Annual Report
of the České dráhy Group

2015

Headcount: **23,947**

České dráhy
National carrier

České dráhy
National carrier

2015 IN FIGURES

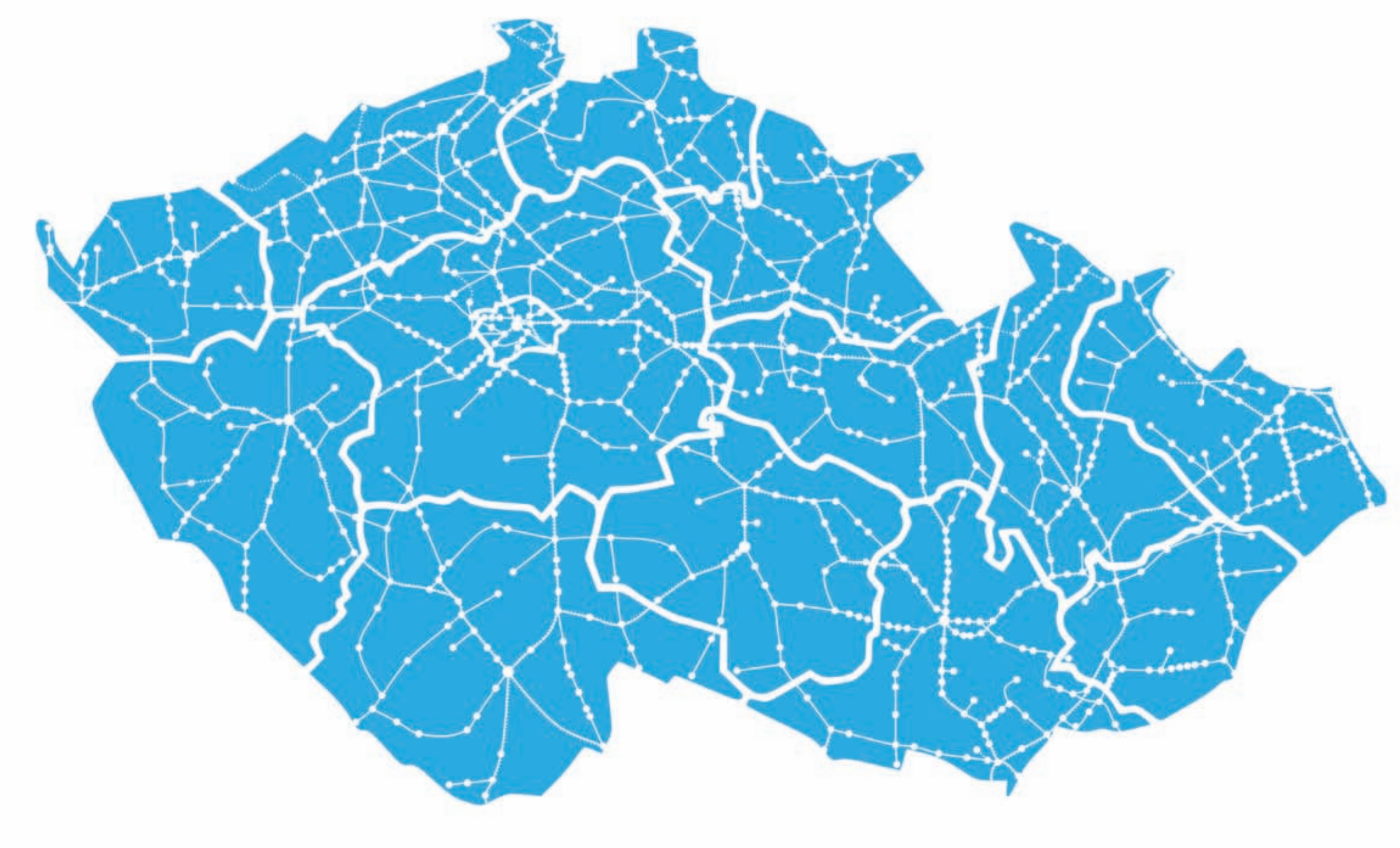
1. České dráhy, a.s.	2. ČD Cargo, a.s.
169.7	66.4
million passengers transported	million tonnes of cargo transported

