	25	3,646,394	4,688,281	3,030,771
Tax payables		88,951	56,628	19,004
Provisions	26	1,288,592	2,016,357	1,721,689
Other financial payables	28	654,401	408,951	769,166
Other payables	29	2,596,481	2,856,693	2,887,096
Payables arising from assets held for sale	15	0	0	0
Total current payables		**14,969,400**	**16,609,467**	**15,856,425**
TOTAL LIABILITIES		**89,545,465**	**86,451,563**	**84,525,342**

Statement of Profit or Loss for the Year ended 31 December 2014

		Year ended 31 Dec 2014 CZK thousand	Year ended 31 Dec 2013 CZK thousand
CONTINUING OPERATIONS			
Revenue from principal operations	5	33,036,221	32,861,100
Other operating income	6	3,700,728	4,061,439
Purchased consumables and services	7	-16,271,198	-17,220,954
Employee benefit costs	8	-12,106,999	-12,684,471
Depreciation and amortisation	9	-5,884,708	-5,726,408
Other operating losses, net	10	-610,835	-1,464,398
Profit (loss) before interest and tax		**1,863,209**	**-173,692**
Financial expenses	11	-1,219,510	-1,009,938
Other gains (losses), net	12	-114,650	-467,716
Share of income of joint ventures and associates		13,931	12,273
Profit (loss) before tax		**542,980**	**-1,639,073**
Income tax expense	13	-386,774	-314,248
Profit (loss) for the period from continuing operations		**156,206**	**-1,953,321**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	15	0	0
Profit (loss) for the year		**156,206**	**-1,953,321**
Attributable to equity holders of the parent company		116,397	-1,970,911
Attributable to non-controlling interests		39,809	17,590

Statement of Comprehensive Income for the Year ended 31 December 2014

	Year ended 31 Dec 2014 CZK thousand	Year ended 31 Dec 2013 CZK thousand
Profit (loss) for the year	156,206	-1,953,321
Foreign exchange rate gains or losses from the transfer of foreign branches	-14,188	29,288
Cash flow hedging	-280,325	-139,562
Relating income tax	-10,597	22,131
Other comprehensive income (loss) for the year (items that may be reclassified in profit or loss), net of tax	**-305,110**	**-88,143**
Total comprehensive income (loss) for the year	**-148,904**	**- 2,041,464**
Attributable to equity holders of the parent company	-188,713	-2,059,054
Attributable to non-controlling interests	39,809	17,590

Statement of Changes in Equity for the Year ended 31 December 2014

	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 2013	**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**
Profit for the year	0	0	116,397	116,397	39,809	156,206
Other comprehensive income for the year, net of tax	0	-305,110	0	-305,110	0	-305,110
Allocation to the reserve fund	0	35,973	-35,973	0	0	0
Paid dividends	0	0	0	0	-28	-28
Other	0	6	0	6	-5,820	-5,814
Balance at 31 Dec 2014	**20,000,000**	**16,046,019**	**1,276,631**	**37,322,650**	**775,505**	**38,098,155**

Cash Flow Statement for the Year ended 31 December 2014

		Year ended 31 Dec 2014 CZK thousand	Year ended 31 Dec 2013 CZK thousand
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the year before tax		542,980	-1,639,073
Dividend income	12	-1,130	-1,926
Financial expenses	11	1,219,510	1,009,938
Profit from the sale and disposal of non-current assets	6	-208,467	-390,749
Depreciation and amortisation of non-current assets	9	5,884,708	5,726,408
Impairment of non-current assets	10	-6,024	458,608
Impairment of trade receivables		67,330	189,246
Foreign exchange rate gains (losses)		46,460	679,743
Other		38,481	33,344
Cash flow from operating activities before changes in working capital		**7,583,848**	**6,065,539**
Decrease (increase) in trade receivables		241,211	-276,221
Decrease (increase) in inventories		-41,398	-26,227
Decrease (increase) in other assets		-54,083	-117,497
Increase (decrease) in trade payables		- 494,254	514,597
Increase (decrease) in provisions		-115,784	267,142
Increase (decrease) in other payables		328,387	-337,039
Total changes in working capital		**-135,921**	**24,755**
Cash flows from operating activities		**7,447,927**	**6,090,294**
Interest paid		-1,107,367	-932 ,146
Income tax paid		-159,062	-86,462
Net cash flows from operating activities		**6,181,498**	**5,071,686**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment		-5,703,164	-8,286,326
Proceeds from disposal of property, plant and equipment		207,547	735,311
Payments for investment property		-29,789	-5,600
Costs of acquisition of intangible assets		-211,834	-182,253
Received interest		16,607	14,508
Received dividends		1,130	103
Net cash flows used in investment activities		**-5,719,503**	**-7,724,257**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		5,690,966	7,472,850
Repayments of loans and borrowings		-3,865,897	-4,426,593
Impacts of changes in equity *)		0	-137,786
Dividends paid		-28	-24,634
Net cash flows from financing activities		**1,825,041**	**2,883,837**
Net increase (decrease) in cash and cash equivalents		**2,287,036**	**231,266**
Cash and cash equivalents at the beginning of the reporting period		1,755,935	1,524,669
Cash and cash equivalents at the end of the reporting period	31	**4,042,971**	**1,755,935**

*) 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 Consolidated Financial Statements for the Year Ended 31 December 2014

1 General Information

1.1 General Information

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

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

The company is the Parent Company of the České dráhy Group (the 'Group'). The consolidated financial statements have been prepared as of and for the year ended 31 December 2014. The reporting period is the calendar year, i.e. from 1 January 2014 to 31 December 2014.

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 into sections overseen directly by the Chairman of the Board of Directors, Vice-Chairman and members of the Board of Directors:

Section of the Chairman of the Board of Directors responsible for economy, finance and management;
Section of the Vice-Chairman of the Board of Directors responsible for the cooperation with regions and investments;
Section of a member of the Board of Directors responsible for passenger transportation;
Section of a member of the Board of Directors responsible for technology, maintenance and assets;
Section of a member of the Board of Directors responsible for projects and international relations; and

departments managed by the Board of Directors.

1.4 Bodies of the Parent Company

The Parent Company's bodies include the General Meeting, Supervisory Board, Board of Directors, 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 2014:

Steering Committee	
Chairman	Karel Dobeš
Vice-Chairman	Kamil Rudolecký
Member	Jiří Havlíček
Member	Vladislav Koval
Member	Jakub Kulhánek
Member	Jindřich Kušnír
Member	Lukáš Wagenknecht

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 , a.s. 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.

Pursuant to Resolution No. 187 of the Czech Government of 16 March 2015, the authorisations for the activities in the Steering Committee of České dráhy, a.s. for Vladislav Koval and Jakub Kulhánek were cancelled. Karel Dobeš was recalled as Chairman of the Steering Committee. Pursuant to this resolution, Lukasz Kryński and Jakub Landovsky were authorised to perform the activities in the Steering Committee starting from 17 March 2015. Tomáš Čoček was appointed Chairman.

Supervisory Board	
Chairman	Milan Feranec
Member	Vojtěch Kocourek
Member	Antonín Tesařík
Member	Jan Hart
Member	Milan Křístek
Member	Antonín Leitgeb
Member	Jaroslav Pejša
Member	Josef Smýkal
Member	Vladislav Vokoun

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. On 19 June 2014, Milan Feranec was appointed a member and Chairman of the Supervisory Board with immediate effect. On 2 October 2014, the Steering Committee recalled Michal Zdeněk as a member of the Supervisory Board with immediate effect and appointed Jan Hart a member of the Supervisory Board with immediate effect.

A sub-committee of the Supervisory Board is the Remuneration Committee. As of 31 December 2014, positions of committee members were vacant.

Board of Directors	
Chairman	Pavel Krtek
Member	Ludvík Urban
Member	Michal Štěpán
Member	František Bureš
Member	Roman Štěrba

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.

At the meeting of the Steering Committee held on 2 October 2014, the Steering Committee decided on the increase in the number of the Board of Directors of ČD, a.s. from three to five.

Subsequently, on 16 October 2014 the Supervisory Board appointed František Bureš a member of the Board of Directors with immediate effect. At the meeting of the Supervisory Board held on 10 November 2014, Daniel Kurucz was recalled as a member and Chairman of the Board of Directors with immediate effect and Pavel Krtek was appointed Chairman of the Board of Directors of ČD, a.s., Ludvík Urban was appointed a member and Vice-Chairman of the Board of Directors and Roman Štěrba was appointed a member of the Board of Directors.

Audit Committee

Chairman	Lukáš Wagenknecht
Vice-Chairman	Lukáš Pečeňa
Member	Ivana Kubaštová

On 3 December 2014, the membership of Miroslav Zámečník and Zdeněk Prošek in the Audit Committee expired. At its meeting held on 10 December 2014, the Steering Committee appointed Lukáš Pečeňa a member of the Audit Committee with immediate effect. At the meeting of the Steering Committee held on 21 January 2015, Lukáš Wagenknecht was appointed a member of the Audit Committee with immediate effect. At the meeting of the Audit Committee held on 18 February 2015, Lukáš Wagenknecht was appointed Chairman and Lukáš Pečeňa was appointed Vice-Chairman of the Audit Committee.

The permanent advisory body of the Board of Directors which has its role in the risk management is the Risk Management Committee.

Risk Management Committee

Chairman	Libor Müller
Member	Roman Štěrba
Member	Michal Štěpán
Member	František Bureš
Member	Daniela Kovalčíková

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	78	Control
Terminal Brno, a.s.	Brno, K terminálu 614/11	28295374	66.93	Control
ČD-DUSS Terminál, a.s.	Lovosice, Lukavecká 1189	27316106	51	Control
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 Florenci 2116/15	27185842	34.00	Significant
JLV, a. s.	Prague 4, Chodovská 228/3,	45272298	38.79	Significant
RAILLEX, a.s.	Prague 5, Trnkovo náměstí 3/1112	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 unanimous consent of the parties that share the control.

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.
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

On 22 December 2014, EXIMTRA a.s. transferred 22 % of shares of ČD Logistics, a.s. to ČD Cargo, a.s. Currently, ČD Cargo, a.s. owns a total of 78 % of the share capital of ČD Logistics, a.s., (CZK 7,800 thousand). This share transfer was not registered in the Register of Companies as of 31 December 2014.

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 when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

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

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

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

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

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

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

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

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

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the 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 or joint venture, 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of the interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

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.

In this category 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 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 with the carrying amount exceeding CZK 200 thousand at the moment of their origination and no arbitration or legal proceedings have been initiated in respect of these receivables. In addition, the Group recognises no allowances against receivables from SŽDC, s.o.

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.

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

Upon derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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.

In this category, 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 or cash flow hedges.

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

All derivative transactions that the Group concludes are agreed on economic terms for hedging purposes, but some of them are not classified as hedging instruments for formal reasons. Derivatives that do not meet the conditions for hedging derivatives are 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 2014

During the year ended 31 December 2014, 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 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
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

*) effective since 1 January 2014 in the EU

The adoption of IFRS 12 has no significant impact on the amounts reported in the financial statements of the Company except for additional disclosures. IFRS 10 changes the definition of control as compared to the definition in the original IAS 27; however, the adoption of IFRS 10 has no impact on the reporting of equity investments in the Group's consolidated financial statements. Other standards and interpretations referred to above have no impact on recognition and 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 (2014)	1 January 2018
IFRS 10, IAS 28 – Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10, IFRS 12 and IAS 28 – Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 – Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2017
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 16, IAS 38 – Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16, IAS 41 – Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
IAS 19 – Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27 – Amendment to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
IFRIC 21 Levies*)	1 January 2014
Improvements to IFRSs – cycle 2010 - 2012 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2011 - 2013 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2012 - 2014 (published in September 2014)	1 January 2016

*) effective for periods starting on 17 June 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 IFRS 9 and IFRS 15 where the impact cannot be reliably estimated given the remote effective date.

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 (2014)	1 January 2018
IFRS 10, IAS 28 – Amendment to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10, IFRS 12 and IAS 28 – Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 – Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2017
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 16, IAS 38 – Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16, IAS 41 – Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
IAS 19 – Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27 – Amendment to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Improvements to IFRSs – cycle 2010 - 2012 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2012 - 2014 (issued in September 2014)	1 January 2016

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 and fair value hedging. The measurement of derivatives in the financial statements performed by the Group using its own measurement model 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. Values of the Assets and Liabilities of ČD Cargo and ČD - Telematika

In 2014, ČD Cargo, a.s. continued to implement measures designed to strengthen its liquidity and to achieve the medium-term objective involving balanced economic results in the segment of individual vehicle shipments in 2017 and to attain a stable level of profit in the principal business activities. In order to achieve this objective, restructuring measures will continue to be taken in 2015.

At present, the telecommunication sector is subject to significant ownership changes. This may have an impact on the market value of the assets and liabilities of ČD - Telematika, principally the items of its assets, backbone optical network.

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)	**2014**	**2013**
Revenue from passenger transportation - fare	7,463,438	7,087,191
Intrastate passenger transportation	5,149,864	5,002,000
International passenger transportation	2,313,574	2,085,191
Revenue from passenger transportation - payments from public service orderers	13,227,453	12,771,890
Payment from the state budget	4,249,926	4,030,252
Payment from the regional budget	8,977,527	8,741,638
Revenue from freight transportation	11,699,082	12,427,752
Intrastate freight transportation	4,292,864	4,544,406
International freight transportation	7,406,218	7,883,346
Other revenue from principal operations	646,248	574,267
Total revenue from principal operations – continuing operations	**33,036,221**	**32,861,100**

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)	**2014**	**2013**
Gain from disposal of property, plant and equipment and investment property	208,467	390,749
Gain from the sale of inventory	20,890	11,501
Sales of other services	2,156,404	2,105,871
Rental income	913,058	1,102,896
Compensations for deficits and damage	154,483	129,341
Gain on material	56,625	42,572
Other subsidies	19,584	23,184
Other	171,217	255,325
Total other operating income – continuing operations	**3,700,728**	**4,061,439**

7 Purchased Consumables and Services

(CZK '000)	**2014**	**2013**
Traction costs	-4,207,615	-4,552,103
Traction fuel (diesel)	-1,804,616	-1,836,115
Traction electricity	-2,402,999	-2,715,988
Payment for the use of railway route	-3,385,789	-3,551,757
Other purchased consumables and services	-8,677,794	-9,117,094
Consumed material	-1,340,847	-1,325,443
Consumed other energy	-572,320	-676,549
Consumed fuel	-93,098	-115,656
Repairs and maintenance	-541,157	-603,997
Travel costs	-154,099	-157,027
Telecommunication, data and postal services	-259,356	-306,629
Other rental	-262,067	-275,427
Rental for rail vehicles	-1,258,477	-1,199,682
Transportation charges	-1,415,119	-1,561,878
Services of dining and sleeping carriages	-115,419	-107,646
Services associated with the use of buildings	-309,201	-305,272
Operational cleaning of rail vehicles	-340,886	-364,502
Border area services	-456,268	-420,369
Advertising and promotion costs	-140,437	-178,219
Other services	-1,419,043	- 1,518,798
Total purchased consumables and services – continuing operations	**-16,271,198**	**-17,220,954**

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)	2014	2013
Payroll costs	-8,524,133	-8,743,343
Severance pay	-96,895	-375,734
Statutory social security and health insurance	-2,831,062	-2,919,436
Benefits resulting from the collective agreement	-128,507	-124,739
Other social costs	-465,874	-483,847
Other employee benefit costs	-60,528	-37,372
Total employees benefit costs – continuing operations	**-12,106,999**	**-12,684,471**

9 Depreciation and Amortisation

(CZK '000)	2014	2013
Depreciation of property, plant and equipment	-5,617,974	-5,473,000
Depreciation of investment property	-76,444	-75,425
Amortisation of intangible assets	-190,290	-177,983
Total depreciation and amortisation – continuing operations	**-5,884,708**	**-5,726,408**

10 Other Operating Losses

(CZK '000)	2014	2013
Change in provisions	160,116	-300,051
Reversal of losses (losses) from impaired receivables	41,448	-135,395
Reversal of losses (losses) from impaired property, plant and equipment, investment property and assets held for sale	6,024	-458,608
Reversal of write-down (write-down) of inventories to their net realisable value	39,618	-56,067
Costs of contractual fines and default interest	-122,748	-50,201
Taxes and fees	-27,875	-40,210
Other operating expenses	-707,418	-423,866
Total other operating losses – continuing operations	**-610,835**	**-1,464,398**

Other operating expenses primarily include costs of written-off receivables, damages and insurance. As compared to 2013, other operating expenses in 2014 primarily include costs of ČD Cargo, a.s. for the settlement of payables arising from the legal ruling dated 15 January 2014 in the legal dispute for damage due to traffic closures caused by SŽDC. These expenses amounted to CZK 127,184 thousand. In 2014, other operating expenses additionally include costs of written-off receivables and costs of ČD Cargo, a.s. from the concluded agreement on out-of-court settlement with SŽDC regarding the dispute for the price of consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The expenses arising from the out-of-court settlement with SŽDC amounted to CZK 59,835 thousand.

11 Financial Expenses

(CZK '000)	2014	2013
Interest on bank overdraft accounts and loans	-6,508	-13,869
Interest on the loan from ČSOB and loans from Eurofima	-10,086	-15,529
Interest on issued bonds	-926,519	-812,083
Interest on finance lease payables	-263,930	-256,397
Other interest	-58,569	-31,451
Less: amounts capitalised as part of the costs of an eligible asset	47,069	118,844
Unwinding of the discount of provisions	-967	547
Total financial expenses – continuing operations	**-1,219,510**	**-1,009,938**

The capitalisation rate in the year ended 31 December 2014 is 1 % p. a. (2013: 2 % p. a.).

12 Other Losses

(CZK '000)	2014	2013
Net foreign exchange gains (losses)	-43,836	-475,718
Received dividends	1,130	1,926
Received interest	16,607	14,507
Gains from current financial assets	925	897
Banking fees	-14,914	-17,012
Actuarial gains (losses)	-41,315	15,143
Gains (losses) from derivative transactions	-11,834	10,940
Other	-21,413	-18,399
Total other losses - continuing operations	**-114,650**	**-467,716**

13 Income Taxation

13.1. Income Tax Reported in Profit or Loss

(CZK '000)	2014	2013
Current income tax for the period reported in the statement of profit or loss	-178,329	-123,094
Deferred tax recognised in the statement of profit or loss	-208,445	-191,154
Other	0	0
Total tax charge relating to continuing operations	**-386,774**	**-314,248**

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

(CZK '000)	2014	2013
Loss from continuing operations before tax	542,980	-1,639,073
Income tax calculated using the statutory rate of 19 %	-103,166	311,424
Effect of the unrecognised deferred tax asset	-197,226	-173,194
Other*)	-86,382	- 452,478
Income tax reported in profit or loss	**-386,774**	**-314,248**

*) 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)	2014	2013
Remeasurement of financial instruments recognised as cash flow hedging	-10,597	22,131
Total income tax recognised in other comprehensive income	**-10,597**	**22,131**

13.3 Deferred Tax

(CZK '000)	Unutilised tax losses	Non-current assets	Provisions	Leases	Receivables	Derivatives	Other	Total
Balance at 1 Jan 2013 - calculated	**429,527**	**-593,307**	**325,617**	**-268,499**	**20,827**	**31,546**	**62,028**	**7,739**
Balance at 1 Jan 2013 - recognised	**7,096**	**-447,427**	**254,809**	**-232,097**	**8,645**	**7,780**	**43,335**	**-357,859**
Deferred tax recognised in 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*
Impacts of the change in the consolidation group	*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
Deferred tax recognised in the statement of profit or loss:	106	-167,493	-17,503	-53,336	6,418	0	23,363	-208,445
- of which current changes in the deferred tax	*-260,482*	*317,683*	*2,129*	*-93,968*	*-6,060*	*0*	*29,479*	*-11,219*
*- of which impairment *)*	*260,588*	*-485,176*	*-19,632*	*40,632*	*12,478*	*0*	*-6,116*	*-197,226*
Deferred tax recognised in other comprehensive income	0	0	0	0	0	-10,597	0	-10,597
- of which current changes in the deferred tax	*0*	*0*	*0*	*0*	*0*	*57,371*	*0*	*57,371*
*- of which impairment *)*	*0*	*0*	*0*	*0*	*0*	*-67,968*	*0*	*-67,968*
Revaluation							*0*	*0*
Balance at 31 Dec 2014 - calculated	**514,628**	**-581,032**	**335,516**	**-454,848**	**53,005**	**152,090**	**80,111**	**99,470**
Balance at 31 Dec 2014 - recognised	**106**	**-781,443**	**255,215**	**-340,776**	**32,407**	**19,314**	**69,619**	**-745,558**
of which liability	106	-781,335	254,923	-340,812	31,987	19,314	64,401	-751,416
of which asset	0	-108	292	36	420	0	5,218	5,858

*) 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 2014 taxation period, the Parent Company records a utilisable tax loss for the 2009 and 2013 taxation periods in the amount of CZK 4,135,744 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.