3. ČD - Telematika a.s.	4. Dopravní vzdělávací institut, a.s.	5. DPOV, a.s.
3,500	572,430	209
km of backbone optical network	student hours of traditional specialised education	periodic higher-level repairs of rail vehicles

6. JLV, a.s.	7. RAILREKLAM, spol. s r.o.	8. Výzkumný Ústav Železniční, a.s.
250,000	42,887	134
glasses of beer drawn in restaurant and buffet cars	of surfaces sold for advertising	certified tests of rail vehicles performed

PASSENGER TRANSPORT

IN 2015



6,858	540	6,318
trains per day	long-distance trains per day	regional trains per day

INTRODUCTION, GOAL AND VISION

About Us

We are a group of companies operating passenger and freight railway transport. We provide network services of connecting routes comprising regional trains as well as long-distance higher quality trains. In cooperation with foreign transport providers we offer passenger and freight transport across the entire continent.

Our services include:

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

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

From every corner of our country to the biggest European capitals.

169.7 million passengers

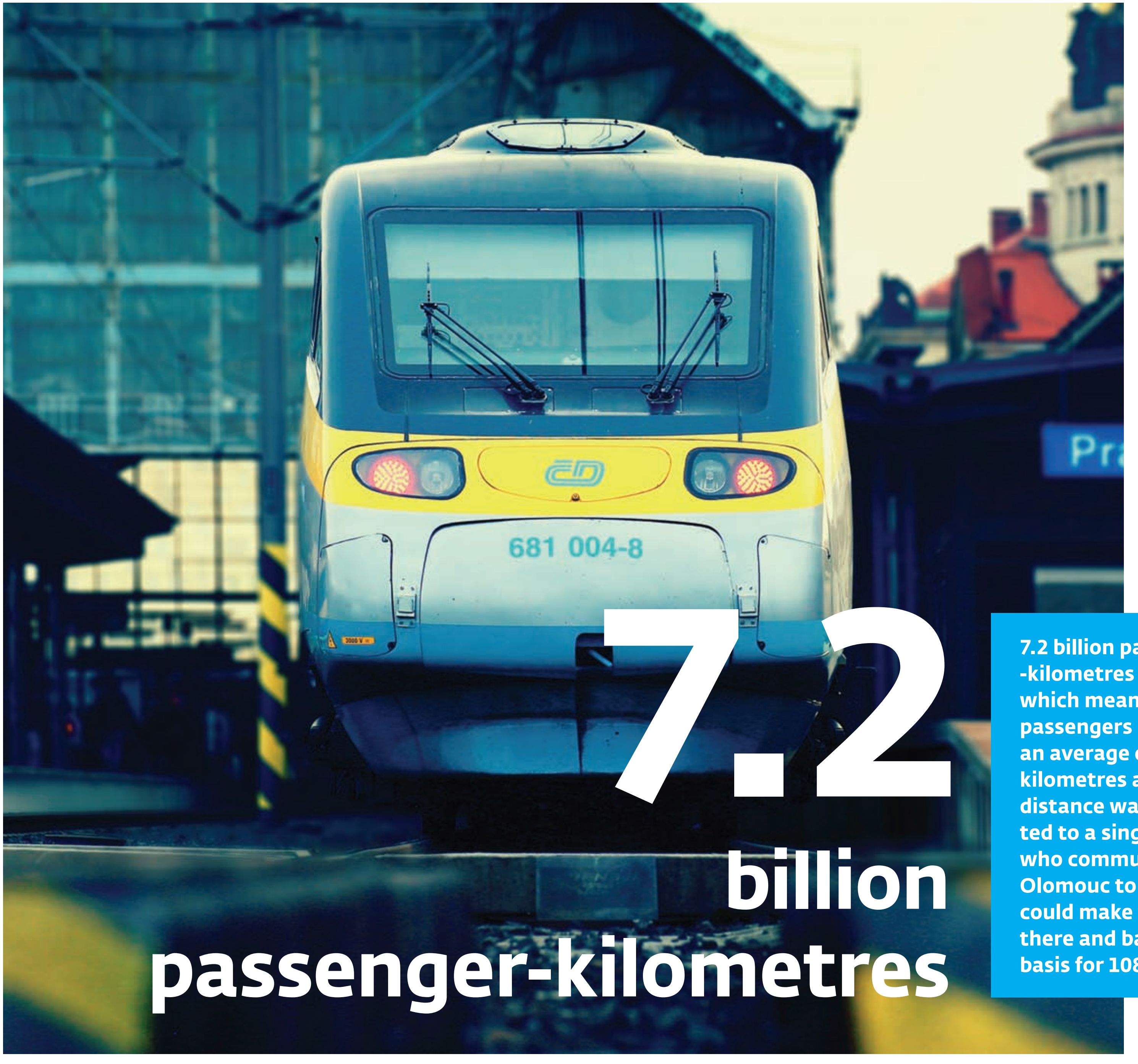
169.7 million passengers were transported in 2015, which is an average of 464,932 passengers a day. If we were to transport them all in a single train, it would have to be composed of more than 5,800 wagons and it would be as long as the track from Pardubice to Brno.