2014)**

(CZK million)	Passenger transportation	Administration of assets	Freight transportation	Other	Elimination and reconciliation *)	Total
Revenue from principal operations						
Revenue from passenger transportation	7,477	0	0	0	-14	7,463
Revenue from securing railway routes	0	0	0	0	0	0
Payments from orderers	13,227	0	0	0	0	13,227
Other	19	0	13,629	0	-1,302	12,346
	20,723	**0**	**13,629**	**0**	**-1,316**	**33,036**
Purchased consumables and services						
Traction costs	-2,597	0	-1,649	0	38	-4,208
Payment for the use of the railway route	- 1,869	0	-1,517	0	0	-3,386
Other purchased consumables and services	-4,153	-502	-4,569	-2,533	3,080	-8,677
	-8,619	**-502**	**-7,735**	**-2,533**	**3,118**	**-16,271**
Staff costs						
Payroll costs	-4,920	-185	-2,682	-963	129	-8,621
Social security and health insurance	-1,615	-60	-878	-320	42	-2,831
Statutory social costs	-254	-17	-167	-35	7	-466
Statutory social costs - benefits arising from the collective agreement	-88	2	-81	-35	13	-189
	-6,877	**-260**	**-3,808**	**-1,353**	**191**	**-12,107**
Other operating income and expenses	168	838	468	3,650	-2,034	3,090
Intracompany income and expenses	-99	109	0	-10	0	0
Overhead costs – operating	-777	-50	0	827	0	0
Depreciation and amortisation	-4,397	-240	-1,075	-332	159	-5,885
Other income and expenses	-1,051	9	-602	74	-137	-1,707
Overhead costs – financial and other	64	4	0	-68	0	0
Profit (loss) for the period from continuing operations	**-865**	**-92**	**877**	**255**	**-19**	**156**
Profit (loss) for the period from discontinued operations	0	0	0	0	0	0
Profit (loss) for the period	**-865**	**-92**	**877**	**255**	**-19**	**156**
Profit attributable to non-controlling interests	0	0	0	0	40	40
Profit (loss) attributable to owners of the parent company	-865	-92	877	255	-59	116

*) The 'Elimination and reconciliation' column includes eliminations of intracompany relations.

**) In January 2014, the Company made a change in the segment reporting methodology. Individual segments are reported in amounts under IFRS. The comparative period was restated.

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	17	0	14,213	0	-1,228	13,002
	19,923	**0**	**14,213**	**0**	**-1,275**	**32,861**
Purchased consumables and services						
Traction costs	-2,897	0	-1,694	0	39	-4,552
Payment for the use of the railway route	-1,738	0	-1,814	0		-3,552
Other purchased consumables and services	-4,248	-643	-4,625	-2,382	2,781	-9,117
	-8,883	**-643**	**-8,133**	**-2,382**	**2,820**	**-17,221**
Staff costs						
Payroll costs	-4,953	-179	-3,054	-1,043	110	-9,119
Social security and health insurance	-1,622	-58	-953	-324	38	-2,919
Statutory social costs	-264	-17	-178	-33	8	-484
Statutory social costs - benefits arising from the collective agreement	-84	5	-61	-22		-162
	-6,923	**-249**	**-4,246**	**-1,422**	**156**	**-12,684**
Other operating income and expenses	384	858	455	3,151	-2,251	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	-4,088	-237	-1,137	-350	86	-5,726
Other income and expenses	-1,379	11	-375	-2,718***)	2,681	-1,780
Overhead costs – financial and other	93	7	0	-100	0	0
Profit (loss) for the period from continuing operations	**-2,053**	**-225**	**777**	**-2,669**	**2,217**	**-1,953**
Profit (loss) for the period from discontinued operations	0	0	0	0		0
Profit (loss) for the period	**-2,053**	**-225**	**777**	**-2,669**	**2,217**	**-1,953**
Profit attributable to non-controlling interests	0	0	0	0	18	18
Profit (loss) attributable to owners of the parent company	-2,053	-225	777	-2,669	2,199	-1,971

*) The 'Elimination and reconciliation' column includes eliminations of intracompany relations.
**) In January 2014, the Company made a change in the segment reporting methodology. Individual segments are reported in amounts under IFRS. The comparative period was restated.
***) Other income and expenses include the impairment of the equity investment in ČD Cargo (CZK (2,852) 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 2014 consolidated financial statements date, intensive negotiations are pending with regard to amendments to long-term contracts for 2015. Four amendments have been concluded for 2015, other seven have been discussed and are currently being discussed by the regional authorities. 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 2015 – in the amount of the prepayments from 2014.

ČD Cargo, a.s. provides its services to several thousands 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, EP Cargo a.s. a Rail Cargo Logistics – Czech Republic, s.r.o. Principal foreign customers are A.P. Möller - Maersk A/S, STVA S.A, METRANS, BLG Auto Rail GmbH, and principal foreign railway customers are DB Schenker Rail Deutschland AG, Železničná spoločnost´ Cargo Slovakia, a.s., Rail Cargo Austria AG, and PKP Cargo S.A.

15 Discontinued Operations and Assets Held for Sale

15.1 Assets Held for Sale

(CZK '000)	**31 Dec 2014**	**31 Dec 2013**	**1 Jan 2013**
Intangible assets	0	0	0
Land	25,368	53,922	60,000
Buildings	24,086	5,239	172,551
Total	**49,454**	**59,161**	**232,551**

16 Property, Plant and Equipment

(CZK '000)

Cost	Balance at 1 Jan 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Land	6,168,284	8,525	23,677	-82,735	6,070,397	11,282	797	9,680	6,090,562
Structures	18,089,477	385,332	88,279	-118,176	18,268,354	164,111	34,645	-164,792	18,233,028
Individual movable assets	109,706,405	10,412,184	2,425,138	2,295	117,695,746	7,352,406	2,271,472	-21,777	122,754,903
- Machinery, equipment, and furniture and fixtures	*4,232,681*	*85,557*	*108,348*	*7,617*	*4,217,507*	*142,935*	*141,417*	*7,887*	*4,226,912*
- Vehicles	*94,137,069*	*10,189,925*	*2,224,093*	*-521,909*	*101,580,992*	*6,984,264*	*2,058,185*	*256,110*	*106,763,181*
- Vehicles acquired under finance leases	*11,221,673*	*129,943*	*82,836*	*520,926*	*11,789,706*	*205,691*	*63,885*	*-285,522*	*11,645,990*
- Other	*114,982*	*6,759*	*9,861*	*-4,339*	*107,541*	*19,516*	*7,985*	*-252*	*118,820*
Other assets	41,169	13,553	907	-1,253	52,562	6,767	4,727	0	54,602
Assets under construction	2,425,625	8,647,802	75,284	-9,423,752	1,574,391	6,095,403	25,619	-6,122,341	1,521,834
Prepayments	4,083,689	153,779	3,244,889	0	992,579	31,368	899,150	0	124,797
Total	**140,514,649**	**19,621,175**	**5,858,174**	**-9,623,621**	**144,654,029**	**13,661,337**	**3,236,410**	**-6,299,230**	**148,779,726**

(CZK '000)

Accumulated depreciation	Balance at 1 Jan 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Structures	8,342,281	427,564	79,536	-154,428	8,535,881	427,872	27,346	-72,838	8,863,569
Individual movable assets	57,846,872	4,976,904	2,096,470	268	60,727,574	5,024,999	2,052,918	6,401	63,706,056
- Machinery, equipment, and furniture and fixtures	*2,971,031*	*215,412*	*107,873*	*4,458*	*3,083,028*	*192,474*	*128,327*	*1,163*	*3,148,338*
- Vehicles	*52,102,954*	*4,189,667*	*1,900,181*	*-369,427*	*54,023,013*	*4,322,776*	*1,857,599*	*46,483*	*56,534,673*
- Vehicles acquired under finance leases	*2,670,192*	*564,222*	*78,594*	*369,668*	*3,525,488*	*497,276*	*59,046*	*-41,004*	*3,922,714*
- Other	*102,695*	*7,603*	*9,822*	*-4,431*	*96,045*	*12,473*	*7,946*	*-241*	*100,331*
Other assets	14,728	8,701	658	23	22,794	8,889	4,540	0	27,143
Total	**66,203,881**	**5,413,169**	**2,176,664**	**-154,137**	**69,286,249**	**5,461,760**	**2,084,804**	**-66,437**	**72,596,768**

(CZK '000)

Impairment	Balance at 1 Jan 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Land	39,514	16,612	0	0	56,126	3,149	0	0	59,275
Structures	43,433	452	0	0	43,885	393	4,465	0	39,813
Individual movable assets	681,489	449,606	129,558	0	1,001,537	365,912	419,334	0	948,115
- Machinery, equipment, and furniture and fixtures	*1,484*	*661*	*1,484*	*0*	*661*	*512*	*0*	*0*	*1,173*
- Vehicles	*680,005*	*448,945*	*128,074*	*0*	*1,000,876*	*351,078*	*419,334*	*0*	*932,620*
Other assets	*0*	*0*	*0*	*0*	*0*	*14,322*	*0*	*0*	*14,322*
Assets under construction	432	0	390	0	42	1,186	34	0	1,194
Prepayments	77	68,814	77	0	68,814	66,419	0	0	135,233
Total	**764,945**	**535,484**	**130,025**	**0**	**1,170,404**	**437,059**	**423,833**	**0**	**1,183,630**

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 2013	Balance at 31 Dec 2013	Balance at 31 Dec 2014
Land	6,128,770	6,014,271	6,031,287
Buildings	9,703,763	9,688,588	9,329,646
Individual movable assets	51,178,044	55,966,635	58,100,732
- Machinery, equipment, and furniture and fixtures	*1,260,166*	*1,133,818*	*1,077,401*
- Vehicles	*41,354,110*	*46,557,103*	*49,295,888*
- Vehicles acquired under finance leases	*8,551,481*	*8,264,218*	*7,708,954*
- Other	*12,287*	*11,496*	*18,489*
Other assets	26,009	29,726	26,265
Assets under construction	2,425,548	1,505,577	1,386,601
Prepayments	4,083,689	992,579	124,797
Total	**73,545,823**	**74,197,376**	**74,999,328**

Principal additions from 1 January 2013 to 31 December 2014 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. In the year ended 31 December 2014, the Parent Company provided no significant prepayments. As of 31 December 2013, this primarily involved the purchase of train sets for regional transportation and purchase of seven Siemens Viaggio Comfort trains.

Principal additions to individual movable assets in the year ended 31 December 2014 included the modernisation of wagons of CZK 310,946 thousand, inspection repairs (components) of wagons of CZK 196,812 thousand, major and general repairs (components) of traction vehicles of CZK 217,674 thousand and technical improvements on wagons of CZK 41,546 thousand.

In the year ended 31 December 2014, ČD Cargo, a.s. carried out the first stage of wagons scrapping – 299 wagons were scrapped. In respect of other wagons and traction vehicles intended for scrapping, ČD Cargo, a.s. mapped the current physical condition, recorded parts that could be used as spare parts for repairs and the remaining parts of wagons intended for direct scrapping. Management anticipates that the scrapping process will continue in the following years.

In 2014, the Group acquired fixed assets financed through government grants in the amount of CZK 622,233 thousand (2013: CZK 1,628,565 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 2014, 2013 and 1 January 2013 is the loss on the 680 series tilting trains (Pendolino) amounting to CZK 581,541 thousand, CZK 609,233 thousand and CZK 492,953 thousand, respectively. In 2013, the impairment was determined on the basis of an independent expert's assessment reflecting the market value net of the costs of sale. In 2014, the independent expert's assessment does not indicate any decline in the value. The costs and income associated with the Pendolino trains are reported in the Passenger Transportation segment.

The Parent Company records a set of assets with the net book value of CZK 3,978 million that primarily include railway station buildings and land and real estate relating to their operations. This real estate is used not only by the Company, but also by other participants in the railway transport operations in the Czech Republic. The Parent Company is planning to transfer this real estate to another state organisation and focus on its core business activities. In order to determine a potential impairment of these assets, the Parent Company assessed the recoverable value in line with accounting policies and concluded that the assets show no signs of impairment reported in the Company's accounting records. The principal assumptions underlying the recoverable value primarily include the amount of rental for the use of this real estate by railway transporters and Správa Železniční Dopravní Cesty s.o., grants received to cover the operating expenses relating to the redundant capacity of this real estate and capital expenditures for the renovation of these assets. A failure, if any, to fulfil any of these assumptions would have a materially adverse impact on the outcome of this assessment. The recoverable value was assessed by an external advisory firm based on the discounted cash flows method using the 7.7 % discount rate.

As of the balance sheet date, ČD – Telematika a.s. assesses the risk of impairment of fixed assets reported in the balance sheet and potential need for the recognition of impairment losses with the following conclusions. The fixed assets of this entity are replaced, maintained and used by the entity on an ongoing basis and no temporary or permanent decrease in the value in use or market value of the assets was identified as compared to the net book value in the accounting records pursuant to the inventory count. The most significant item of assets is the set of tangible and intangible assets relating to transmission grids. A significant assumption for assessing the impairment risk is their market value derived from the future use of the grid on the market of telecommunication services in the Czech Republic and the development of the market as such. Pursuant to the above assessments, no impairment losses were recognised.

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 2,442,202 thousand that were pledged as collateral, of which train sets of the 471 series amounted to CZK 2,060,091 thousand, the Ampz passenger coaches amounted to CZK 190,560 thousand and the Bmz passenger coaches amounted to CZK 191,551 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 236,482 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)	2014	2013
Balance at the beginning of the year	2,162,067	2,171,692
Additions from subsequent capitalised expenses	7,330	13,339
Disposals	50	-9,175
Disposals, annual depreciation	-76,444	-75,425
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	226,467	105,404
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	-137,808	16,364
Transfers to assets held for sale (from IAS 40 to IFRS 5)	-8,031	-58,031
Change in the value	-56,043	273
Transfers of assets held for sale (from IFRS 5 to IAS 40)	22,597	-2,374
Balance at the end of the year	**2,140,185**	**2,162,067**

(CZK '000)	Balance at 31 Dec 2014	Balance at 31 Dec 2013	Balance at 1 Jan 2013
Cost	3,732,862	3,509,998	3,454,630
Accumulated depreciation	-1,648,703	-1,347,658	-1,282,650
Impairment	56,026	- 273	-288
Net book value	**2,140,185**	**2,162,067**	**2,171,692**

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 m^2 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 2014, 2013 and 1 January 2013 is CZK 6,033,000 thousand, CZK 4,085,062 thousand and CZK 5,281,562 thousand, respectively. The investment property is classified to level 3 in terms of determining the fair value.

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 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Development costs	95,907	0	0	0	95,907	0	93,892	0	2,015
Software	1,508,345	230,994	36,873	-141	1,702,325	146,549	154,736	-91	1,694,047
Valuable rights	661,591	20,965	422	145	682,279	20,084	17,298	0	685,065
Other assets	2,076	403	0	0	2,479	-1	760	0	1,718
Assets under construction	196,786	144,605	0	-212,853	128,538	248,125	0	-172,381	204,282
Prepayments	1,075	327	1,393	0	9	147	156	0	0
Total	**2,465,780**	**397,294**	**38,688**	**-212,849**	**2,611,537**	**414,904**	**266,842**	**-172,472**	**2,587,127**

(CZK '000)

Accumulated amortisation	Balance at 1 Jan 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Development costs	95,907	0	0	0	95,907	0	93,892	0	2,015
Software	1,332,113	111,247	37,169	0	1,406,191	140,701	145,062	-119	1,401,711
Valuable rights	465,115	71,571	422	0	536,264	55,205	3,878	0	587,591
Other assets	1,194	236	0	0	1,430	244	760	0	914
Total	**1,894,329**	**183,054**	**37,591**	**0**	**2,039,792**	**196,150**	**243,592**	**-119**	**1,992,231**

(CZK '000)

Net book value	Balance at 1 Jan 2013	Balance at 31 Dec 2013	Balance at 31 Dec 2014
Development costs	0	0	0
Software	176,232	296,134	292,336
Valuable rights	196,476	146,015	97,474
Other assets	882	1,049	804
Assets under construction	196,786	128,538	204,282
Prepayments	1,075	9	0
Total	**571,451**	**571,745**	**594,896**

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. In the year ended 31 December 2014, the Group continued the second phase of the implementation of PROBIS that was acquired for CZK 104,428 thousand of total investments in intangible assets of CZK 134,302 thousand. The upgrade of the IS in the second phase of the PROBIS implementation will be completed and the IS put into use in 2015.

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 - DISOD, SAP R/3, In card.

19 Subsidiaries

19.1. Details on Co-owned Subsidiaries that Have Significant Non-Controlling Interests

(CZK ’000)

Subsidiary	Equity investment held by non-controlling interests*)		Profit attributable to non-controlling interests		Accumulated non-controlling interests	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
ČD – Telematika a. s.	40.69 %	40.69 %	36,040	10,769	731,544	695,504

*) The equity investments is identical to the share in voting rights held by non-controlling interests.