KEY INDICATORS OF THE ČD GROUP

Key indicators

IFRS consolidated financial indicators (CZK million)	2015	2014	Difference	INDEX
ČD group				
EBITDA (from continued operations)*	6,409	7,748	-1,339	**83**
EBIT (from continued operations)**	187	1,863	-1,676	**10**
Profit/loss for the period	-1,375	156	-1,531	**n/a**
Total assets	88,792	89,545	-753	**99**
CAPEX	6,500	5,945	555	**109**
Depreciation and amortisation	6,222	5,885	337	**106**
Leverage (%) – external funding/assets	59.2	57.5	1.8	**103**
Current liquidity (%) – short-term assets/short-term liabilities	47.6	64.8	-17.2	**73**
ROCE (%) – EBIT/(total assets – short-term liabilities)	0.3	2.5	-2.2	**11**
Average FTE	23,947	24,163	-216	**99**
Passenger transport (ČD, a.s.) * **				
Number of passengers (mil.)	169.7	170,1	-0.4	**100**
Traffic performance (mil. person-kilometres)	7,170	6,952	218	**103**
Transport performance (mil. train-kilometres)	117.8	119.0	-1.2	**99**
Average traffic distance (km)	42	41	1	**103**
Occupancy ratio (%)	27	26	1	**104**
Freight transport (ČD Cargo, a.s.)				
Traffic volume (mil. tonnes)	66.4	68,6	-2.20	**97**
Traffic performance (mil. tariff tonne-kilometres)	11,095	11,622	-527	**95**
Transport performance (mil. train-kilometres)****	21.6	22.4	-0.8	**96**
Average traffic distance (km)	167	169	-2	**99**

* 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
*** Information on ČD, a.s. passenger transport excluding free and flat-rate transport
**** ČD Cargo's transport performance does not include locomotive trains



7.2 billion passenger-kilometres

7.2 billion passenger--kilometres in 2015, which means that the passengers rode in total an average of 19.6 million kilometres a day. If the distance was recalculated to a single passenger who commutes from Olomouc to Prague, he could make the journey there and back on a daily basis for 108 years.

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age:	45
Pavel Krtek	
Chairman of the Board of Directors since: 10. 11. 2014	responsible for the department of economy, finance and management of the company

1

OPENING STATEMENT

OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Ladies and Gentlemen,

In 2015, the České dráhy Group had to address and handle numerous challenges. These namely included the unusually vast number of closures ordered by the state organisation Railway Infrastructure Administration (SŽDC – Správa železniční dopravní cesty) due to which we incurred higher costs amounting to millions of Czech crowns, a lost arbitration on account of a delayed delivery of series 380 locomotives and the growing competition of road freight transport. These extraordinary circumstances had an adverse effect on the Group's overall result of operations, even though individual subsidiaries generated profits and passenger transport also achieved better results.

In fact, it had been the ambition of the passenger transport segment to improve its year-on-year results. Despite the large-scale closures, České dráhy maintained the number of transported passengers at 170 million while also generating increased sales of tickets. Another positive aspect is that the Group made savings thanks to lower fuel and traction energy prices. Unfortunately, the increased costs of substitute bus transport and higher passenger costs related to the SŽDC closures, the interest costs involved in servicing the existing debt and particularly the negative result of the arbitration with Škoda Transportation for the delayed delivery of twenty locomotives resulted in the parent company incurring a loss of over one billion Czech crowns.