(CZK ’000)

ČD – Telematika a. s.	31 Dec 2014	31 Dec 2013
Fixed assets	1,797,671	1,784,057
Current assets	1,139,739	865,374
Long-term payables	150,487	191,539
Short-term payables	989,077	748,618
Equity attributable to owners of the company	1,066,302	1,013,770
Non-controlling interests	731,544	695,504

(CZK ’000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Income	1,465,311	1,228,280
Expenses	-1,376,740	-1,201,814
Profit for the period	88,571	26,466
Profit attributable to owners of the company	52,531	15,697
Profit attributable to non-controlling interests	36,040	10,769
Other comprehensive income attributable to owners of the company	0	0
Other comprehensive income attributable to non-controlling interests	0	0
Total other comprehensive income	0	0
Total comprehensive income attributable to owners of the company	52,531	15,697
Total comprehensive income attributable to non-controlling interests	36,040	10,769
Total comprehensive income	88,571	26,466
Dividends paid to non-controlling interests	0	24,466
Net cash flows from operating activities	395,697	214,774
Net cash flows from investments activities	-124,211	-44,708
Net cash flows from financing	-25,857	-230,378
Total cash flow	**245,629**	**-60,312**

20 Investments in Joint Ventures and Associates

(CZK '000)

Entity		Value of investment at 31 Dec 2014	Ownership percentage at 31 Dec 2014	Value of investment at 31 Dec 2013	Ownership percentage at 31 Dec 2013
RAILLEX, a.s.	Associate	16,214	50 %	12,051	50 %
BOHEMIAKOMBI, spol. s r.o.	Associate	3,286	30 %	2,837	30 %
Ostravská dopravní společnost, a.s.	Associate	20,984	20 %	41,871	20 %
JLV, a. s.	Associate	125,429	38.79 %	121,662	38.79 %
Masaryk Station Development, a. s.	Associate	0	34 %	0	34 %
Total – associates		**165,913**	**-**	**178,421**	**-**
Smíchov Station Development, a. s.	Joint venture	0	51 %	0	51 %
Žižkov Station Development, a. s.	Joint venture	659	51 %	747	51 %
Centrum Holešovice a. s.	Joint venture	116	51 %	122	51 %
RAILREKLAM, spol. s r.o.	Joint venture	21,187	51 %	21,574	51 %
Total – joint ventures		**21,962**	**-**	**22,443**	**-**
Total – investments in joint ventures and associates		**187,875**	**-**	**200,864**	-

Summary of financial information on associates:

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Total assets	991,526	1,077,714	1,031,095
Total liabilities	549,019	544,323	513,971
Net assets	442,507	533,391	517,124
Share of the Company in associates' net assets	**156,003**	**170,584**	**166,654**

(CZK '000)	2014	2013
Total income	2,000,344	1,925,448
Profit for the period	37,095	33,692
Share of the Company in associates' profit for the period	**12,275**	**10,099**

Summary of financial information on joint ventures:

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Total assets	147,610	146,597	81,464
Total liabilities	119,742	115,506	90,468
Net assets	27,868	31,091	-9,004
The Company's share of net assets	**14,213**	**15,856**	**-4,592**

(CZK '000)	2014	2013
Total income	102,562	120,941
Profit (loss) for the period	3,248	4,263
The Company's share of profit (loss)	**1,656**	**2,174**

21 Inventories

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Spare parts for machinery and equipment	67,968	67,905	69,747
Spare parts and other components for rail vehicles and locomotives	840,706	784,754	758,118
Other machinery, tools and equipment and their spare parts	142,919	167,220	160,403
Fuels, lubricants and other oil products	30,683	28,789	31,834
Work clothes, work shoes, protective devices	101,239	99,768	125,478
Other	95,317	98,184	95,609
Total cost	**1,278,832**	**1,246,620**	**1,241,189**
Write-down of inventories to their net realisable value	-78,865	-118,482	-62,437
Total net book value	**1,199,967**	**1,128,138**	**1,178,752**

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

22 Trade Receivables

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Long-term	0	0	3,211
Short-term	3,127,474	3,409,896	3,236,625
Total	**3,127,474**	**3,409,896**	**3,239,836**

22.1. 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 2014	Gross	2,949,093	109,099	51,383	16,047	28,249	262,057	466,835	3,415,928
	Allowances	-28,461	-178	-3,269	-1,463	-17,386	-237,697	-259,993	-288,454
	Net	**2,920,632**	**108,921**	**48,114**	**14,584**	**10,863**	**24,360**	**206,842**	**3,127,474**
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**
1 Jan 2013	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**

22.2. Movements in Allowances for Doubtful Receivables

(CZK '000)	2014	2013
Balance at the beginning of the year	391,222	193,499
Recognition of allowances	153,303	311,205
Use of allowances	-256,071	-113,482
Balance at the end of the year	**288,454**	**391,222**

23 Other Financial Assets

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Financial assets available for sale	320,531	320,531	335,323
Receivables from finance leases	96,152	103,996	109,132
Hedging derivatives	1,386,875	1,177,625	258,047
Other financial derivatives	0	3,904	0
Other	9,324	13,666	22,015
Total non-current financial assets	**1,812,882**	**1,619,722**	**724,517**
Receivables from finance leases	-7,641	-7,026	-6,784
Hedging derivatives	48,818	91,638	46,920
Other financial derivatives	5	0	0
Other	84,625	97,330	152,335
Total current financial assets	**125,807**	**181,942**	**192,471**
Total	**1,938,689**	**1,801,664**	**916,988**

23.1. 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 2014	31 Dec 2013	1 Jan 2013	31 Dec 2014	31 Dec 2013	1 Jan 2013
Under 1 year	4,609	4,302	4,131	-7,641	- 7,026	-6,784
From 1 to 5 years	43,970	28,099	26,569	-17,027	-29,410	-27,694
5 years and more	459,181	475,141	463,430	113,179	133,406	136,826
Total	**507,760**	**507,542**	**494,130**	**88,511**	**96,970**	**102,348**
Less: unrealised financial income	-419,249	-410,572	-391,782	0	0	0
Present value of receivables of minimum lease payments	**88,511**	**96,970**	**102,348**	**88,511**	**96,970**	**102,348**
In the statement of financial position as:						
Other current financial assets				-7,641	-7,026	-6,784
Other non-current financial assets				96,152	103,996	109,132
Total				**88,511**	**96,970**	**102,348**

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.

24 Other Assets

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Total non-current assets	**106,998**	**58,530**	**80,760**
Prepayments made	270,874	217,244	180,935
Tax receivables (except for the corporate income tax)	629,569	687,620	516,941
Prepaid expenses	133,236	143,905	118,433
Other	118,031	44,205	56,039
Total current assets	**1,151,710**	**1,092,974**	**872,348**
Total	**1,258,708**	**1,151,504**	**953,108**

25 Equity

25.1. 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.

25.2. Reserve and Other Funds

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Share premium	16,439,605	16,439,605	16,439,605
Statutory reserve fund	257,866	222,030	211,064
Cash flow hedging reserve	-655,878	-364,956	-247,525
Foreign currency translation fund	13,411	27,599	-1,689
Other	-1,861	-1,871	-1,903
Non-controlling interests	-7,124	-7,257	-5,849
Total	**16,046,019**	**16,315,150**	**16,393,703**

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

25.2.1. Cash Flow Hedging Reserve

(CZK '000)	31 Dec 2014	31 Dec 2013
Balance at the beginning of the year	-364,956	-247,525
Profit (loss) from revaluation	-423,814	-140,847
Settled deferred derivatives	-4,278	-21,433
Reclassifications to profit or loss upon settlement	147,767	22,718
Total change in the cash flow hedging reserve	**-280,325**	**-139,562**
Relating income tax	-10,597	22,131
Balance at the year-end	**-655,878**	**-364,956**

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'.

25.2.2. Foreign Currency Translation Fund

(CZK '000)	31 Dec 2014	31 Dec 2013
Balance at the beginning of the year	27,599	-1,689
Foreign exchange rate gains or losses arising from translation of foreign operations	-14,188	29,288
Tax on the profit relating to profits arising from translation of net assets of foreign operations	0	0
Balance at the year-end	**13,411**	**27,599**

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.

25.3. Equity – Non-Controlling Interests

The additional purchase of the equity investment of 22 % in ČD Logistics, a.s. resulted in a decrease in non-controlling interests of CZK 5,820 thousand.

26 Loans and Borrowings

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Short-term bank loans	0	281,283	277,617
Short-term issued promissory notes	0	0	0
Payables from finance leases	925,250	927,893	1,185,723
Payable to EUROFIMA	1,250,380	1,239,761	377,100
Overdraft accounts	53	844,691	859,505
Issued bonds	1,410,817	1,383,624	314,342
Other received short-term loans and borrowings	59,894	11,029	16,484
Total short-term	**3,646,394**	**4,688,281**	**3,030,771**
Payable to EUROFIMA	1,663,500	2,879,625	3,770,950
Issued bonds	26,691,323	21,874,864	17,490,291
Other – received loans and borrowings – long-term	42,128	51,411	58,018
Loan from ČSOB – long-term	0	0	257,617
Payables from finance leases	4,739,038	5,090,732	4,983,721
Total long-term	**33,135,989**	**29,896,632**	**26,560,597**
Total	**36,782,383**	**34,584,913**	**29,591,368**

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 2014 was CZK 27 thousand (2013: CZK 2,908 thousand, 2012: CZK 13,445 thousand). The maturity of the loan is 10 years for each individual tranche.

On 24 June 2011, the Parent Company issued Eurobonds with a five-year maturity and fixed coupon of 4.50 % p.a. The issue amounted to EUR 300 million and the issue rate was 99.479 %. These bonds are listed on the Luxembourg stock exchange.

On 23 July 2012, the Parent Company issued Eurobonds 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 bonds are listed on the Luxembourg stock exchange.

On 25 July 2013, the Parent Company issued domestic 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 float interest yield on a half-year basis which is composed of the 6M PRIBOR rate plus a margin of 1.70 % p.a. The bonds are listed on the Regulated Market of the Prague Stock Exchange (Regulovaný trh Burzy cenných papírů Praha, a.s.).

On 5 November 2014 the Parent Company issued a EUR 180 million dual tranche debt private placement, consisting of a EUR 30 million 2.875 % standalone bond with maturity of 10 years and a EUR 150 million 3.50 % registered note ("Namensschuldverschreibung") with maturity of 15 years.

On 25 November 2014, the Parent Company made the last loan repayment pursuant to the 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 was 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.

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 3.80 % p. a. through Československá obchodní banka, a.s.

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

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

ČD Cargo, a.s. recorded calls for a premature redemption of part of the first issue of the bonds placed through KB, a.s. with the summary total nominal value of CZK 341.7 million within the due period. This amount was redeemed as of 20 June 2014.

The issue of bonds of ČD Cargo, a.s. in Československá obchodní banka in the amount of CZK 1 billion was reclassified from long-term to short-term as of 31 December 2014 as a result of the maturity on 22 December 2015.

The supplier of Výzkumný Ústav Železniční, a.s., Chládek a Tintěra, provided the entity with a commercial loan of CZK 61,200 thousand. The loan was repaid in mid-2014.

The Group breached no loan covenants in the reporting period.

26.1. 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 2014**	**31 Dec 2013**	**1 Jan 2013**	**31 Dec 2014**	**31 Dec 2013**	**1 Jan 2013**
Less than 1 year	1,140,305	1,151,279	1,429,443	925,250	927,893	1,185,723
From 1 to 5 years	4,051,818	3,918,320	3,668,208	3,530,299	3,341,935	3,037,859
5 years and more	1,300,961	1,867,362	2,111,597	1,208,739	1,748,797	1,945,862
Total	**6,493,084**	**6,936,961**	**7,209,248**	**5,664,288**	**6,018,625**	**6,169,444**
Less future finance expenses	-828,796	-918,336	-1,039,804			
Present value of minimum lease payments	**5,664,288**	**6,018,625**	**6,169,444**	**5,664,288**	**6,018,625**	**6,169,444**
In the statement of financial position as:						
short-term loans				925,250	927,893	1,185,723
long-term loans				4,739,038	5,090,732	4,983,721
Total				**5,664,288**	**6,018,625**	**6,169,444**

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.

27 Provisions

(CZK '000)	Balance at 1 Jan 2013	Charge	Use	Balance at 31 Dec 2013	Charge	Use	Balance at 31 Dec 2014
Provision for discounts and refunds	52,824	41,388	73,391	20,821	16,176	20,820	16,177
Provision for rents	6,511	206	1,969	4,748	197	496	4,449
Provision for legal disputes	336,159	293,628	23,937	605,850	341,201	107,041	840,010
Provision for outstanding vacation days	73,595	75,317	73,699	75,213	80,173	75,674	79,712
Provision for removal of the environmental burden	34,304	0	30,471	3,833	0	3,833	0
Provisions for employees benefits	373,782	96,183	119,587	350,378	183,365	139,180	394,563
Provisions for business risks	539,988	362,959	0	902,947	37,275	916,518	23,704
Provisions for restructuring	535,125	0	285,152	249,973	0	69,652	180,321
Provisions for loss-making transactions	0	0	0	0	525,450	0	525,450
Other provisions	10,545	31,844	26,724	15,665	83,287	48,727	50,225
Total provisions	**1,962,833**	**901,525**	**634,930**	**2,229,428**	**1,267,124**	**1,381,941**	**2,114,611**
long-term	*241,144*			*213,071*			*826,019*
short-term	*1,721,689*			*2,016,357*			*1,288,592*

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. All costs have been invoiced, the provision was released in 2014. 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 Company recognises a provision for legal disputes according to the anticipated result of all ongoing legal disputes and the relating cash outflows of the Company. The detailed information on other legal disputes cannot be disclosed by the Company as it might negatively impact its position.

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, a.s. has decided to decrease the amount of the non-tax deductible provision to cover potential expenses relating to potential risks for business transactions. The total balance of the provision as of 31 December 2014 is CZK 23,705 thousand. The provision for business risks was decreased by CZK 916,518 thousand primarily due to the conclusion of an agreement on out-of-court settlement with SŽDC regarding the consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The out-of-court settlement agreement was concluded for the total amount of CZK 375,811 thousand, of which CZK 61,786 thousand relates to the settlement of damage caused by the traffic closures and CZK 314,025 thousand relates to the price of purchased traction energy for 2009. In addition, a court ruling was made on 15 January 2014 regarding the legal dispute for the damage due to SŽDC's traffic closures based on which ČD Cargo, a.s. is obliged to settle the payable of CZK 164,152 thousand to SŽDC.

As of 31 December 2012, management of ČD Cargo, a.s. decided to make organisational changes pursuant to the prepared restructuring plan, the main features of which were communicated within 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. During the year ended 31 December 2014, this provision was used and specified, it amounted to CZK 180,321 thousand as of 31 December 2014. These funds will continue to be available to the company to cover the costs relating to the restructuring in the following reporting period.

During the year, ČD Cargo, a.s. recognised a provision for loss-making transactions. The amount of the provision is determined on the basis of a reasonable estimate as equal to the future liability arising from the loss. The amount includes the difference between the discounted net anticipated income and discounted anticipated expenses. The provision amounts to CZK 525,450 thousand as of 31 December 2014.

28 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 2014	Short-term	6,339,790	150,034	11,460	5,212	175,935	12,150	354,791	**6,694,581**
31 Dec 2013	Short-term	6,430,037	64,052	75,091	5,428	2,316	5,633	152,520	**6,582,557**
1 Jan 2013	Short-term	7,153,972	188,347	16,043	3,155	24,607	42,575	274,727	**7,428,699**

29 Other Financial Liabilities

(CZK '000)	**31 Dec 2014**	**31 Dec 2013**	**1 Jan 2013**
Hedging derivatives	494,172	155,269	377,018
Other financial derivatives	5,573	10,014	0
Other long-term liabilities	683,489	255,380	431,264
Total long-term	**1,183,234**	**420,663**	**808,282**
Hedging derivatives	254,787	189,382	50,687
Other financial derivatives	16,712	14,616	41,661
Other	382,902	204,953	676,818
Total short-term	**654,401**	**408,951**	**769,166**
Total	**1 837,635**	**829,614**	**1,577,448**

Long-term other financial liabilities primarily include liabilities of ČD Cargo, a.s. to SŽDC of CZK 331,966 thousand and consist of the long-term portion of a payable arising from the concluded out-of-court agreement regarding the dispute about the price of traction energy during 2009 and settlement of damage due to SŽDC's traffic closures. Another long-term liability of ČD Cargo, a.s. to SŽDC of CZK 77,522 thousand relates to the settlement of the damage due to SŽDC's traffic closures pursuant to a court ruling dated 15 January 2014.

As of 31 December 2014, short-term other financial liabilities primarily include a payable of ČD Cargo, a.s. to SŽDC of CZK 98,562 thousand.

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

30 Other Liabilities

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Total long-term	**581,252**	**520,291**	**375,591**
Received prepayments	431,189	303,302	298,239
Payables from the transition period (SŽDC - transformation)	0	0	12,585
Payables to employees	948,164	1,043,061	1,110,783
Social security and health insurance payables	345,532	360,186	355,374
Subsidies	5,737	4,475	6,041
Other	865,859	1,145,669	1,104,074
Total short-term	**2,596,481**	**2,856,693**	**2,887,096**
Total	**3,177,733**	**3,376,984**	**3,262,687**

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.

31 Related Party Transactions

31.1. Loans to Related Parties

The Group provided no loans to related parties as of 31 December 2014, 31 December 2013 and 1 January 2013.

31.2. Key Management Members Compensation

Directors and other members of key management received short-term employee benefits of CZK 166,561 thousand in 2014 (2013: CZK 220,829 thousand) and post-employment benefits of CZK 14,968 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 2014 and 2013 amounted to CZK 60,528 thousand and CZK 37,372 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.

31.3. 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 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)	2014		2013	
	SŽDC	**ČEZ group**	**SŽDC**	**ČEZ group**
Expenses	4,512,650	625,614	4,478,386	809,994
Income	1,054,211	512,925	870,918	758,483

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

(CZK '000)	31 Dec 2014		31 Dec 2013		1 Jan 2013	
	SŽDC	**ČEZ group**	**SŽDC**	**ČEZ group**	**SŽDC**	**ČEZ group**
Receivables ("Trade receivables" line)	253,296	74,392	263,074	76,463	184,577	198,122
Payables ("Trade payables" line)	1,512,920	177,803	1,104,871	229,195	959,897	255,360
Prepayments made ("Other assets" short-term line)	52,117	2,581	32,177	2,774	47,492	724
Received prepayments ("Other liabilities" short-term line)	257,380	2,404	197,445	249	122,374	2,829
Estimated payables ("Trade payables" line)	37,734	129	51,442	1,568	15,064	3,069
Estimated receivables ("Trade receivables" line)	70,736	0	59,462	23	49,826	287

32 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 2014	31 Dec 2013	1 Jan 2013
Cash on hand and cash in transit	55,853	64,450	92,806
Cash at bank	3,737,118	1,551,485	1,431,863
Short-term securities	250,000	140,000	0
Total	**4,042,971**	**1,755,935**	**1,524,669**

33 Contracts for Operating Leases

33.1. The Group as a Lessee

Assets under operating leases which are reported off balance sheet as of 31 December 2014, 31 December 2013 and 1 January 2013 amount to CZK 57,101 thousand, CZK 53,582 thousand and CZK 52,665 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 2014 and 2013 amounted to CZK 62,544 thousand and CZK 68,831 thousand, respectively.

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

33.2. 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 518,122 thousand in 2014 (2013: CZK 536,822 thousand).

Direct operating expenses relating to investment property for 2014 amounted to CZK 212,889 thousand (2013: CZK 203,064 thousand).

Income from operating leases of movable assets in 2014 amounts to CZK 406,414 thousand (2013: CZK 580,989 thousand).

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

34 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 12,673,850 thousand, of which CZK 4,374,159 thousand relates to supplies contracted for 2015 and CZK 3,108,043 thousand relates to supplies contracted for the following years. The remaining CZK 5,191,648 thousand was paid as of 31 December 2014. A significant portion of the obligations relating to expenses (CZK 12,094,277 thousand) include investments in railway vehicles.

35 Contingent Liabilities and Contingent Assets

In the ongoing arbitration proceedings, Škoda Transportation a.s. is claiming the total amount of approximately CZK 1,088 million and accrued interest. In these arbitration proceedings, České dráhy, a.s. (ČD) is claiming the total amount of approximately CZK 906 million and accrued interest plus the provision of authorisation for operating locomotives in Germany and Austria. The Company recognises a provision (refer to the provision for legal disputes) for part of the claimed amount where the Company considers the risk of future cash outflows to be material. The Company considers the other amounts claimed by Škoda Transportation a.s. and the total amount claimed by České dráhy a.s. to be conditioned by the outcome of the arbitration court which has not yet ruled on the merits of the above claims; for this reason, it is not possible to determine the form and amount of the final settlement.

In 2014, the audit bodies of the Ministry of Finance initiated an audit of the use of subsidies by the Parent Company. The audit body is of the view that České dráhy breached the conditions underlying the subsidy by allowing the conclusion of an amendment that, according to the audit body, resulted in an unauthorised significant change in the contract in terms of the Public Procurement Act. České dráhy does not agree with the conclusions made by the audit body and is undertaking the relevant legal steps. The audit body did not conduct a comprehensive assessment of the matter. On the contrary, the amendment allowed České dráhy to use railway vehicles for its business activities and consequently generate profit and obtain a longer guarantee for the vehicles.
The Company has not yet been called upon to refund the subsidy. The amount of subsidies that have been subject to the audit is CZK 825,590 thousand.
The sanction in the form of the refund of the subsidy may amount up to 25 % of this amount according to the conditions.

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 2014 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 2015.

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 2015.

ČD Cargo, a.s. records a bank guarantee in favour of the Customs Authority for the South Bohemian region as a customs guarantee for other than transit transactions, to secure customs and tax debt which means the obligation to pay the customs duty, taxes and fee collected in import, including accrued interest, except for fines. The guarantee amounts to CZK 2 million and is due without limitations.

ČD Cargo, a.s. additionally the following securement from orders:

Name of the order	Applicant-name	Required securements	Securement paid on
Inspection repairs of Eas 11 wagons	Legios Loco, a.s.	CZK 3,500,000	10 Jan 2014
Inspection repairs of Eas 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 3,500,000	8 Jan 2014
Inspection repairs of Falls 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 12,000,000	8 Jan 2014
Inspection repairs of Falls 11 wagons	Legios Loco, a.s.	CZK 12,000,000	10 Jan 2014
Inspection repairs of Eas 52 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 4,000,000	8 Jan 2014
Inspection repairs of Eas 52 wagons	Legios Loco, a.s.	CZK 4,000,000	10 Jan 2014
Inspection repairs of Eas 53 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 4,000,000	8 Jan 2014
Inspection repairs of Eas 53 wagons	Legios Loco, a.s.	CZK 4,000,000	10 Jan 2014
Technical inspection of Eas 53 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 1,225,000	29 Aug 2014
Technical inspection of Falls 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 1,400,000	29 Aug 2014
Technical inspection of Eas 53 wagons	Legios Loco, a.s.	CZK 1,225,000	9 Sept 2014
Technical inspection of Falls 11 wagons	Legios Loco, a.s.	CZK 1,400,000	9 Sept 2014

The Parent Company's aggregate costs of clean-ups in 2014 and 2013 were CZK 29 million and CZK 32 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 provisions 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 provisions.

36 Financial Instruments

36.1. 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, the Supervisory Board and the Steering Committee.

The Group uses issues of bonds as a principal source of long-term funding.

36.2. 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.

36.3. Categories of Financial Instruments

(CZK '000)

Financial assets	31 Dec 2014	31 Dec 2013	1 Jan 2013
Cash and bank accounts	3,792,971	1,755,935	1,513,949
Derivative instruments in designated hedge accounting relationships	1,435,693	1,269,263	304,967
Other financial derivatives	5	3,904	0
Held-to-maturity investments (term deposits and promissory notes)	250,000	0	10,720
Loans and receivables	3,309,934	3,617,862	3,516,534
Available-for-sale financial assets	320,531	320,531	335,323
Total	**9,109,134**	**6,967,495**	**5,681,493**

(CZK '000)

Financial liabilities	31 Dec 2014	31 Dec 2013	1 Jan 2013
Derivative instruments in designated hedge accounting relationships	748,959	344,651	427,705
Other financial derivative instruments	22,285	24,630	41,661
Measured at amortised cost	44,543,355	41,627,803	38,128,149
Total	**45,314,599**	**41,997,084**	**38,597,515**

Other financial derivative instruments are classified as Financial assets/liabilities at fair value through profit or loss.

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	2014	2013	Reported in the statement of profit or loss line
Interest on cash in bank accounts	4,734	3,106	Other losses
Interest on investments held to maturity (term deposits and promissory notes)	963	1,016	Other losses
Dividends from available-for-sale financial assets	1,129	1,926	Other losses
Total	**6,826**	**6,048**	

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

36.4. 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 risks by materiality. These risks include market risk (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

36.5. 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 anticipated payments in a foreign currency up to 70 %.

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

(CZK '000)

31 Dec 2014	EUR	USD	Other	Total
Financial assets	2,491,476	9,354	6,697	2,507,527
Financial liabilities	-26,816,680	-1,813	-7,769	-26,826,262
Total	**-24,325,204**	**7,541**	**-1,072**	**-24,318,735**

(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)

1 Jan 2013	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**

36.5.1. 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)	2014	2013
Translation of items denominated in foreign currencies at the end of the period	874,657	735,035
Change in the fair value of derivatives at the end of the period	-677,338	-543,348
Total impact on the profit for the period	**197,319**	**191,687**
Change in the fair value of derivatives at the end of the period	-55,704	43,093
Total impact on other comprehensive income	**-55,704**	**43,093**

36.5.2. 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 2014	27.182	EUR	55,000	-31,271
31 Dec 2013	26.45 – 27.25	EUR	24,000	-8,603
	26.066	EUR	86,000	-117,642
1 Jan 2013	25.17 – 26.20	EUR	12,000	3,123
	25.626	EUR	23,000	12,560

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 2014	22.51	USD	15	5
31 Dec 2013	26.94	EUR	44,000	21,648
	20.16	USD	1,110	-310
1 Jan 2013	24.84	EUR	205	-7
	19.32	USD	70	-20

In 2013, the Parent Company concluded currency forwards in order to hedge repayments of EUR loans that were due in the first half of 2014. These derivatives were classified as fair value hedges. The gain from fair value hedging instruments amounts to CZK 1,534 thousand and CZK 21,648 thousand for the years ended 31 December 2014 and 2013, respectively. The loss from the hedged item was identical and the hedging was fully effective.

36.5.3. Cross-currency Interest Rate Swaps

In accordance with the currency risk management requirements, the Group has entered into 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 2014	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	667,000	4.07 %	-17,100,970	4.13 %	35,283
1 to 5 years	667,000	3.91 %	-17,100,970	4.09 %	1,325,154
5 years and more	177,000	3.40 %	-4,923,255	3.55 %	-176,941
Total					**1,183,496**

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**

1 Jan 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 %	-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**

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.

36.6. 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.

36.6.1. 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)	2014	2013
Interest from loans and lease with variable rate for the period	-6,831	-5,837
Change in the present value of long-term provisions at the end of the period	87,055	25,968
Change in the fair value of derivatives at the end of the period	26,760	45,161
Total impact on the profit for the period	**106,984**	**65,292**
Change in the fair value of derivatives at the end of the period	408,198	466,237
Total impact on other comprehensive income	**408,198**	**466,237**

36.6.2. Interest Rate Swaps

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

31 December 2014	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value in CZK thousand
Less than 1 year	Loans from Eurofima and ČSOB	1.50 %	EUR 105 million	-39,622
	float interest bonds	1.88 %	CZK 5,000 million	-61,213
	leases	1.40 %	CZK 1,261 million	-21,313
				-122,148
1 to 5 years	Loans from Eurofima and ČSOB	2.43 %	EUR 60 million	-38,924
	float interest bonds	1.61 %	CZK 4,000 million	-139,328
	leases	1.85 %	CZK 1,081 million	-44,607
				-222,859
5 years and more	leases	1.87 %	CZK 302 million	-3,006
Total				**-348,013**

31 December 2013	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value in CZK thousand
Less than 1 year	Loans from Eurofima and ČSOB	1.13 %	EUR 160 million	-36,075
	float interest bonds	1.88 %	CZK 5,000 million	-33,871
	leases	3.27 %	CZK 102 million	-14,847
				-84,793
1 to 5 years	Loans from Eurofima and ČSOB	1.50 %	EUR 105 million	-54,751
	float interest bonds	1.88 %	CZK 5,000 million	-69,884
	leases	1.67 %	CZK 1,477 million	-22,187
				-146,822
5 years and more	leases	1.82 %	CZK 695 million	10,060
Total				**-221,555**

1 January 2013	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value in CZK thousand
Less than 1 year	Loans from Eurofima and ČSOB	1.13 %	EUR 170 million	-33,016
	float interest bonds	3.07 %	CZK 1,678 million	-24,984
				-58,000
1 to 5 years	Loans from Eurofima and ČSOB	1.19 %	EUR 160 million	-83,762
	float interest bonds	3.13 %	CZK 2,433 million	-55,689
				-139,451
5 years and more	leases	3.27 %	CZK 478 million	-8,055
Total				**-205,506**

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

36.6.3. 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 2014
Less than 1 year	1.13 % - 3.13 %	88,337	-3,246
1 to 5 years	1.13 % - 3.13 %	300,854	-5,283
5 years and more	1.13 % - 3.13 %	64,233	-291
Total			**-8,819**

	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**

36.7. Commodity Risk Management

The Group is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically 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 and traction energy;
- 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.

36.7.1. 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)	2014	2013
Costs of oil consumption for the period *)	-188,492	-195,631
Change in the fair value of derivatives at the end of the period	-3,350	-1,865
Total impact on the profit for the period	**-191,842**	**-197,496**
Change in the fair value of derivatives at the end of the period	42,325	53,978
Total impact on other comprehensive income	**42,325**	**53,978**

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

36.7.2. 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
31 Dec 2014	16,751	8,400	-35,165
	14,200 - 20,450 CZK/mt	2,040	-49,077
	773 - 970 USD/mt	10,200	-46,702
31 Dec 2013	CZK 17,485	11,760	16,942
	14,200 - 19,300 CZK/mt	20,520	18,357
1 Jan 2013	CZK 17,277	21,650	7,350
	17,010 - 19,300 (CZK/mt)	8,640	-986
	670 - 820 (USD/mt)	786	1,996

36.8. 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 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 consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The credit quality of receivables that are not past their due dates or otherwise impaired is good and corresponds to the carrying value.

36.9. 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 2014. In order to secure sufficient short-term liquidity, the Parent Company has contracted committed credit facilities so that its available funds exceed its short-term liabilities. The liquidity balance is monitored by the Moody´s rating agency on an ongoing basis.

36.9.1. 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 2014	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2,820,118	2,924,878	1,111,994	848,285	55,698	7,760,973
Derivatives	48,123	33,708	189,666	321,119	178,628	771,244
Finance lease liabilities	95,506	190,767	854,032	4,051,818	1,300,961	6,493,084
Float interest rate instruments	43,342	1,251,004	1,120,625	6,814,837	0	9,229,808
Fixed interest rate instruments	48,819	2,774	909,035	19,594,433	6,516,220	27,071,281
Total	**3,055,908**	**4,403,131**	**4,185,352**	**31,630,492**	**8,051,507**	**51,326,390**

(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
Float 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)

1 Jan 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	3,585,937	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
Float 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**

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 2014	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	5,605,436	702,361	673,060	29,891	320,582	7,331,330
Derivatives	5	0	48,818	1,386,875	0	1,435,698
Finance lease assets	4,542	0	67	43,970	459,181	507,760
Fixed interest rate instruments	250,000	0	0	3,595	0	253,595
Total	**5,859,983**	**702,361**	**721,945**	**1,464,331**	**779,763**	**9,528,383**

(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)

1 Jan 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	3,577,524	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**

36.9.2. Financing Facilities

The Group has access to the below loan facilities:

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Overdraft loan facilities:			
amount of the loan facility	*3,400,000*	*3,450,000*	*3,430,000*
amount unused	*3,400,000*	*2,605,309*	*2,570,495*
Promissory notes programme:			
amount of the loan facility	*6,500,000*	*6,500,000*	*6,500,000*
amount unused	*6,500,000*	*6,500,000*	*6,500,000*

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.

36.10. Fair Value of Financial Instruments

36.10.1. Fair Values of Financial Instruments Carried at Amortised Cost

The Parent Company issued publicly traded Eurobonds with the carrying amount of CZK 16,940,581 thousand as of 31 December 2014. Pursuant to the calculation using interest rate curves, their fair value amounts to CZK 17,912,568 thousand as of 31 December 2014. As of 12 March 2015, the market value of the issues from 2011 and 2012 was listed at 104.786 % and 111.962 %, respectively.

The carrying value of Eurobonds issued by the Parent Company in 2014 amounts to CZK 4,967,558 thousand as of 31 December 2014. Pursuant to the calculation using interest rate curves, their fair value amounts to CZK 5,237,779 thousand as of 31 December 2014.

The fair value of the lease as of 31 December 2014 amounts to CZK 5,742,703 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 2014 amounts to CZK 2,132,715 thousand. The fair value of bonds is recalculated based on the up-to-date issue rate communicated by individual banks.

Management of the Group believes that 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.

36.10.2. 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.

36.10.3. 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 2014, 31 December 2013 and 1 January 2013 are included in Level 2.

37 Post Balance Sheet Events

In January 2015, the Parent Company signed an out-of-court agreement regarding the dispute about the price of consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The out-of-court agreement was concluded in the total amount of CZK 375,811 thousand, of which CZK 61,786 thousand relates to the settlement of damage due to traffic closures and CZK 314,025 thousand relates to the price of the consumed traction energy for 2009.

The Parent Company is conducting a legal dispute with the Antimonopoly Office regarding the abuse of its dominant position and the relating imposed penalty of CZK 254 million. The Parent Company has recognised a provision for this penalty. Pursuant to the legal remedies filed by ČD, the court revoked the ruling of the Chairman of the Antimonopoly Office on 1 April 2015. The case is being referred back to the Antimonopoly Office which is required to deal with the matter again and make additional inquiries as and when appropriate. The Parent Company continues to treat the matter as being open and believes that the recognised provision is appropriate.

No other significant events occurred between the balance sheet date and the date of the preparation of the financial statements.

38 Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorised for issue on 8 April 2015.

Separate Financial Statements for the Year Ended 31 December 2014

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 2014

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 2015
Statutory body of the reporting entity

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

Roman Štěrba
Member of the Board of Directors
České dráhy, a.s.

Statement of Financial Position (Balance Sheet) as of 31 December 2014

		31 Dec 2014 CZK thousand	31 Dec 2013 CZK thousand	1 Jan 2013 CZK thousand
Property, plant and equipment	16	57,990,347	57,366,555	56,283,856
Investment property	17	2,140,185	2,162,067	2,171,692
Intangible assets	18	251,888	292,136	308,932
Investments in subsidiaries and associates and joint ventures	19	7,882,111	7,882,111	10,715,122
Other financial assets	22	1,796,629	1,595,520	705,606
Other assets	23	3,523	6,141	33,922
Total non-current assets		**70,064,683**	**69,304,530**	**70,219,130**
Inventories	20	975,241	907,254	959,596
Trade receivables	21	1,297,192	1,424,884	1,328,502
Tax receivables		0	0	0
Other financial assets	22	255,616	225,589	90,649
Other assets	23	784,822	697,732	638,144
Cash and cash equivalents	31	2,607,111	826,921	802,238
Assets held for sale	15	49,454	59,161	232,551
Total current assets		**5,969,436**	**4,141,541**	**4,051,680**
TOTAL ASSETS		**76,034,119**	**73,446,071**	**74,270,810**
Share capital	24	20,000,000	20,000,000	20,000,000
Reserve and other funds	24	15,965,999	16,302,100	16,325,183
Retained earnings		578,185	1,534,898	6,664,800
Total equity		**36,544,184**	**37,836,998**	**42,989,983**
Loans and borrowings	25	29,085,955	25,604,389	21,774,856
Provisions	26	171,931	146,474	168,960
Other financial liabilities	28	541,903	201,023	422,406
Total non-current payables		**29,799,789**	**25,951,886**	**22,366,222**
Trade payables	27	4,642,806	4,683,528	5,176,882
Loans and borrowings	25	2,226,984	2,380,191	1,347,622
Provisions	26	930,267	656,835	457,711
Other financial payables	28	199,118	90,727	99,493
Other payables	29	1,690,971	1,845,906	1,832,897
Total current payables		**9,690,146**	**9,657,187**	**8,914,605**
TOTAL LIABILITIES		**76,034,119**	**73,446,071**	**74,270,810**

Statement of Profit or Loss for the Year ended 31 December 2014

		Year ended 31 Dec 2014 CZK thousand	Year ended 31 Dec 2013 CZK thousand
CONTINUING OPERATIONS			
Revenue from principal operations	5	20,723,393	19,922,843
Other operating income	6	1,619,975	1,958,377
Purchased consumables and services	7	-9,464,783	-9,857,710
Employee benefit costs	8	-7,621,693	-7,740,052
Depreciation and amortisation	9	-4,708,221	-4,412,310
Other operating losses, net	10	-602,678	-968,451
Loss before interest and tax		**-54,007**	**-1,097,303**
Financial expenses	11	-937,104	-740,830
Other gains (losses), net	12	34,678	-3,291,605
Loss before tax		**-956,433**	**-5,129,738**
Income tax expense	13	-280	-164
Loss for the period from continuing operations		**-956,713**	**-5,129,902**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	15	0	0
Loss for the year		**-956,713**	**-5,129,902**

Statement of Comprehensive Income for the Year ended 31 December 2014

	Year ended 31 Dec 2014 CZK thousand	Year ended 31 Dec 2013 CZK thousand
Loss for the year	-956,713	-5,129,902
Cash flow hedging	-336,101	-23,083
Relating income tax	0	0
Other comprehensive income (loss) for the year (items that may be reclassified in profit or loss), net of tax	**-336,101**	**-23,083**
Total comprehensive income (loss) for the year	**-1,292,814**	**-5,152,985**

Statement of Changes in Equity for the Year ended 31 December 2014

	Share capital CZK thousand	Reserve and other funds CZK thousand	Retained earnings CZK thousand	Total equity CZK thousand
Balance at 1 January 2013	**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**
Loss for the period	0	0	-956,713	-956,713
Other comprehensive income for the year, net of tax	0	-336,101	0	-336,101
Allocation to the reserve fund	0	0	0	0
Balance at 31 December 2014	**20,000,000**	**15,965,999**	**578,185**	**36,544,184**

Cash Flow Statement for the Year ended 31 December 2014

		Year ended 31 Dec 2014 CZK thousand	Year ended 31 Dec 2013 CZK thousand
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year before tax		-956,433	-5,129,738
Dividend income	12	-116,829	-177,651
Financial expenses	11	937,104	740,830
Profit from the sale and disposal of non-current assets	6	-216,179	-325,799
Depreciation and amortisation of non-current assets	9	4,708,221	4,412,310
Impairment of non-current assets	10	64,251	272,952
Impairment of trade receivables		49,389	154,225
Impairment of financial investments	12	0	2,852,321
Foreign exchange rate gains (losses)		75,020	683,420
Other		32,027	28,134
Cash flows from operating activities before changes in working capital		**4,576,571**	**3,511,004**
Decrease (increase) in trade receivables		80,503	-221,373
Decrease (increase) in inventories		-42,566	-20,432
Decrease (increase) in other assets		-74,825	-10,267
Increase (decrease) in trade payables		-526,434	159,262
Increase (decrease) in provisions		298,464	174,429
Increase (decrease) in other payables		-111,632	23,191
Total changes in working capital		**-376,490**	**104,810**
Cash flows from operating activities		**4,200,081**	**3,615,814**
Interest paid		-847,556	-670,140
Income tax paid		-280	-164
Net cash flows from operating activities		**3,352,245**	**2,945,510**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment		-4,836,548	-6,274,004
Proceeds from disposal of property, plant and equipment		224,474	413,712
Payments for investment property		-29,789	-5,600
Costs of acquisition of intangible assets		-65,133	-99,369
Received interest		13,751	13,629
Loans and borrowings to related parties		-30,000	-20,000
Received dividends		116,829	175,828
Net cash flows (used in) from investment activities		**-4,606,416**	**-5,795,804**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of loans and borrowings		4,951,636	3,975,560
Repayments of loans and borrowings		-1,956,890	-1,080,717
Net cash flows from financing activities		**2,994,746**	**2,894,843**
Net increase (decrease) in cash and cash equivalents		**1,740,575**	**44,549**
Cash and cash equivalents at the beginning of the reporting period		846,787	802,238
Cash and cash equivalents at the end of the reporting period	31	**2,587,362**	**846,787**

Notes to the Separate Financial Statements for the Year Ended 31 December 2014

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 1January 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 2014. The reporting period is the calendar year, i.e. from 1 January 2014 to 31 December 2014. 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 Chairman of the Board of Directors, Vice-Chairman and members of the Board of Directors:

Section of the Chairman of the Board of Directors responsible for economy, finance and management;
Section of the Vice-Chairman of the Board of Directors responsible for the cooperation with regions and investments;
Section of a member of the Board of Directors responsible for passenger transportation;
Section of a member of the Board of Directors responsible for technology, maintenance and assets;
Section of a member of the Board of Directors responsible for projects and international relations; and

departments managed by the Board of Directors.

1.4 Bodies of the Company

The Company's bodies include the General Meeting, Supervisory Board, Board of Directors 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 2014:

Steering Committee

Chairman	Karel Dobeš
Vice-Chairman	Kamil Rudolecký
Member	Jiří Havlíček
Member	Vladislav Koval
Member	Jakub Kulhánek
Member	Jindřich Kušnír
Member	Lukáš Wagenknecht

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.