Not even the biggest subsidiary, ČD Cargo, was able to balance out this decline upon consolidation. The subsidiary again generated a profit of hundreds of millions of crowns; however, due to the growing competition of truck transport driven by cheap diesel, it was unable to generate a higher profit than in 2014. Freight transport was also affected by the large-scale closures in 2015 and, on a cross-border scale, its results of operations were adversely affected by the engine drivers' strike in Germany. Nevertheless, thanks to higher efficiency and savings, ČD Cargo succeeded in exceeding the business plan.

Other subsidiaries achieved better year-on-year results. These not only met their business plans but, in the case of the joint-stock companies ČD - Telematika and ČD - Informační systémy, also exceeded them owing to growth in sales outside the Group.

Ladies and gentlemen, let me conclude by emphasising that had it not been for the extraordinary external circumstances outlined above, the České dráhy Group would have achieved better results in 2015, which is evidenced by the Annual Report for 2015 of the České dráhy Group.

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

2

STATUTORY BODIES

OF THE COMPANY AS OF 31 DECEMBER 2015

Board of Directors

Pavel Krtek

Ludvík Urban

Michal Štěpán

František Bureš

Roman Štěrba

Changes in the Board of Directors
In the year ended 31 December 2015, no changes were made to the Company's Board of Directors.

age: **45**

Pavel Krtek

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.

Chairman of the Board of Directors since:
10. 11. 2014

responsible for the department of economy, finance and management of the company

age: **46**

Ludvík Urban

Ludvík Urban graduated from the University of Transport and Communications in Žilina. From 1991 to the 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.

Vice-Chairman of the Board of Directors since:
10. 11. 2014

responsible for the department of investment and cooperation with regions

age: **45**

Michal Štěpán

Michal Štěpán studied at the Industrial 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 operation 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. Subsequently, 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.

Member of the Board of Directors since:	responsible for the department of passenger transport
21. 02. 2014	

age: **42**

František Bureš

František Bureš is an electro-technician with a university degree in philosophical sciences and an MBA degree from Canada. He graduated in law at 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 Chairman of the Board of Directors and CEO of DPOV, a. s. Since 2013, he has been a member of the managing board of Nadace Okřídlené Kolo (Winged Wheel Foundation) and since 2015, he has been a member of the supervisory boards of ČD Cargo, a.s., DPOV, a.s., and JLV, a.s.

Member of the Board of Directors since:	responsible for the department of technology, repairs and assets
16. 10. 2014	

age: **43**

Roman Štěrba

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.
From 1987, he engaged in practical training at Československé dráhy, at the locomotive depot in Prague. During his studies at 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, EUROFIMA Basel and FISAIC Frankfurt am Main. He has been the project manager for the Internal Financial Management of ČD project since 2010. Since 2014, he has been responsible for IT, strategy, and equity interest administration.
Since 1995, he has also worked as an external lecturer at the Faculty of Transport of the Czech Technical University in Prague.

Member of the Board of Directors since:	responsible for the department of projects and cross-border relations
10. 11. 2014	

Supervisory Board

Milan Feranec
Chairman of the Supervisory Board (member and Chairman since 19 June 2014), age: 51.
Deputy Minister of Transport of the Czech Republic

Vojtěch Kocourek
Member of the Supervisory Board (since 20 March 2014), age: 56.

Antonín Tesařík
Member of the Supervisory Board (since 20 March 2014), age: 55.
Member of the Regional Council for Southern Moravia

Jan Hart
Member of the Supervisory Board (since 2 October 2014), age: 41.

Tomáš Révész
Member of the Supervisory Board (since 14 December 2015), age: 56.

Antonín Leitgeb
Member of the Supervisory Board (since 1 January 2014), age: 57.
Secretary of the Company Committee of the Confederation of Railroad Unions (OSŽ)

Jaroslav Pejša
Member of the Supervisory Board (since 5 May 2011), age: 60
Chairman of the Company Committee of the Confederation of Railroad Unions (OSŽ)
Member of OSŽ's Company Committee under ČD, a.s.

Milan Kucharčík
Member of the Supervisory Board (since 14 December 2015), age: 50.