Pursuant to Resolution No. 187 of the Czech Government of 16 March 2015, the authorisations for the activities in the Steering Committee of České dráhy, a.s. for Vladislav Koval and Jakub Kulhánek were cancelled. Karel Dobeš was recalled as Chairman of the Steering Committee. Pursuant to this resolution, Lukasz Kryński and Jakub Landovsky were authorised to perform the activities in the Steering Committee starting from 17 March 2015. Tomáš Čoček was appointed Chairman.

Supervisory Board

Chairman	Milan Feranec
Member	Vojtěch Kocourek
Member	Antonín Tesařík
Member	Jan Hart
Member	Milan Křístek
Member	Antonín Leitgeb
Member	Jaroslav Pejša
Member	Josef Smýkal
Member	Vladislav Vokoun

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. On 19 June 2014, Milan Feranec was appointed a member and Chairman of the Supervisory Board with immediate effect. On 2 October 2014, the Steering Committee recalled Michal Zdeněk as a member of the Supervisory Board with immediate effect and appointed Jan Hart a member of the Supervisory Board with immediate effect.

A sub-committee of the Supervisory Board is the Remuneration Committee. As of 31 December 2014, positions of committee members were vacant.

Board of Directors

Chairman	Pavel Krtek
Member	Ludvík Urban
Member	Michal Štěpán
Member	František Bureš
Member	Roman Štěrba

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.

At the meeting of the Steering Committee held on 2 October 2014, the Steering Committee decided on the increase in the number of the Board of Directors of ČD, a.s. from three to five.

Subsequently, on 16 October 2014 the Supervisory Board appointed František Bureš a member of the Board of Directors with immediate effect. At the meeting of the Supervisory Board held on 10 November 2014, Daniel Kurucz was recalled as a member and Chairman of the Board of Directors with immediate effect and Pavel Krtek was appointed Chairman of the Board of Directors of ČD, a.s., Ludvík Urban was appointed a member and Vice-Chairman of the Board of Directors and Roman Štěrba was appointed a member of the Board of Directors.

Audit Committee	
Chairman	Lukáš Wagenknecht
Vice-Chairman	Lukáš Pečeňa
Member	Ivana Kubaštová

On 3 December 2014, the membership of Miroslav Zámečník and Zdeněk Prošek in the Audit Committee expired. At its meeting held on 10 December 2014, the Steering Committee appointed Lukáš Pečeňa a member of the Audit Committee with immediate effect. At the meeting of the Steering Committee held on 21 January 2015, Lukáš Wagenknecht was appointed a member of the Audit Committee with immediate effect. At the meeting of the Audit Committee held on 18 February 2015, Lukáš Wagenknecht was appointed Chairman and Lukáš Pečeňa was appointed Vice-Chairman of the Audit Committee.

The permanent advisory body of the Board of Directors which has its role in the risk management is the Risk Management Committee.

Risk Management Committee	
Chairman	Libor Müller
Member	Roman Štěrba
Member	Michal Štěpán
Member	František Bureš
Member	Daniela Kovalčíková

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 which is controlled by the Company, ie it has power over the investee, it is exposed to variable returns from its involvement with the investee or has the ability to use its power to affect its returns, and if it has power over the investee (ie holds existing rights based on which it is able govern the activities that significantly impact the revenues of this entity).

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

In the separate financial statements, investments in subsidiaries and associates and joint ventures, which are not classified as held for sale, are reported at cost.

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 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 with the carrying amount exceeding CZK 200 thousand at the moment of their origination and no arbitration or legal proceedings have been initiated in respect of these receivables. In addition, the Company recognises no allowances against receivables from its subsidiaries and SŽDC, s.o.

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.

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

Upon derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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 or cash flow hedges.

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 2014

During the year ended 31 December 2014, 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 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
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

*) effective since 1 January 2014 in the EU

The adoption of IFRS 12 has no significant impact on the amounts reported in the financial statements of the Company except for additional disclosures. IFRS 10 changes the definition of control as compared to the definition in the original IAS 27; however, the adoption of IFRS 10 has no impact on the reporting of equity investments in the Company’s financial statements. Other standards and interpretations referred to above have no impact on recognition and 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 (2014)	1 January 2018
IFRS 10, IAS 28 – Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10, IFRS 12 and IAS 28 – Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 – Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2017
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 16, IAS 38 – Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16, IAS 41 – Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
IAS 19 – Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27 – Amendment to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
IFRIC 21 Levies*)	1 January 2014
Improvements to IFRSs – cycle 2010 - 2012 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2011 - 2013 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2012 - 2014 (published in September 2014)	1 January 2016

*) effective for periods starting on 17 June 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 IFRS 9 and IFRS 15 where the impact cannot be reliably estimated given the remote effective date.

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 (2014)	1 January 2018
IFRS 10, IAS 28 – Amendment to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10, IFRS 12 and IAS 28 – Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 – Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2017
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 16, IAS 38 – Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16, IAS 41 – Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
IAS 19 – Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27 – Amendment to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Improvements to IFRSs – cycle 2010 - 2012 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2012 - 2014 (issued in September 2014)	1 January 2016

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 and fair value hedging. The measurement of derivatives in the financial statements performed by the Company using its own measurement model 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. Values of ČD Cargo and ČD - Telematika

In 2014, ČD Cargo, a.s. continued to implement measures designed to strengthen its liquidity and to achieve the medium-term objective involving balanced economic results in the segment of individual vehicle shipments in 2017 and to attain a stable level of profit in the principal business activities. In order to achieve this objective, the Company will continue taking restructuring measures in 2015. The result of these measures may impact the value of ČD's equity investment in ČD Cargo.

At present, the telecommunication sector is subject to significant ownership changes. This may have an impact on the market value of ČD - Telematika and principal items of its assets, specifically its backbone optical network.

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)	**2014**	**2013**
Revenue from passenger transportation - fare	7,476,737	7,133,648
– Intrastate passenger transportation	5,163,163	5,048,457
– International passenger transportation	2,313,574	2,085,191
Revenue from passenger transportation - payments from public service orderers	13,227,453	12,771,890
– Payment from the state budget	4,249,926	4,030,252
– Payment from the regional budget	8,977,527	8,741,638
Other revenue from principal operations	19,203	17,305
Total revenue from principal operations – continuing operations	**20,723,393**	**19,922,843**

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)	**2014**	**2013**
Gain from property, plant and equipment and investment property	216,179	325,799
Gain from the sale of inventory	60,606	60,075
Sales of other services	455,946	467,314
Rental income	628,037	747,658
Compensations for deficits and damage	56,842	88,184
Gain on material	33,071	33,405
Other subsidies	19,584	22,665
Other	149,710	213,277
Total other operating income – continuing operations	**1,619,975**	**1,958,377**

7 Purchased Consumables and Services

(CZK '000)	**2014**	**2013**
Traction costs	-2,597,238	-2,897,421
Traction fuel (diesel)	-1,336,384	-1,362,537
Traction electricity	-1,260,854	-1,534,884
Payment for the use of railway route	-1,869,178	-1,737,719
Other purchased consumables and services	-4,998,367	-5 222,570
Consumed material	-853,776	-856,723
Consumed other energy	-426,935	-517,942
Consumed fuel	-77,067	-96,929
Repairs and maintenance	-486,940	-528,684
Travel costs	-109,006	-109,757
Telecommunication, data and postal services	-264,367	-275,674
Other rental	-91,030	-91,384
Rental for rail vehicles	-550,179	-531,092
Transportation charges	-299,241	-265,302
Services of dining and sleeping carriages	-115,419	-107,646
Services associated with the use of buildings	-266,029	-263,945
Operational cleaning of rail vehicles	-335,700	-357,457
Border area services	-274,363	-248,966
Advertising and promotion costs	-112,970	-136,300
Other services	-735,345	-834,769
Total purchased consumables and services – continuing operations	**-9,464,783**	**-9,857,710**

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

8 Employee Benefit Costs

(CZK '000)	**2014**	**2013**
Payroll costs	-5,397,130	-5,478,036
Severance pay	-64,746	-86,661
Statutory social security and health insurance	-1,791,140	-1,803,911
Benefits resulting from the collective agreement	-83,715	-82,270
Other social costs	-274,498	-284,194
Other employee benefit costs	-10,464	-4,980
Total employees benefit costs – continuing operations	**-7,621,693**	**-7,740,052**

9 Depreciation and Amortisation

(CZK '000)	**2014**	**2013**
Depreciation of property, plant and equipment	-4,512,684	-4,220,661
Depreciation of investment property	-76,444	-75,425
Amortisation of intangible assets	-119,093	-116,224
Total depreciation and amortisation – continuing operations	**-4,708,221**	**-4,412,310**

10 Other Operating Losses

(CZK '000)	**2014**	**2013**
Change in other provisions	-273,873	-228,344
Reversal of losses (loss) from impaired receivables	8,745	-102,550
Losses from impaired property, plant and equipment, investment property and assets held for sale	-64,251	-272,952
Reversal of write-down (write-down) of inventories to their net realisable value	41,165	-53,381
Taxes and fees	-21,415	-18,062
Other operating expenses	-293,049	-293,162
Total other operating losses – continuing operations	**-602,678**	**-968,451**

11 Financial Expenses

(CZK '000)	**2014**	**2013**
Interest on bank overdraft accounts and loans	0	-766
nterest on the loan from ČSOB and loans from Eurofima	-10,086	-15,529
Interest on issued bonds	-842,171	-722,573
Interest on finance lease payables	-88,100	-108,680
Other interest	-43,390	-9,917
Less: amounts capitalised as part of the costs of an eligible asset	47,069	118,844
Unwinding of the discount of provisions	-426	-2,209
Total financial expenses – continuing operations	**-937,104**	**-740,830**

The capitalisation rate in the year ended 31 December 2014 is 1 % p. a. (2013: 2 % p. a.).

12 Other Gains (Losses)

(CZK '000)	2014	2013
Net foreign exchange gains (losses)	- 21,005	-638,895
Received dividends	116,829	177,651
Received interest	13,814	13,669
Banking fees	-11,669	-13,479
Actuarial gains (losses)	-28,040	26,272
Other*)	-35,251	-2,856,823
Total other gains (losses) – continuing operations	**34,678**	**-3,291,605**

*) 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)	2014	2013
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 *)	-280	-164
Total tax charge relating to continuing operations	**-280**	**-164**

*) 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)	2014	2013
Loss from continuing operations before tax	-956,433	-5,129,738
Income tax calculated using the statutory rate of 19 %	181,722	974,650
Effect of the unrecognised deferred tax asset	-197,226	-715,135
Other*)	15,224	-259,679
Income tax reported in profit or loss	**-280**	**-164**

*) 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 2013 – calculated	**422,431**	**-145,880**	**70,808**	**-36,402**	**12,182**	**42,459**	**365,598**
Balance at 1 Jan 2013 – 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**
Deferred tax recognised in profit or loss:	0	0	0	0	0	0	0
– of which current changes in the deferred tax	*-260,588*	*485,176*	*19,632*	*-40,632*	*-12,478*	*6,116*	*197,226*
*– of which impairment *)*	*260,588*	*-485,176*	*-19,632*	*40,632*	*12,478*	*-6,116*	*-197,226*
Deferred tax recognised in other comprehensive income	0	0	0	0	0	0	
– of which current changes in the deferred tax	*0*	*0*	*0*	*0*	*0*	*67,968*	*67,968*
*– of which impairment *)*	*0*	*0*	*0*	*0*	*0*	*-67,968*	*-67,968*
Balance at 31 Dec 2014 – calculated	**514,522**	**742,352**	**80,301**	**-114,072**	**20,598**	**143,268**	**1,386,969**
Balance at 31 Dec 2014 – 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 2014 taxation period, the Company records a utilisable tax loss for the 2009 and 2013 taxation periods in the amount of CZK 4,135,744 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.

2014 *)

(CZK million)	Passenger transportation	Administration of assets	Other	Total
Revenue from principal operations				
Revenue from passenger transportation	7,477	0	0	7,477
Payments from orderers	13,227	0	0	13,227
Other	19	0	0	19
	20,723	**0**	**0**	**20,723**
Purchased consumables and services				
Traction costs	-2,597	0	0	-2,597
Payment for the use of the railway route	-1,869	0	0	-1,869
Other purchased consumables and services	-4,153	-502	-344	-4,999
	-8,619	**-502**	**-344**	**-9,465**
Staff costs				
Payroll costs	-4,920	-185	-357	-5,462
Social security and health insurance	-1,615	-60	-116	-1,791
Statutory social costs	-254	-17	-3	-274
Statutory social costs - benefits arising from the collective agreement	-88	2	-8	-94
	-6,877	**-260**	**-484**	**-7,621**
Other operating income and expenses	168	838	11	1,017
Intracompany income and expenses	-99	109	-10	0
Overhead costs – operating	-777	-50	827	0
Depreciation and amortisation	-4,397	-240	-71	-4,708
Other income and expenses	-1,051	9	139	-903
Overhead costs – financial and other	64	4	-68	0
Loss for the period from continuing operations	**-865**	**-92**	**0**	**-957**
Profit (loss) for the period from discontinued operations	0	0	0	0
Loss for the period	**-865**	**-92**	**0**	**-957**

*) In January 2014, the Company made a change in the segment reporting methodology. Individual segments are reported in amounts under IFRS. The comparative period was restated.

2013*)

(CZK million)	Passenger transportation	Administration of assets	Other	Total
Revenue from principal operations				
Revenue from passenger transportation	7,134	0	0	7,134
Payments from orderers	12,772	0	0	12,772
Other	17	0	0	17
	19,923	**0**	**0**	**19,923**
Purchased consumables and services				
Traction costs	-2,897	0	0	-2,897
Payment for the use of the railway route	-1,738	0	0	-1,738
Other purchased consumables and services	-4,248	-643	-332	-5,223
	-8,883	**-643**	**-332**	**-9,858**
Staff costs				
Payroll costs	-4,953	-179	-433	-5,565
Social security and health insurance	-1,622	-58	-124	-1,804
Statutory social costs	-264	-17	-3	-284
Statutory social costs - benefits arising from the collective agreement	-84	5	-8	-87
	-6,923	**-249**	**-568**	**-7,740**
Other operating income and expenses	384	858	-252	990
Intracompany income and expenses	-94	99	-5	0
Overhead costs – operating	-1,086	-71	1,157	0
Depreciation and amortisation	-4,088	-237	-87	-4,412
Other income and expenses	-1,379	11	2,265**)	-4,033
Overhead costs – financial and other	93	7	-100	0
Loss for the period from continuing operations	**-2,053**	**-225**	**-2,852**	**-5,130**
Profit (loss) for the period from discontinued operations	0	0	0	0
Loss for the period	**-2,053**	**-225**	**-2,852**	**-5,130**

*) In January 2014, the Company made a change in the segment reporting methodology. Individual segments are reported in amounts under IFRS. The comparative period was restated.

**) Other income and expenses include the impairment of the equity investments in ČD Cargo (CZK (2,852) 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 2014 financial statements date, intensive negotiations are pending with regard to amendments to long-term contracts for 2015. Four amendments have been concluded for 2015, other seven have been discussed and are currently being discussed by the regional authorities. 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 2015 – in the amount of the prepayments from 2014.

15 Discontinued Operations and Assets Held for Sale

15.1 Assets Held for Sale

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Intangible assets	0	0	0
Land	25,368	53,922	60,000
Buildings	24,086	5,239	172,551
Investments in subsidiaries and associates	0	0	0
Total	**49,454**	**59,161**	**232,551**

16 Property, Plant and Equipment

(CZK '000)

Cost	Balance at 1 Jan 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Land	6,021,726	7,461	23,599	-82,735	5,922,853	6,819	654	9,680	5,938,698
Structures	13,789,729	196,912	87,140	-117,632	13,781,869	43,828	30,031	-164,172	13,631,494
Individual movable assets	70,258,366	9,205,900	1,212,343	497	78,252,420	6,311,581	1,749,788	9,566	82,823,779
- Machinery, equipment, and furniture and fixtures	*2,285,981*	*28,075*	*64,524*	*-261*	*2,249,271*	*37,624*	*54,699*	*9,670*	*2,241,866*
- Vehicles	*63,552,193*	*9,118,034*	*1,114,070*	*758*	*71,556,915*	*6,228,573*	*1,661,238*	*-104*	*76,124,146*
- Vehicles acquired under finance leases	*4,372,021*	*59,791*	*29,180*	*0*	*4,402,632*	*45,384*	*30,330*	*0*	*4,417,686*
- Other	*48,171*	*0*	*4,569*	*0*	*43,602*	*0*	*3,521*	*0*	*40,081*
Other assets	3,103	9 840	0	0	12,943	0	121	0	12,822
Assets under construction	2,128,468	7,516,898	20,973	-8,279,913	1,344,480	4,939,878	25,619	-5,111,268	1,147,471
Prepayments	3,973,846	0	3,003,374	0	970,472	0	853,585	0	116,887
Total	**96,175,238**	**16,937,011**	**4,347,429**	**-8,479,783**	**100,285,037**	**11,302,106**	**2,659,798**	**-5,256,194**	**103,671,151**

(CZK '000)

Accumulated depraciation	Balance at 1 Jan 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Structures	6,604,956	281,968	78,454	-154,350	6,654,120	277,981	22,843	-72,860	6,836,398
Individual movable assets	32,580,906	3,850,789	1,092,850	194	35,339,039	4,035,160	1,541,734	3,118	37,835,583
- Machinery, equipment, and furniture and fixtures	*1,693,441*	*94,951*	*64,240*	*-258*	*1,723,894*	*80,886*	*42,155*	*3,396*	*1,766,021*
- Vehicles	*30,082,794*	*3,527,520*	*995,774*	*452*	*32,614,992*	*3,721,396*	*1,470,526*	*-278*	*34,865,584*
- Vehicles acquired under finance leases	*759,963*	*227,538*	*28,299*	*0*	*959,202*	*232,278*	*25,564*	*0*	*1,165,916*
- Other	*44,708*	*780*	*4,537*	*0*	*40,951*	*600*	*3,489*	*0*	*38,062*
Other assets	61	0	0	0	61	0	0	0	61
Total	**39,185,923**	**4,132,757**	**1,171,304**	**-154,156**	**41,993,220**	**4,313,141**	**1,564,577**	**-69,742**	**44,672,042**

(CZK '000)

Impairment	Balance at 1 Jan 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Land	39,514	16,612	0	0	56,126	2,876	0	0	59,002
Structures	43,433	11	0	0	43,444	0	4,024	0	39,420
Individual movable assets	622,512	263,924	129,558	0	756,878	192,904	174,675	0	775,107
- Machinery, equipment, and furniture and fixtures	*1,484*	*661*	*1,484*	*0*	*661*	*512*	*0*	*0*	*1,173*
- Vehicles	*621,028*	*263,263*	*128,074*	*0*	*756,217*	*192,392*	*174,675*	*0*	*773,934*
Assets under construction	0	68,814	0	0	68,814	66,419	0	0	135,233
Total	**705,459**	**349,361**	**129,558**	**0**	**925,262**	**262,199**	**178,699**	**0**	**1,008,762**

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 2013	Balance at 31 Dec 2013	Balance at 31 Dec 2014
Land	5,982,212	5,866,727	5,879,696
Buildings	7,141,340	7,084,305	6,755,676
Individual movable assets	37,054,948	42,156,503	44,213,089
- Machinery, equipment, and furniture and fixtures	*591,056*	*524,716*	*474,672*
- Vehicles	*32,848,371*	*38,185,706*	*40,484,628*
- Vehicles acquired under finance leases	*3,612,058*	*3,443,430*	*3,251,770*
- Other	*3,463*	*2,651*	*2,019*
Other assets	3,042	12,882	12,761
Assets under construction	2,128,468	1,275,666	1,012,238
Prepayments	3,973,846	970,472	116,887
Total	**56,283,856**	**57,366,555**	**57,990,347**

Principal additions from 1 January 2013 to 31 December 2014 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. In the year ended 31 December 2014, the Company provided no significant prepayments. As of 31 December 2013, this primarily involved the purchase of train sets for regional transportation and purchase of seven Siemens Viaggio Comfort trains.

In 2014, the Company acquired fixed assets financed through government grants in the amount of CZK 588,202 thousand (2013: CZK 1,568,619 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 2014, 2013 and 1 January 2013 is the loss on the 680 series tilting trains (Pendolino) amounting to CZK 581,541 thousand, CZK 609,233 thousand and CZK 492,953 thousand, respectively. In 2013, the impairment was determined on the basis of an independent expert's assessment reflecting the market value net of the costs of sale. In 2014, the independent expert's assessment does not indicate any decline in the value. The costs and income associated with the Pendolino trains are reported in the Passenger Transportation segment.

The Company records a set of assets with the net book value of CZK 3,978 million that primarily include railway station buildings and land and real estate relating to their operations. This real estate is used not only by the Company, but also by other participants in the railway transport operations in the Czech Republic. The Company is planning to transfer this real estate to another state organisation and focus on its core business activities. In order to determine a potential impairment of these assets, the Company assessed the recoverable value in line with accounting policies and concluded that the assets show no signs of impairment reported in the Company's accounting records. The principal assumptions underlying the recoverable value primarily include the amount of rental for the use of this real estate by railway transporters and Správa Železniční Dopravní Cesty s.o., grants received to cover the operating expenses relating to the redundant capacity of this real estate and capital expenditures for the renovation of these assets. The recoverable value was assessed by an external advisory firm based on the discounted cash flows method using the 7.7 % discount rate.

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 2,442,202 thousand that were pledged as collateral, of which train sets of the 471 series amounted to CZK 2,060,091 thousand, the Ampz passenger coaches amounted to CZK 190,560 thousand and the Bmz passenger coaches amounted to CZK 191,551 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 236,482 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)	2014	2013
Balance at the beginning of the year	2,162,067	2,171,692
Additions from subsequent capitalised expenses	7,330	13,339
Disposals	50	-9,175
Disposals, annual depreciation	-76,444	-75,425
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	226,467	105,404
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	-137,808	16,364
Transfers to assets held for sale (from IAS 40 to IFRS 5)	-8,031	-58,031
Change in the value	-56,043	273
Transfers of assets held for sale (from IFRS 5 to IAS 40)	22,597	-2,374
Balance at the end of the year	**2,140,185**	**2,162,067**

(CZK '000)	Balance at 31 Dec 2014	Balance at 31 Dec 2013	Balance at 1 Jan 2013
Cost	3,732,862	3,509,998	3,454,630
Accumulated depreciation	-1,648,703	-1,347,658	-1,282,650
Impairment	56,026	-273	-288
Net book value	**2,140,185**	**2,162,067**	**2,171,692**

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 m^2 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 2014, 2013 and 1 January 2013 is CZK 6,033,000 thousand, CZK 4,085,062 thousand and CZK 5,281,562 thousand, respectively. In terms of the method used to arrive at the fair value, investment property has been included in level 3.

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 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Development costs	95,907	0	0	0	95,907	0	93,892	0	2,015
Software	541,125	106,243	8,303	0	639,065	74,971	10,305	-132	703,599
Valuable rights	543,668	19,887	0	0	563,555	20,420	0	0	583,975
Other assets	760	0	0	0	760	0	760	0	0
Assets under construction	110,148	60,628	0	-87,007	83,769	96,444	0	-104,191	76,022
Total	**1,291,608**	**186,758**	**8,303**	**-87,007**	**1,383,056**	**191,835**	**104,957**	**-104,323**	**1,365,611**

(CZK '000)

Accumulated amortisation	Balance at 1 Jan 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2013	Additions	Disposals	Reclassification	Balance at 31 Dec 2014
Development costs	95,907	0	0	0	95,907	0	93,892	0	2,015
Software	486,621	56,102	8,602	0	534,121	76,189	3,041	-132	607,137
Valuable rights	399,388	60,744	0	0	460,132	44,439	0		504,571
Other assets	760	0	0	0	760	0	760	0	0
Total	**982,676**	**116,846**	**8,602**	**0**	**1,090,920**	**120,628**	**97,693**	**-132**	**1,113,723**

(CZK '000)

Net book value	Balance at 1 Jan 2013	Balance at 31 Dec 2013	Balance at 31 Dec 2014
Development costs	0	0	0
Software	54,504	104,944	96,462
Valuable rights	144,280	103,423	79,404
Other assets	0	0	0
Assets under construction	110,148	83,769	76,022
Total	**308,932**	**292,136**	**251,888**

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 - DISOD, SAP R/3, In card.

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 2014	Value of investment as of 31 Dec 2013	Value of investment as of 1 Jan 2013
Výzkumný Ústav Železniční, a. s.	Prague	382,711	382,711	382,711
ČD – Telematika a. s.	Prague	939,905	939,905	939,905
DPOV, a. s.	Přerov	385,291	385,291	385,291
ČD Cargo, a. s.	Prague	5,907,679	5,907,679	8,760,000
ČD – Informační systémy, a.s.	Prague	121,880	121,880	121,880
Dopravní vzdělávací institut, a. s.	Prague	6,009	6,009	6,009
ČD travel, s. r. o.	Prague	7,621	7,621	7,621
Total		**7,751,096**	**7,751,096**	**10,603,417**

Name of the entity	Principal activities	Ownership percentage as of 31 Dec 2014	Ownership percentage as of 31 Dec 2013	Ownership percentage as of 1 Jan 2013
Výzkumný Ústav Železniční, a. s.	Research and development in rail vehicles	100 %	100 %	100 %
ČD – Telematika a. s.	Provision of ICT 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 ICT services	100 %	100 %	100 %
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 %

The Company regularly tests 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. The impairment of the equity investment remained the same as of 31 December 2014.

The Company regularly tests the equity investment in ČD – Telematika a.s. for impairment. In doing so, it refers to the results of the testing of the impairment of individual asset items as performed by ČD – Telematika a.s. for financial reporting purposes. The fixed assets of this entity are replaced, maintained and used by the entity on an ongoing basis and no temporary or permanent decrease in the value in use or market value of the assets was identified as compared to the net book value in the accounting records pursuant to the inventory count. The most significant item of assets is the set of tangible and intangible assets relating to transmission grids. A significant assumption for assessing the impairment risk is their market value derived from the future use of the grid on the market of telecommunication services in the Czech Republic and the development of the market as such. Pursuant to the above assessments, ČD recognised no provisions against the equity investment in ČD – Telematika a.s.

19.1.1 Details on Significant Co-owned Subsidiaries

Summary of financial information on ČD – Telematika a. s.

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Fixed assets	1,797,671	1,784,057
Current assets	1,140,218	865,374
Long-term payables	150,519	191,539
Short-term payables	988,172	748,618
Equity	1,799,198	1,709,274

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Income	1,465,246	1,228,280
Expenses	-1,375,323	-1,201,814
Profit for the period	89,923	26,466
Profit attributable to company owners	53,333	15,697
Other comprehensive income attributable to company owners	0	0
Total comprehensive income attributable to company owners	53,333	15,697
Net cash flows from operating activities	395,697	214,774
Net cash flows from investment activities	-124,211	-44,708
Net cash flows from financing activities	-25,857	-230,378
Net cash flow	**245,629**	**-60,312**

19.2 Information on Associates

(CZK '000)

Name of the entity	Registered office	Investment as of 31 Dec 2014	Investment as of 31 Dec 2013	Investment as of 1 Jan 2013
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	Ownership percentage as of 31 Dec 2014	Ownership percentage as of 31 Dec 2013	Ownership percentage as of 1 Jan 2013
JLV, a. s.	Catering services	38.79 %	38.79 %	38.79 %
Masaryk Station Development, a.s.	Development of the Prague Masaryk train station locality	34 %	34 %	34 %

Summary of financial information on associates:

(CZK '000)

31 December 2014	Masaryk Station Development, a.s.	JLV, a. s.	Total
Total assets	107,494	418,623	526,117
Total liabilities	136,360	95,269	231,629
Net assets	-28,866	323,354	294,488
Share of the Company in associates' net assets	**-9,814**	**125,429**	**115,615**
Total income	8,748	348,232	356,980
Profit for the period	-4,891	14,820	9,929
Share of the Company in associates' profit for the period	**-1,663**	**5,749**	**4,086**

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**

1 January 2013	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**

19.3 Information on Joint Ventures

(CZK '000)

Name of the entity	Registered office	Investment as of 31 Dec 2014	Investment as of 31 Dec 2013	Investment as of 1 Jan 2013
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	19,310	0
Total		**21,312**	**21,312**	**2,002**

*) In the previous reporting period, the investment was treated as immaterial. In the financial statements as of 1 January 2013, 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 2014	Investment as of 31 Dec 2013	Investment as of 1 Jan 2013
Smíchov Station Development, a. s.	Development of the Prague Smíchov railway station locality	51 %	51 %	51 %
Žižkov Station Development, a. s.	Development of the Prague Žižkov railway station locality	51 %	51 %	51 %
Centrum Holešovice a. s.	Development of the Prague 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 2014	Smíchov Station Development, a. s.	Žižkov Station Development, a. s.	Centrum Holešovice a. s.	RAILREKLAM, spol. s r. o.	Total
Total assets	52,120	7,601	26,476	62,627	148,824
Total liabilities	67,280	6,300	26,249	20,398	120,227
Net assets	-15,160	1,301	227	42,229	28,597
The Company's share of net assets	**-7,732**	**664**	**116**	**21,537**	**14,584**
Total income	0	0	0	102,552	102,552
Profit for the period	-2,243	-174	-11	6,397	3,969
The Company's share of profit	**-1,144**	**-89**	**-6**	**3,262**	**2,024**

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**

1 Jan 2013	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**

20 Inventories

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Spare parts for machinery and equipment	66,008	65,938	67,563
Spare parts and other components for rail vehicles and locomotives	672,675	628,618	600,414
Other machinery, tools and equipment and their spare parts	68,240	83,608	84,628
Fuels, lubricants and other oil products	26,301	24,182	26,993
Work clothes, work shoes, protective devices	99,100	97,771	123,680
Other	68,118	73,503	69,324
Total cost	**1,000,442**	**973,620**	**972,602**
Write-down of inventories to their net realisable value	-25,201	-66,366	-13,006
Total net book value	**975,241**	**907,254**	**959,596**

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

21 Trade Receivables

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Long-term	0	0	0
Short-term	1,297,192	1,424,884	1,328,502
Total	**1,297,192**	**1,424,884**	**1,328,502**

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 2014	Gross	1,282,532	13	8,679	18,169	35,059	121,241	183,161	1,465,693
	Allowances	-14,520	0	0	-14,520	-28,804	-110,657	-153,981	-168,501
	Net	**1,268,012**	**13**	**8,679**	**3,649**	**6,255**	**10,584**	**29,180**	**1,297,192**
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**
1 Jan 2013	Gross	1,249,736	34,605	14,776	10,402	13,740	67,420	140,943	1,390,679
	Allowances	0	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**

21.2 Movements in Allowances for Doubtful Receivables

(CZK '000)	2014	2013
Balance at the beginning of the year	166,266	62,177
Recognition of allowances	137,072	186,760
Use of allowances	-134,837	-82,671
Balance at the end of the year	**168,501**	**166,266**

22 Other Financial Assets

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Financial assets for sale	307,872	307,872	327,184
Receivables from finance leases	96,152	103,996	109,132
Hedging derivatives	1,386,875	1,175,760	258,047
Other	5,730	7,892	11,243
Total non-current financial assets	**1,796,629**	**1,595,520**	**705,606**
Receivables from finance leases	-7,641	-7,026	-6,784
Hedging derivatives	48,818	85,343	29,397
Group cash pooling	96,766	62,067	0
Other	117,673	85,205	68,036
Total current financial assets	**255,616**	**225,589**	**90,649**
Total	**2,052,245**	**1,821,109**	**796,255**

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 2014	31 Dec 2013	1 Jan 2013	31 Dec 2014	31 Dec 2013	1 Jan 2013
Under 1 year	4,609	4,302	4,131	-7,641	-7,026	-6,784
From 1 to 5 years	43,970	28,099	26,569	-17,027	-29,410	-27,694
5 years and more	459,181	475,141	463,430	113,179	133,406	136,826
Total	**507,760**	**507,542**	**494,130**	**88,511**	**96,970**	**102,348**
Less: unrealised financial income	-419,249	-410,572	-391,782	0	0	0
Present value of receivables of minimum lease payments	**88,511**	**96,970**	**102,348**	**88,511**	**96,970**	**102,348**
In the statement of financial position as:						
– Other current financial assets				-7,641	-7,026	-6,784
– Other non-current financial assets				96,152	103,996	109,132
Total				**88,511**	**96,970**	**102,348**

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 2014	31 Dec 2013	1 Jan 2013
Total non-current assets	**3,523**	**6,141**	**33,922**
Prepayments made	100,692	89,813	102,076
Tax receivables (except for the corporate income tax)	519,253	512,775	431,258
Prepaid expenses	55,307	51,253	51,433
Other	109,570	43,891	53,377
Total current assets	**784,822**	**697,732**	**638,144**
Total	**788,345**	**703,873**	**672,066**

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 CZK1 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 2014	31 Dec 2013	1 Jan 2013
Share premium	16,438,594	16,438,594	16,438,594
Statutory reserve fund	100,951	100,951	100,951
Cash flow hedging reserve	-573,546	-237,445	-214,362
Total	**15,965,999**	**16,302,100**	**16,325,183**

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

24.2.1 Cash Flow Hedging Reserve

(CZK '000)	2014	2013
Balance at the beginning of the year	-237,445	-214,362
Revaluation loss	-360,952	-27,295
Settled deferred derivatives	-4,278	-21,438
Reclassification to profit or loss	29,129	25,650
Total change in the cash flow hedging reserve	**-336,101**	**-23,083**
Relating income tax	0	0
Balance at the year-end	**-573,546**	**-237,445**

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 2014	31 Dec 2013	1 Jan 2013
Loan from ČSOB	0	281,283	257,617
Payable to EUROFIMA	1,250,380	1,239,761	377,100
Short-term issued promissory notes	0	0	0
Payables from finance leases	449,272	433,322	398,563
Group cash pooling	116,515	42,201	0
Overdraft accounts	0	0	0
Issued bonds	410,817	383,624	314,342
Total short-term	**2,226,984**	**2,380,191**	**1,347,622**
Payable to EUROFIMA	1,663,500	2,879,625	3,770,950
Issued bonds	25,515,628	20,369,051	15,003,808
Loan from ČSOB	0	0	257,617
Payables from finance leases	1,906,827	2,355,713	2,742,481
Total long-term	**29,085,955**	**25,604,389**	**21,774,856**
Total	**31,312,939**	**27,984,580**	**23,122,478**

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 2014 was CZK 27 thousand (2013: CZK 2,908 thousand, 2012: CZK 13,445 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 4.50 % p.a. The issue rate was 99.479 %. These bonds are listed on the Luxembourg stock exchange.

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 bonds are listed on the Luxembourg stock exchange.

On 25 July 2013, the Company issued domestic 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 float interest yield paid on a half-year basis which is composed of the 6M PRIBOR rate plus a margin of 1.70 % p.a. The bonds are listed on the Regulated Market of the Prague Stock Exchange (Regulovaný trh Burzy cenných papírů Praha, a.s.).

On 5 November 2014 the Company issued a EUR 180 million dual tranche debt private placement, consisting of a EUR 30 million 2.875 % standalone bond with maturity of 10 years and a EUR 150 million 3.50 % registered note („Namensschuldverschreibung") with maturity of 15 years.

On 25 November 2014, the Company made the last loan repayment pursuant to the 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 was 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 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 2014**	**31 Dec 2013**	**1 Jan 2013**	**31 Dec 2014**	**31 Dec 2013**	**1 Jan 2013**
Less than 1 year	521,423	523,088	517,007	449,272	433,323	398,563
From 1 to 5 years	1,627,243	1,865,897	1,972,854	1,466,061	1,640,552	1,642,237
5 years and more	455,775	755,459	1,193,438	440,766	715,160	1,100,244
Total	**2,604,441**	**3,144,444**	**3,683,299**	**2,356,099**	**2,789,035**	**3,141,044**
Less future finance expenses	-248,342	-355,409	-542,255			
Present value of minimum lease payments	**2,356,099**	**2,789,035**	**3,141,044**	**2,356,099**	**2,789,035**	**3,141,044**
In the statement of financial position as:						
– short-term loans				*449,272*	*433,322*	*398,563*
– long-term loans				*1,906,827*	*2,355,713*	*2,742,481*
Total				**2,356,099**	**2,789,035**	**3,141,044**

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 2013**	**Charge**	**Use**	**Balance at 31 Dec 2013**	**Charge**	**Use**	**Balance at 31 Dec 2014**
Provision for rents	6,511	206	1,969	4,748	197	496	4,449
Provision for legal disputes	280,885	237,207	7,286	510,806	318,487	54,852	774,441
Provision for outstanding vacation days	44,088	47,102	44,088	47,102	58,022	47,102	58,022
Provision for removal of the environmental burden	34,304	0	30,471	3,833	0	3,833	0
Provisions for employees benefits	260,883	58,207	82,270	236,820	112,181	83,715	265,286
Total provisions	**626,671**	**342,722**	**166,084**	**803,309**	**488,887**	**189,998**	**1,102,198**
– long-term	*168,960*			*146,474*			*171,931*
– short-term	*457,711*			*656,835*			*930,267*

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. All costs have been invoiced, the provision was released in 2014. 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 Company recognises a provision for legal disputes according to the anticipated result of all ongoing legal disputes and the relating cash outflows of the Company. The detailed information on other legal disputes cannot be disclosed by the Company as it might negatively impact its position.

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 2014	Short-term	4,458,803	6,180	3,872	597	166,147	7,207	184,003	4,642,806
31 Dec 2013	Short-term	4,641,466	26,078	3,928	4,427	2,081	5,548	42,062	4,683,528
1 Jan 2013	Short-term	4,973,555	124,970	9,352	2,242	24,189	42,574	203,327	5,176,882

28 Other Financial Liabilities

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Financial derivatives	470,565	114,622	305,873
Other	71,338	86,401	116,533
Total long-term	**541,903**	**201,023**	**422,406**
Financial derivatives	176,749	64,448	63,367
Other	22,369	26,279	36,126
Total short-term	**199,118**	**90,727**	**99,493**
Total	**741,021**	**291,750**	**521,899**

29 Other Liabilities

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Total long-term	**0**	**0**	**0**
Received prepayments	268,372	284,709	256,463
Payables from the transition period (SŽDC - transformation)	0	0	12,585
Payables to employees	669,605	681,889	675,934
Social security and health insurance payables	220,550	219,502	213,231
Other	532,444	659,806	674,684
Total short-term	**1,690,971**	**1,845,906**	**1,832,897**
Total	**1,690,971**	**1,845,906**	**1,832,897**

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

2014

(CZK '000)	Sale of inventories	Sale of services	Other income	Total
ČD – Telematika a. s.	0	33,477	1,370	34,847
Výzkumný Ústav Železniční, a. s.	2	1,747	667	2,416
DPOV, a.s.	180,381	34,511	4,582	219,474
ČD Cargo, a. s.	638,615	171,336	3,149	813,100
ČD - Informační systémy, a.s.	3	15,540	293	15,836
JLV, a. s.	0	11,974	128	12,102
Dopravní vzdělávací institut, a.s.	147	3,469	1,700	5,316
ČD travel, s.r.o.	36	8,400	1,839	10,275
Total	**819,184**	**280,454**	**13,728**	**1,113,366**

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**

30.2 Purchases from Subsidiaries and Associates

2014

(CZK '000)	Purchase of material	Services	Other expenses	Total
ČD - Telematika a. s.	3,782	27,374	19	31,175
Výzkumný Ústav Železniční, a. s.	0	202	16	218
DPOV, a.s.	10,532	60,075	1,156	71,763
ČD Cargo, a.s.	1,388	20,420	1,217	23,025
ČD - Informační systémy, a.s.	7,556	171,714	79	179,349
JLV, a. s.	1	128,177	1,400	129,578
Dopravní vzdělávací institut, a.s.	0	35,705	0	35,705
ČD travel, s.r.o.	0	27,914	0	27,914
Total	**23,259**	**471,581**	**3,887**	**498,727**

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**

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

(CZK '000)

Sales	Intangible fixed assets 2014	Tangible fixed assets 2014	Intangible fixed assets	Tangible fixed assets 2013
ČD - Telematika a. s.	0	1	183	393
Výzkumný Ústav Železniční, a. s.	0	22,327	0	0
DPOV, a.s.	0	0	0	0
ČD Cargo, a.s.	0	1,556	0	0
Dopravní vzdělávací institut, a.s.	0	0	0	0
Total	**0**	**23,884**	**183**	**393**

(CZK '000)

Purchases	Intangible fixed assets 2014	Tangible fixed assets 2014	Non-current financial assets 2014	Intangible fixed assets 2013	Tangible fixed assets 2013	Non-current financial assets 2013
ČD - Telematika a. s.	0	163,732	0	0	0	0
Výzkumný Ústav Železniční, a. s.	0	0	0	0	152	0
DPOV, a.s.	0	751,058	0	0	714,369	0
ČD Cargo, a.s.	0	0	0	0	64	0
ČD - Informační systémy, a.s.	33,401	0	0	17,510	0	0
Total	**33,401**	**914,790**	**0**	**17,510**	**714,585**	**0**

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 2014	Receivables	Payables
ČD - Telematika a. s.	58,632	13,713
Výzkumný Ústav Železniční, a. s.	304	23
DPOV, a.s.	49,669	317,014
ČD Cargo, a.s.	206,452	4,089
JLV, a. s.	483	46,785
ČD - Informační systémy, a.s.	12,176	48,491
Dopravní vzdělávací institut, a.s.	78	3,322
ČD travel, s.r.o.	2,232	4,930
Total	**330,026**	**438,367**

(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)

1 Jan 2013	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
ČD Logistics, a.s.	169	5,370
Ostravská dopravní společnost, a.s.	5,308	8,542
Total	**312,423**	**350,094**

Related party transactions were conducted on an arm's length basis reflecting the amount of purchased goods and relationships between parties.