Vladislav Vokoun
Member of the Supervisory Board (since 1 January 2014), age: 56.
Chairman of the Company Committee of the Confederation of Railroad Unions (OSŽ)
First Vice-Chairman of the Confederation of Railroad Unions (OSŽ)

Changes in the Supervisory Board

At the meeting of the Steering Committee of České dráhy held on 14 December 2015, Milan Křístek and Josef Smýkal were recalled from the positions of members of the Supervisory Board with immediate effect. Tomáš Révész and Milan Kucharčík were appointed members of the Supervisory Board with immediate effect.

Steering Committee

Tomáš Čoček
Chairman of the Steering Committee; First Deputy – State Secretary authorised and appointed following Resolution No. 187 of the Czech Government of 16 March 2015.

Kamil Rudolecký
Vice-Chairman of the Steering Committee; Deputy Minister of Transport of the Czech Republic.
Authorised and appointed following Resolution No.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 No. 125 of the Czech Government of 26 February 2014.

David Koppitz
Member of the Steering Committee; Head of the Regional Policy Department of the Ministry of Regional Development of the Czech Republic.
Authorised following Resolution No. 509 of the Czech Government of 24 June 2015.

Jakub Landovský
Member of the Steering Committee; Deputy Minister – Head of the Defence Policy and Strategy Division of the Ministry of Defence of the Czech Republic.
Authorised following Resolution No. 187 of the Czech Government of 16 March 2015.

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 No. 125 of the Czech Government of 26 February 2014.

Pavel Kouřil
Member of the Steering Committee; Head of Department 16 – Price Policy Department of the Ministry of Finance of the Czech Republic.
Authorised following Resolution No. 633 of the Czech Government of 29 July 2015.

Changes in 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 for Vladislav Koval and Jakub Kulhánek were cancelled and 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 of the Steering Committee.
Pursuant to Resolution No. 509 of the Czech Government of 24 June 2015, the authorisation for the activities in the Steering Committee of České dráhy for Lukasz Kryński was cancelled starting from 24 June 2015. Pursuant to this resolution, David Koppitz was authorised to perform the activities in the Steering Committee of České dráhy starting from 25 June 2015.
Pursuant to Resolution No. 633 of the Czech Government of 29 July 2015, the authorisation for the activities in the Steering Committee of České dráhy for Lukáš Wagenknecht was cancelled. Pursuant to this resolution, Pavel Kouřil was authorised to perform the activities in the Steering Committee of České dráhy starting from 30 July 2015.

3

REPORT

ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF ČESKÉ DRÁHY FOR THE YEAR ENDED 31 DECEMBER 2015

In 2015 the Supervisory Board held nine ordinary and three extraordinary meetings in the registered office of České dráhy, a.s. and the Supervisory Board always had a quorum. The members of the Company's Board of Directors regularly participated in the meetings.

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

As part of its supervisory activities, the Supervisory Board monitored whether the activities of the Board of Directors and of the Company are duly performed. 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 2015 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 had 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.