Outstanding balances are not collateralised and are paid in cash. No guarantees were received or provided. In the reporting period and prior reporting periods, the Company reported no expenses relating to bad or doubtful receivables from related parties.

30.5 Contractual Obligations relating to Expenses

As of the financial statements preparation date, the Company concluded contracts for the purchase of fixed assets, inventory and services with related parties:

(CZK '000)	31 Dec 2014	31 Dec 2013
ČD - Telematika a. s.	530,732	843,958
Výzkumný Ústav Železniční, a. s.	8	1,876
DPOV, a.s.	2,355,814	3,081,619
ČD Cargo, a.s.	32,665	41,687
JLV, a. s.	186,302	303,754
ČD - Informační systémy, a.s.	475,006	483,022
Dopravní vzdělávací institut, a.s.	70,770	64,559
ČD travel, s.r.o.	55,611	51,276
RAILREKLAM, spol. s r.o.	11,085	8,290
ČD Restaurant, a.s.	0	17,088
Masaryk Station Development, a.s.	3	0
Total	**3,717,996**	**4,897,129**

30.6 Loans to Related Parties

In the year ended 31 December 2014, České dráhy, a.s. provided a loan to Výzkumný Ústav Železniční, a.s. of CZK 50,000 thousand with the maturity in May 2015. (In 2013, the Company provided a loan to DPOV, a.s. of CZK 20,000 thousand). As of 1 January 2013, 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 47,683 thousand in 2014 (2013: CZK 100,960 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 10,464 thousand and CZK 4,979 thousand in 2014 and 2013, 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 the use of the railway route and purchase of electricity.

The expenses and income resulting from the transactions conducted with SŽDC and the ČEZ group were as follows:

(CZK '000)	2014		2013	
	SŽDC	**ČEZ group**	**SŽDC**	**ČEZ group**
Expenses	2,579,187	619,145	2,544,556	799,425
Income	258,234	1,758	213,693	3,017

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

(CZK '000)	31 Dec 2014		31 Dec 2013		1 Jan 2013	
	SŽDC	**ČEZ group**	**SŽDC**	**ČEZ group**	**SŽDC**	**ČEZ group**
Receivables ("Trade receivables" line)	12,831	6,998	11,751	5,168	15,477	4,383
Payables ("Trade payables" line)	525,584	177,396	552,982	228,767	514,824	253,929
Prepayments made ("Other assets" short-term line)	42,997	573	27,222	753	31,628	724
Received prepayments ("Other liabilities" short-term line)	67,674	2,404	71,462	107	61,147	2,829
Estimated payables ("Trade payables" line)	8,187	0	4,656	0	0	988
Estimated receivables ("Trade receivables" line)	66,908	0	57,172	23	46,552	287

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 2014	31 Dec 2013	1 Jan 2013
Cash on hand and cash in transit	52,914	61,232	89,511
Cash at bank	2,304,196	765,689	712,727
Depository promissory notes	250,000	0	0
Receivables/payables from cash pooling	-19,748	19,866	0
Total	**2,587,362**	**846,787**	**802,238**

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 2014, 31 December 2013 and 1 January 2013 amount to CZK 7,675 thousand, CZK 6,142 thousand and CZK 6,289 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 2014 and 2013 amounted to CZK 44,827 thousand and CZK 49,207 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 2014 from investment property based on the operating leases amounts to CZK 518,122 thousand (2013: CZK 536,822 thousand).

Direct operating expenses relating to investment property for the period amounted to CZK 212,889 thousand (2013: CZK 203,064 thousand).

Income from operating leases of movable assets in 2014 amounts to CZK 110,860 thousand (2013: CZK 211,783 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 11,062 million, of which CZK 3,237 million relates to supplies agreed for 2015 and CZK 2,838 million relates to supplies agreed for the following years. The remaining amount of CZK 4,987 million was paid as of 31 December 2014. A significant part of the obligations relating to expenses (CZK 10,914 million) include investments in railway vehicles.

34 Contingent Liabilities and Contingent Assets

In the ongoing arbitration proceedings, Škoda Transportation a.s. is claiming the total amount of approximately CZK 1,088 million and accrued interest. In these arbitration proceedings, České dráhy, a.s. (ČD) is claiming the total amount of approximately CZK 906 million and accrued interest plus the provision of authorisation for operating locomotives in Germany and Austria. The Company recognises a provision (refer to the provision for legal disputes) for part of the claimed amount where the Company considers the risk of future cash outflows to be material. The Company considers the other amounts claimed by Škoda Transportation a.s. and the total amount claimed by České dráhy a.s. to be conditioned by the outcome of the arbitration court which has not yet ruled on the merits of the above claims; for this reason, it is not possible to determine the form and amount of the final settlement.

In 2014, the audit bodies of the Ministry of Finance initiated an audit of the use of subsidies. The audit body is of the view that České dráhy breached the conditions underlying the subsidy by allowing the conclusion of an amendment that, according to the audit body, resulted in an unauthorised significant change in the contract in terms of the Public Procurement Act. České dráhy does not agree with the conclusions made by the audit body and is undertaking the relevant legal steps. The audit body did not conduct a comprehensive assessment of the matter. On the contrary, the amendment allowed České dráhy to use railway vehicles for its business activities and consequently generate profit and obtain a longer guarantee for the vehicles. The Company has not yet been called upon to refund the subsidy. The amount of subsidies that have been subject to the audit is CZK 825,590 thousand. The sanction in the form of the refund of the subsidy may amount up to 25 % of this amount according to the conditions.

The Company holds a 1 % equity investment in EUROFIMA. The shareholders of the entity are European national railway transporters and the purpose of this entity is to acquire funds for the funding of railway vehicle purchases. According to Article 5 of the Articles of Association, only 20 % of the equity investment value has been paid and the remaining 80 % can be required by EUROFIMA from its shareholders as needed pursuant to the resolution of the Management Board, in accordance with point 6 of Article 21 of the Articles of the Association. The nominal value of unpaid shares as of 31 December 2014 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 2014 and 2013 were CZK 29 million and CZK 32 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 provisions 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 provisions.

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, the Supervisory Board and the Steering Committee.

The Company uses issues of bonds as a principal source of long-term funding.

35.2 Significant Accounting Policies

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

35.3. Categories of Financial Instruments

(CZK '000)

Financial assets	31 Dec 2014	31 Dec 2013	1 Jan 2013
Cash and bank accounts	2,357,111	826,921	791,518
Financial derivatives used in hedge accounting	1,435,693	1,261,103	287,444
Held-to-maturity investments (term deposits and promissory notes)	250,000	0	10,720
Loans and receivables	1,605,872	1,677,018	1,510,129
Available-for-sale financial assets	307,872	307,872	327,184
Total	**5,956,548**	**4,072,914**	**2,926,995**

(CZK '000)

Financial liabilities	31 Dec 2014	31 Dec 2013	1 Jan 2013
Financial derivatives used in hedge accounting	647,314	179,070	369,240
Measured at amortised cost	36,049,452	32,780,788	28,452,019
Total	**36,696,766**	**32,959,858**	**28,821,259**

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	2014	2013	Reported in the statement of profit or loss line
Interest on cash in bank accounts	1,042	1,573	Other gains
Interest on cash pooling	956	686	Other gains
Interest on investments held to maturity (term deposits and promissory notes)	38	119	Other gains
Dividends from available-for-sale financial assets	1,129	1,926	Other gains
Total	**3,165**	**4,304**	

Impairment losses on financial assets are presented in the Note 'Trade receivables'. No significant 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 risks by materiality. 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 anticipated payments in a foreign currency up to 70 %.

The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities, net of the impact of currency hedging, at the end of the reporting period are as follows:

(CZK '000)

31 Dec 2014	EUR	USD	Other	Total
Financial assets	1,020,358	205	2,779	1,023,342
Financial liabilities	-25,793,934	-166	-424	-25,794,524
Total	**-24,773,576**	**39**	**2,355**	**-24,771,182**

(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)

1 Jan 2013	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**

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)	2014	2013
Translation of items denominated in foreign currencies at the end of the period	890,616	778,620
Change in the fair value of derivatives at the end of the period	-677,338	-543,348
Total impact on the profit for the period	**213,278**	**235,272**
Change in the fair value of derivatives at the end of the period	-110,665	-56,902
Total impact on other comprehensive income	**-110,665**	**-56,902**

35.5.2. Cross-currency Interest Rate Swaps

In accordance with the currency risk management requirements, the Company has entered into a cross-currency interest rate swap which reduces the risk of the 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 2014	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	667,000	4.07 %	-17,100,970	4.13 %	35,283
1 to 5 years	667,000	3.91 %	-17,100,970	4.09 %	1,325,154
5 years and more	177,000	3.40 %	-4,923,255	3.55 %	-176,941
Total					**1,183,496**

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**

1 Jan 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 %	-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**

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 the year ended 31 December 2014, the Company records no 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

The gain from fair value hedging instruments amounts to CZK 1,534 thousand and CZK 21,648 thousand for the years ended 31 December 2014 and 2013, respectively. The loss from the hedged item was identical and the hedging was fully effective.

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)	2014	2013
Interest from loans and lease with variable rate for the period	-3,899	-2,367
Change in the present value of long-term provisions at the end of the period	23,413	18,281
Change in the fair value of derivatives at the end of the period	0	0
Total impact on the profit for the period	**19,514**	**15,914**
Change in the fair value of derivatives at the end of the period	387,352	433,581
Total impact on other comprehensive income	**387,352**	**433,581**

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:

31 December 2014	**Hedging of interest rate from**	**Average contracted fixed interest rate**	**Principal**	**Fair value in CZK thousand**
Less than 1 year	Loans from Eurofima and ČSOB	1.50 %	EUR 105 million	-39,622
	float interest bonds	1.61 %	CZK 4,000 million	-47,749
	leases	1.23 %	CZK 1,158 million	-8,155
				-95,526
1 to 5 years	Loans from Eurofima and ČSOB	2.43 %	EUR 60 million	38,924
	float interest bonds	1.61 %	CZK 4,000 million	-139,328
	leases	1.23 %	CZK 753 million	-22,386
				-200,638
5 years and more	leases	1.23 %	CZK 207 million	-1,618
Total				**-297,782**

31 December 2013	**Hedging of interest rate from**	**Average contracted fixed interest rate**	**Principal**	**Fair value in CZK thousand**
Less than 1 year	Loans from Eurofima and ČSOB	1.13 %	EUR 160 million	-36,075
	float interest 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
	float interest 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**

1 January 2013	**Hedging of interest rate from**	**Average contracted fixed interest rate**	**Principal**	**Fair value in CZK thousand**
Less than 1 year	Loans from Eurofima and ČSOB	1.13 %	EUR 170 million	-33,016
1 to 5 years	Loans from Eurofima and ČSOB	1.19 %	EUR 160 million	-83,762
5 years and more	Loans from Eurofima and ČSOB	-	-	0
Total				**-116,778**

The Company settles the difference between the fixed and float 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 float 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 and traction electricity;
- 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)	**2014**	**2013**
Costs of oil consumption for the period *)	-137,920	-143,850
Change in the fair value of derivatives at the end of the period	-3,350	-1,865
Total impact on the profit for the period	**-141,270**	**-145,715**
Change in the fair value of derivatives at the end of the period	31,641	40,506
Total impact on other comprehensive income	**31,641**	**40,506**

*) 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**
31 Dec 2014	CZK 17,244	0	-1,556
	14,200 – 20,450 CZK/mt	2,040	-49,077
	773 - 970 USD/mt	10,200	-46,702
31 Dec 2013	CZK 17,244	4,560	8,783
	14,200 - 19,300 CZK/mt	20,520	18,357
1 Jan 2013	CZK 17,244	14,750	6,659
	17,010 - 19,300 CZK/mt	8,640	-986
	670 – 820 USD/mt	786	1,996

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. The credit quality of receivables that are not past their due dates and are not impaired in any other way, is good and corresponds to the carrying value.

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 (promissory notes 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 2014. In order to secure sufficient short-term liquidity, the Company has contracted commited credit facilities so that its available funds exceed its short-term liabilities. The liquidity balance is monitored by the Moody´s rating agency on an ongoing basis.

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 2014	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1,636,672	2,251,027	711,051	198,580	55,698	4,853,028
Derivatives	38,045	14,121	124,583	292,006	178,559	647,314
Finance lease liabilities	43,452	86,904	391,067	1,627,243	455,775	2,604,441
Float interest rate instruments	43,342	1,251,004	54,890	6,124,735	0	7,473,971
Fixed interest rate instruments	0	0	877,148	19,028,174	6,516,220	26,421,542
Total	**1,761,511**	**3,603,056**	**2,158,739**	**27,270,738**	**7,206,252**	**42,000,296**

(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
Float 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)

1 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	2,178,379	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
Float 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**

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 2014	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2,984,281	276,329	586,658	27,204	307,872	4,182,344
Finance lease assets	4,542	0	67	43,970	459,181	507,760
Fixed interest rate instruments	250,000	0	0	0	0	250,000
Hedging derivatives	0	0	48,818	1,386,875	0	1,435,693
Total	**3,238,823**	**276,329**	**635,543**	**1,458,049**	**767,053**	**6,375,797**

(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)

1 Jan 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	1,374,540	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**

35.9.2. Financing Facilities

The Company has access to the below loan facilities:

(CZK '000)	31 Dec 2014	31 Dec 2013	1 Jan 2013
Overdraft loan facilities:			
amount of the loan facility	*2,200,000*	*2,200,000*	*1,550,000*
amount unused	*2,200,000*	*2,200,000*	*1,550,000*
Promissory notes programme:			
amount of the loan facility	*5,000,000*	*3,000,000*	*3,000,000*
amount unused	*5,000,000*	*3,000,000*	*3,000,000*

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 Eurobonds with the carrying amount of CZK 16,940,581 thousand as of 31 December 2014. Pursuant to the calculation using interest rate curves, their fair value amounts to CZK 17,912,568 thousand as of 31 December 2014. As of 12 March 2015, the market value of the issues from 2011 and 2012 was listed at 104.786 % and 111.962 %, respectively.

The carrying value of Eurobonds issued in 2014 amounts to CZK 4,967,558 thousand as of 31 December 2014. Pursuant to the calculation using interest rate curves, their fair value amounts to CZK 5,237,779 thousand as of 31 December 2014.

Management of the Company believes that the carrying amount 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 2014, 31 December 2013 and 1 January 2013 are included in Level 2.

36 Post Balance Sheet Events

The Company is conducting a legal dispute with the Antimonopoly Office regarding the abuse of its dominant position and the relating imposed penalty of CZK 254 million. The Company has recognised a provision for this penalty. Pursuant to the legal remedies filed by ČD, the court revoked the ruling of the Chairman of the Antimonopoly Office on 1 April 2015. The case is being referred back to the Antimonopoly Office which is required to deal with the matter again and make additional inquiries as and when appropriate. The Company continues to treat the matter as being open and believes that the recognised provision is appropriate.

No other significant events occurred between the balance sheet date and the date of the preparation of the financial statements.

37 Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorised for issue on 8 April 2015.

Providing Information Pursuant to Act no. 106/1999 Coll., on 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., hereby publishes its annual report on its activities in providing information pursuant to the Act in 2014:

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 38 and 24 respectively. The latter figure also includes decisions issued regarding partially-declined requests when the applicant was partially satisfied (7 cases).

b) The number of submitted appeals against decisions:

A total of 10 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 ČD's decision to decline the information request and the summary of all expenses spent by ČD in connection with judicial proceedings regarding the rights and duties established by the law, including its staff costs and the costs of legal representation:

In the given period, one judgement regarding a review of the legality of ČD's decision to decline the information request was delivered to the obligated entity.

A copy of significant parts of the ruling:

i) The court rejected the appeal on the protection against the defendant's illegal intervention as unjustifiable.

i) The court rejected the plaintiff's proposal for the cancellation of the legally ineffective ruling of the obligatory entity as, in relation to this ruling, the plaintiff did not utilise proper remedial measures. The court also rejected the plaintiff's proposal that the court should directly order the defendant to provide the requested information because the conditions for such a procedure were not met in these judicial proceedings.

In the concerned period, ČD incurred no costs of legal proceedings on the rights and obligations in accordance with the legislation; ČD reported costs of CZK 5,000 including the costs to 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, two complaints against the procedure of settling the information request were submitted.

i) The complainant did not agree with the original handling of the request, although the request was dealt with in accordance with the legislation; nevertheless, the complaint was not supported by law and, as a consequence, was postponed as unjustified.

ii) The complainant filed a complaint in line with Section 16a (1) (b) of the Act which was delivered to České dráhy, a.s. after České dráhy, a.s. had sent a response to the information request to the complainant; for this reason, the complaint was postponed as unjustified.

Post Balance Sheet Events

By Resolution 187 of the Czech Government of 16 March 2015 on changes in the composition of the members of the Steering Committee of České dráhy, a.s., the Government:

I. Recalls Karel Dobeš as of 16 March 2015 from his position of Chairman of the Steering Committee of České dráhy, a.s.;

II. Cancels, as of 16 March 2015, the authorisation for activity in the Steering Committee of České dráhy, a.s. for

1. Jakub Kulhánek, Deputy Minister of Foreign Affairs,
2. Vladislav Koval;

III. Gives, as of 17 March 2015, authorisation for activity in the Steering Committee of České dráhy, a.s. for

1. Lukasz Kryńsky, Director of the Department of Advisors for the Ministry of Regional Development,
2. Jakub Landovský, Deputy Minister of Defence;

IV. Appoints, with effect from 17 March 2015, Tomáš Čoček, Deputy Minister of Transport, as Chairman of the Steering Committee of České dráhy a.s.

In January 2015, an out-of-court agreement was signed regarding the dispute about the price of consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The out-of-court agreement was concluded in the total amount of CZK 375,811 thousand, of which CZK 61,786 thousand relates to the settlement of damage due to traffic closures and CZK 314,025 thousand relates to the price of the consumed traction energy for 2009.

ČD, a.s. is conducting a legal dispute with the Antimonopoly Office (ÚOHS) regarding the abuse of its dominant position and the relating imposed penalty of CZK 254 million. The Parent Company has recognised a provision for this penalty. Pursuant to the legal remedies filed by ČD, the court revoked the ruling of the Chairman of the Antimonopoly Office on 1 April 2015. The case is being referred back to the Antimonopoly Office which is required to deal with the matter again and make additional inquiries as and when appropriate. The Parent Company continues to treat the matter as being open and believes that the recognised provision is appropriate.

ČD concluded a framework agreement for the supply of 11 electrical two-car vehicles of 650 series - RegioPanter. The contract amounts to CZK 1.2 billion. The validity of the framework contract is 48 months. A contract for supplying 2 train units was fulfilled; these will operate between Ostrava-Mošnov and Ostrava Airport in the Moravia-Silesia region. ČD has been pursuing to sign a contract on obtaining a subsidy from the Regional Operating Programme.

Responsibility for the ČD Group's Annual Report

Affidavit

With due care and to the best of our knowledge, the consolidated annual report gives a true and fair view of the financial position, business activities and operational results of the Company and its consolidated entity for the year ended 31 December 2014, and of the prospects of the future development of the financial position, business activities and operational results 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 2015

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

Roman Štěrba
Member of the Board of Directors
České dráhy, a.s.

Report on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Entities Controlled by the Same Controlling Entity for the Year Ended 31 December 2014

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 the Controlling Entity and the Controlled Entity and between the Controlled Entity and Entities Controlled by the Same Controlling Entity (hereinafter the "Report on Relations")

prepared under Section 82 of Act 90/2012 Coll. on Business Corporations and Cooperatives (the "Business Corporations Act") for the reporting period from 1 January 2014 to 31 December 2014.

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 the "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.

Related parties, for the purposes of the Report on Relations, include entities controlled, directly or indirectly, by the State.

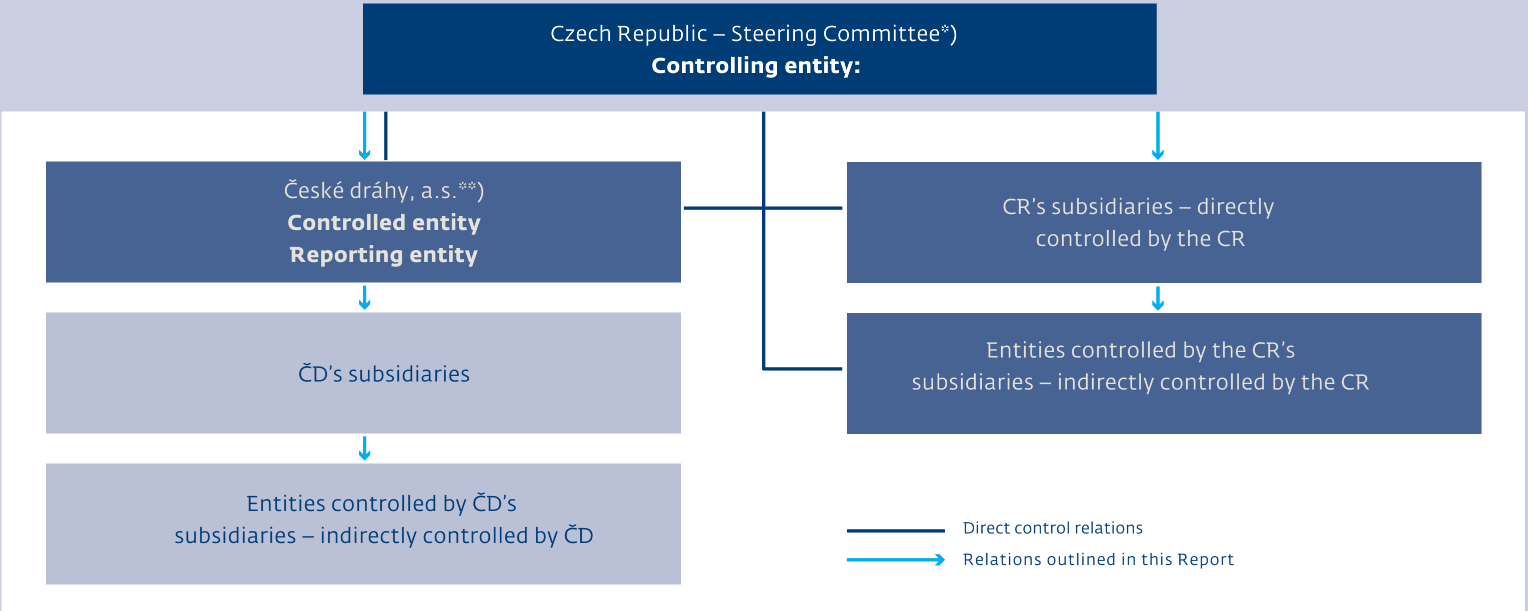
II. Manner and Means of Control

1) A directly controlled related party is a business corporation in which the State has a share of voting rights of at least 40 % of all the votes in the given business corporation, unless another entity or entities acting in concert have the same or a higher share of voting rights in the given business corporation. 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/2014/majetkove-ucasti-ministerstva-financi-ke-19686

2) An indirectly controlled related party is a business corporation controlled by an entity specified in paragraph 1). The Report on Relations only includes such related parties of which the Company is aware.

The Company's Board of Directors declares that it identified the relations between the Company and the State and between the Company and relevant related parties, and described the relations in the Report on Relations.

III. Structure of Relations between the Related Parties Controlled by the Czech Republic



*) The Czech Republic exercises the rights of a shareholder in the Company through the Company's Steering Committee. The Steering Committee comprises the relevant employees of the Ministry of Transport (three members), the Ministry of Finance (one member), the Ministry of Defence (one member), the Ministry of Industry and Trade (one member) and the Ministry of Regional Development (one member), authorised by the Government in writing.

**) In the structure of relations of the entities controlled by the Czech Republic, České dráhy, a.s., fulfils the role of the national railway carrier in terms of Sections 9 and 17 of Act No. 77/2002 Coll., as amended.

IV. Contracts Concluded between the Company and the State or the Company and Related Parties

This list below outlines the contracts concluded between the Company and the State and the Company and its related parties that were in effect in 2014.

ČEZ, a.s.

Contract	Description
E296-DS-0223/08	A Water and sewerage

Tepelné hospodářství města Ústí nad Labem s. r. o.

Contract	Description
E296-DS-0202/07-C	Heat and hot water supplies and offtake

MARTIA, a.s.

Contract	Description
E028-SOPS-M-UK05055	Operation of the heat device at Bílina railway station
E028-SOPS-M-UK05059	Operation of the heat device at Chomutov railway station
E028-SOPS-M-UK05067	Operation of the heat device at Ústí nad Labem - West station
E028-SOPS-M-UK05071	Operation of the heat device at Úpořiny railway station
E028-SOPS-M-UK05075	Provision of the heat device at Ústí nad Labem - North, workshops

ČEZ Prodej, s.r.o.

Contract	Description
E297-10_NN_1_02438410	Contract on the connection of an offtake device
E297-10_NN_1_02810919	Electricity connection
E002-13R-03526-SLU-001-TA	Electricity supplies in 2014
E008-23/2012-O8	Contract on supplies of traction electricity
E166-SML_D-EE-0577130	Contract on joint services of electricity supplies
E166-SML_D-EE-1074230	Electricity supplies - Hlinsko, Nádražní 545
E293-ELEKTŘINA71	Electric energy connection Okrouhlice
E294-E/06114284	Joint electricity supplies
E296-DS-0105/10-G	Electric energy
E296-DS-0106/10-G	Electric energy
E297-11_NN_1_03104725	Electric energy connection Pavlovice
E297-13_CEZDI_05691248	Joint supplies of electric energy
E297-13_CEZDI_05702646	Electricity services Nýřany 84 - Vladař

ČEZ Distribuce, a. s.

Contract	Description
E294-SJI/0013/2014	Contract on the right for construction in Náchod
E166-SML_K-006CT/2012	Contract on the conclusion of a future contract for connection
E166-SML_D-EE-0577130	Contract on joint services of electricity supplies
E166-SML_D-EE-1074230	Electricity supplies - Hlinsko, Nádražní 545
E296-DS-0014/11-G	Electric energy
E297-13_NN_11005691259	Contract on the connection of an electric device

E297-14_NN_1005761122	Contract on the connection of an electric device in Blovice
E297-14_NN_1005938456	Connection of an offtake device in Vejprnice
E297-14_NN_1006295562	Connection of an offtake electric device
E297-14_NN_11005805508	Contract on connection and electric energy
E297-14_SOP_02_4120993152	Connection of an offtake device in the place of offtake, distribution unit no. 4120993152
E297-14_SOP_03_4120993125	Connection of an offtake device in the place of offtake, distribution unit no. 4120993125
E408-03186059	Electric energy in Borová
2012295510014	ČEZ Distribuce, water supplies to own premises in Stránčice
E296-OS-0039/14-Y	Construction contract

ČEZ Teplárenská, a.s.

Contract	Description
E166-SML_D-EN-T-007TRU	Heat supplies to railway working unit in Trutnov
E294-T/0003/2009	Contract on the provision of heat supplies No. 6990
E296-DS-0018/10-C	Gas
E296-DS-0197/07-C	Heat supplies
E296-OS-0015/12-A	Water and sewerage

SD - Kolejová doprava, a.s.

Contract	Description
2013002513181	SD-Kolejová doprava – traction electricity 2013 and 2014
E018-70548/2009	Cooperation in MÚ SD Kolejová doprava
E296-OS-0022/13-T	Heat and hot water supplies
E296-OS-0026/13-A	Water and sewerage, precipitation water

ČEPRO, a.s.

Contract	Description
E296-DS-0091/07-A	Water and sewerage
E900-14C/08221/008/003/TA	Light fuel oil supplies (TOEL)

Ministry of Transport

Contract	Description
E-004-MD/2014	Contract on the lease of non-residential premises
2010004505195	Ministry of Transport – lease and services
E016-59075/2013	Czech Ministry of Transport - public service commitment-Pardubice-Liberec
E016-59076/2013	Czech Ministry of Transport - public service commitment-Plzeň-Most
E060-57808/2014	Czech Ministry of Transport – public transport commitment Pardubice-Liberec train timetable 2014-15
E060-58526/2014	Czech Ministry of Transport – public transport commitment Plzeň-Most train timetable 2014-15
E016-16/2009-190-EKO/1	Contract on public transport commitment in railway passenger transport

V. Other Relations

In the year ended 31 December 2014, the Company made no other legal acts in the interest or at the initiative of the controlling entity or the Company's related parties that would concern assets with a value exceeding 10 % of the Company's equity as determined in the most recent set of financial statements.

VI. Other Information

Credibility of information: Confidential information comprises information and facts that are part of the related parties' business secret and information that was designated as confidential by any entity that is part of the structure of relations described in this Report on Relations. In addition, confidential information includes any business information that could, on its own or in connection with other information, cause damage to any entity belonging to the structure of relations described in this Report on Relations. For this reason, the Report on Relations contains no information on the prices (or amounts) of construction work, supplies, services or the relevant amounts.

The auditor's report on the Report on Relations: This Report on Relations between related parties was reviewed by an auditor. The auditor's report is included in the Annual Report of the České dráhy Group for the year ended 31 December 2014.

VII. Declaration

All the above-specified contracts and amendments were concluded and the performance and counter-performance was provided under arm's length conditions. The Company suffered no detriment arising from the business relations.

The Company's statutory body states that the relations described in this Report on Relations primarily bring the Company advantages and that it is not aware of any risks arising for the Company from the relations described in this Report on Relations.

VIII. 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 controlling relations 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 Steering Committee.

In Prague on 31 March 2015

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

Roman Štěrba
Member of the Board of Directors
České dráhy, a.s.

Appendix 1

List of business corporations controlled by the State from 1 January 2014 to 31 December 2014 according the website of the Ministry of Finance

Company	Corporate ID	Share	Note
Exportní garanční a pojišťovací společnost, a.s.	45279314	40.00 %	
Severočeské mlékárny, a.s. Teplice	48291749	40.78 %	bankruptcy
Česká exportní banka, a.s.	63078333	41.60 %	
Ormilk, a.s.	60109092	46.99 %	bankruptcy
Municipální finanční společnost, a.s.	60196696	49.00 %	
ČEZ ,a.s.	45274649	69.37 %	
Kongresové centrum Praha, a.s.	63080249	54.35 %	
BH CAPITAL, a.s.	546682	71.89 %	liquidation
VIPAP VIDEM KRŠKO d.d.	(Slovenia)	96.50 %	
HOLDING KLADNO, a.s.	45144419	96.85 %	liquidation
Bohemia Crystalex Trading, a.s	25004085	97.19 %	Insolvency proceedings
CENTRUM - F, a.s.	13455	100.00 %	
ČEPRO, a.s.	60193531	100.00 %	
Český Aeroholding, a.s.	24821993	100.00 %	
DRIVE PRODUCTION FILM s.r.o.	25610830	100.00 %	liquidation
GALILEO REAL, k.s.	26175291	100.00 %	
Hotelinvest, a.s.	251976	100.00 %	bankruptcy
IMOB, a.s.	60197901	100.00 %	
JUNIOR centrum, a.s.	48154946	100.00 %	liquidation
MERO ČR, a.s.	60193468	100.00 %	
PRISKO a.s.	46355901	100.00 %	
STAVOCENTRAL, a.s.	47116943	100.00 %	liquidation
STROJÍRNY TATRA PRAHA, a.s.	674311	100.00 %	liquidation
Thermal - F, a.s.	25401726	100.00 %	
Výzkumný a zkušební letecký ústav, a.s.	10669	100.00 %	
PORCELÁN HOLDING, a.s.	25082442	50.00 %	Deleted from the Register of Companies on 10 Feb 2014
Explosia, a.s.	25291581	100.00 %	Transfer to the Czech Republic - Ministry of Industry and Trade as of 19 May 2014 based Czech Government Resolution No. 218/2014

Report on the Quality Assessment of Services Provided in 2014

ČD's quality standards determine a single quality level of provided services to passengers and orderers and are based on the Company's current financial abilities.

The quality management system in ČD is applied in the scope of all requirements as defined in the ČSN EN ISO 9001 and ČSN OHSAS 18001 norms.

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.

Where the level of compliance with individual standards for the defined period was lower than the determined minimum value, the individual organisational units are obliged to verify the reasons, adopt measures remedying the situation and implement them immediately.

Sheet of standards		Level of requirement	2014	Meeting the standards
1.	**Information and tickets**			
1.1.	**Sale and inspection of tickets on trains**	**99 %**	**98 %**	**Not met**
1.2.	**Providing information on trains**	**99 %**	**99 %**	**Met**
1.3.	**Sale of tickets at railway stations**	**99 %**	**96 %**	**Not met**
1.4.	**Providing information at railway stations**	**99 %**	**93 %**	**Not met**
1.5.	**Behaviour of the train and railway station personnel**	**99 %**	**98 %**	**Not met**
1.6.	**Information systems on trains**	**99 %**	**99 %**	**Met**
1.7.	**Information systems at railway stations**	**99 %**	**92 %**	**Not met**
2.	**Accuracy of train connections and the general principle for procedures in operational extraordinary events**			
2.1.	**Operational extraordinary events in railway transport**	**98 %**	**99 %**	**Met**
2.2.	**Compliance with the planned requirements and planned train capacity**	**91 %**	**98 %**	**Met**
2.3.	**Accuracy of compliance with the timetable of the long-distance, regional and commercial transport**			
Long-distance transport				
	Trains arriving within the tolerance limit (0 - 5 minutes) for accurate transportation	78 %	73 %	Not Met
	Trains arriving within the tolerance limit (6 - 60 minutes) for accurate transportation	20 %	28 %	Met
	Trains arriving within the tolerance limit exceeding 60 minutes for accurate transportation	2 %	1 %	Met
Regional transport				
	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 %	8.9 %	Met
	Trains arriving within the tolerance limit exceeding 60 minutes for accurate transportation	1 %	0.1 %	Met
Commercial transport				
	Trains arriving within the tolerance limit (0 - 5 minutes) for accurate transportation	78 %	63 %	Not met
	Trains arriving within the tolerance limit (6 - 60 minutes) for accurate transportation	20 %	35 %	Met
	Trains arriving within the tolerance limit exceeding 60 minutes for accurate transportation	2 %	2 %	Met
2.4.	**Connecting trains**	**90 %**	**95 %**	**Met**

Sheet of standards		Level of requirement	2014	Meeting the standards
3.	**Compliance with the contracted scope of transport and cancellation of transport connections**			
3.	**Compliance with the contracted scope of transport and cancellation of transport connections**	**99 %**	**99 %**	**Met**
4.	**Cleanliness of trains and railway station facilities**			
4.1.	**Cleanliness of trains and operational facilities / availability of restrooms**	**85 %**	**88 %**	**Met**
4.2.	**Cleanliness of trains**	**95 %**	**95 %**	**Met**
5.	**Customer satisfaction survey**			
5.	**Customer satisfaction survey**	**100 %**	**100 %**	**Met**
6.	**Handling complaints, reimbursement of transportation costs and compensation in the event of non-compliance with service quality standards**			
6.1.	**Handling passengers' complaints**	**100 %**	**100 %**	**Met**
	Filing coefficient per 100 thousand transported passengers	7	6.52	Met
	Justified filing coefficient per 100 thousand transported passengers	4	2.29	Met
	Average time for handling a complaint	30 days	12 days	Met
6.2.	**Exercising of the right arising from the transportation contracts and refunds to passengers**	**100 %**	**100 %**	**Met**
	Unjustified request rejections	None	None	Met
	Loss of the request	None	None	Met
	Dealing with the request in the determined period	100 %	100 %	Met
	Average length of dealing with the request	4 weeks	3 weeks	Met
7.	**Assistance provided to disabled people and people with reduced mobility and orientation**			
7.	**Assistance provided to disabled people and persons with reduced mobility and orientation**	**100 %**	**100 %**	**Met**

Date: 27 February 2015

Person responsible for the preparation: Vladimír Pelěšek

List of Used Abbreviations

Abbreviation	Description
BOZP	Occupational health and safety
CAPEX	Capital expenditures
CER	Community of European Railways
ČD	České dráhy, a.s.
ČDC	ČD Cargo, a.s.
ČD-IS	ČD – Informační systémy, a.s.
ČDT	ČD –Telematika a.s.
ČR	Czech Republic (Česká republika)
ČSOB	bank Československá obchodní banka, a.s.
DB	Deutsche Bahn
DG MOVE	EU General Directorate for Mobility and Transport of European Commission
DPOV	Dílny pro opravy vozidel, a.s. (DPOV, a.s.)
DVI	Transport Education Institute (Dopravní vzdělávací institut, a.s.)
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EC	Passenger train category of higher quality (EuroCity)
EU	European Union
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)
ICT	Information and communication technology
IDS	Integrated transport system
IFRS	International Financial Reporting Standards
IS	Information system
JLV	Jídelní a lůžkové vozy, a.s.
KB	bank Komerční banka, a.s.
KS	Collective agreement (kolektivní smlouva)

Abbreviation	Description
ÖBB	Österreichische Bundesbahnen
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 SystemS
POS	Operating centre of repairs in DPOV, a.s.
ROCE	Return on capital employed
ROP	EU Regional Operational Programme
Rx	Higher-quality express train (train category)
ŘSD	Road and Motorway Directorate of Czech Republic
SAP	Bookkeeping system
SC	Passenger train category of highest quality (SuperCity)
SFDI	State Fund for Transport Infrastructure
SOKV	Centre of rolling stock repairs ČD Cargo, a.s.
SŽDC	Správa železniční dopravní cesty, státní organizace/Railway Transport Route Administration, state organisation
TAF	Telematic application for freight transport
TAP	Telematic application for passenger transport
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
ZOK	Act No. 90/2012 Coll., on Business Companies and Cooperatives (Act on Business Corporations)
ZSSK	Slovak Railway Company
ZVS	Public service commitment (závazek veřejné služby)
ŽKV	Railway vehicle
ŽST	Railway station

Identification and Contact Information

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České dráhy