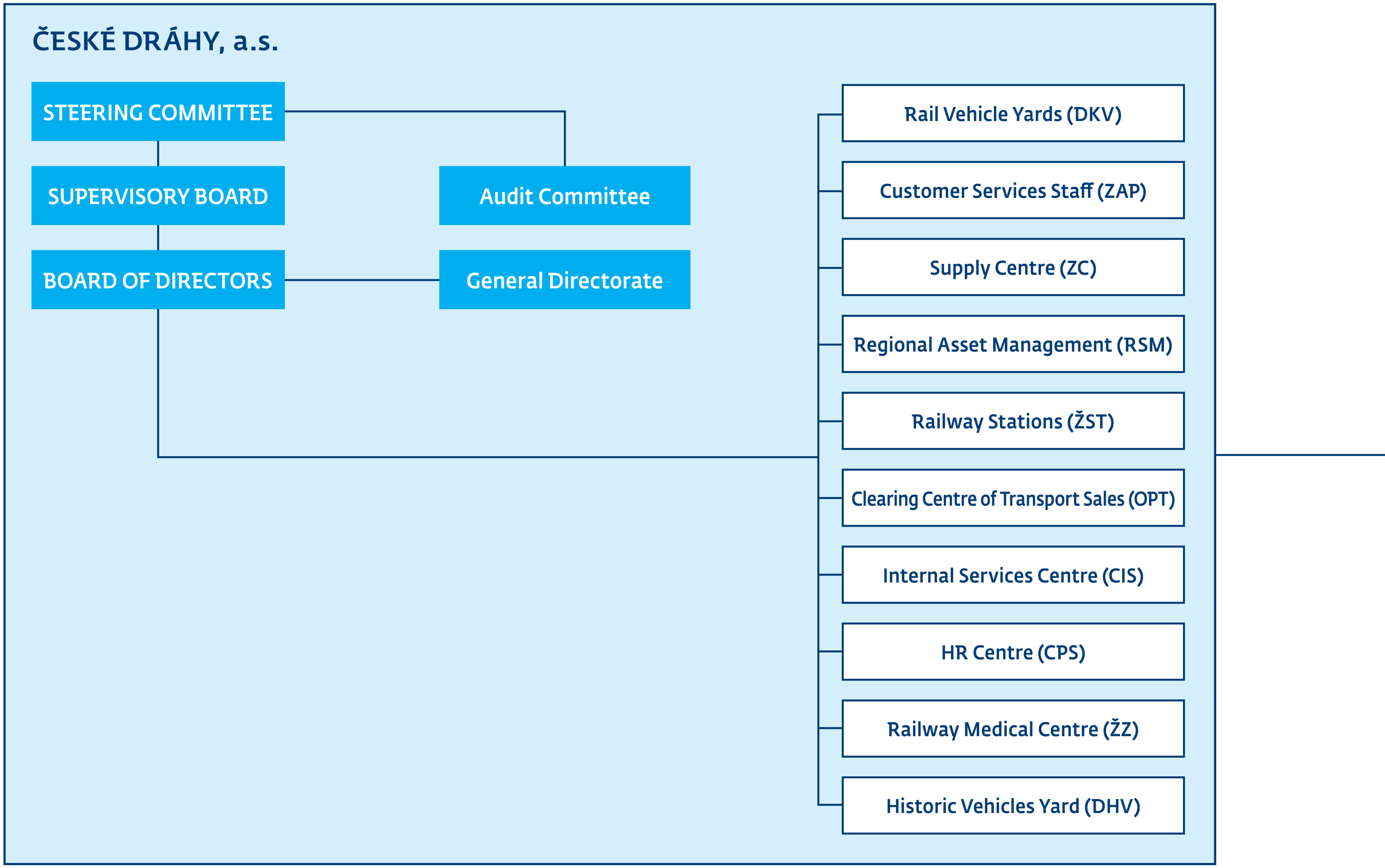
In Prague on 8 March 2016

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

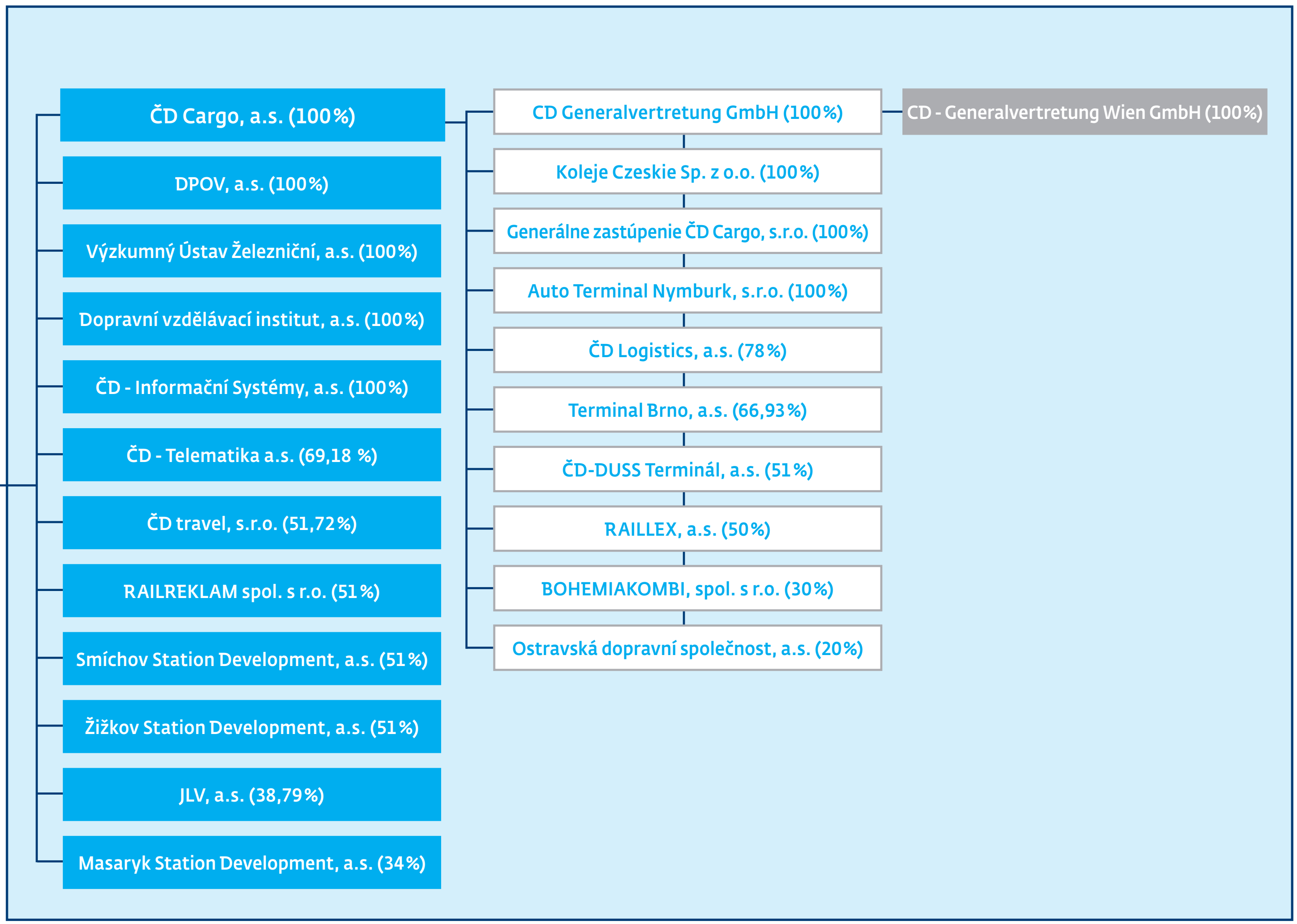
4

ORGANISATIONAL STRUCTURE

OF THE ČESKÉ DRÁHY GROUP



as of 31 December 2015



5

2015 EVENT

CALENDAR

2015

January

- On 31 January and 1 February, České dráhy became the official carrier of the 2015 Cyclo-Cross World Championships held in Tábor.

February

- 12 February 2015 – České dráhy announced an above-limit tender for the modernisation of twelve Bmto bi-level cars. The cars will undergo a substantial "rejuvenating treatment" following which they will be operated mainly as part of Prague Integrated Transport.
- 17 February 2015 – České dráhy concluded a framework contract with Škoda Vagonka, a.s. for the production of eleven regional low-floor electric trains of the RegioPanter type.

March

- 1 March 2015 – On Sunday 1 March, České dráhy put into operation the ČD BUS line from Ostrava to Krakow. Between March and October, the pilot project offered customers the fastest direct connection from Northern Moravia's urban centre to the tourist-favoured city of Krakow.
- 2 March 2015 – České dráhy concluded two contracts with Pars nova, a.s. for the modernisation of the total of 93 vehicles for the cross-border express service reaching speeds of up to 200 km per hour. A substantial number of the vehicles will be operated as part of the EC trains on the Prague – Dresden – Berlin – Hamburg route.
- 19 March 2015 – České dráhy received a prestigious award of the Czech National Disability Council entitled "MOSTY 2014" ("BRIDGES 2014") for removing barriers in travel and for the project comprising an electronic ordering and booking system for persons with disabilities.
- 26 March 2015 – The magazine of České dráhy entitled "ČD For You" ("ČD pro Vás") was the winner of the "Corporate Prints" category of the 2014 Corporate Medium contest.

April

- 1 April 2015 – One of the first vehicles intended for the transport of customers with disabilities which the national carrier gradually adjusts to their requirements could be seen at Prague's central station on 1 April. These include carriages for the long-haul trains of the EuroCity, InterCity, express and fast categories.
- 3 April 2015 – In the Hradec Králové region, the long Easter weekend saw the launch of České dráhy's trial operation of the Regio Shuttle RS 1 railcars leased from Vogtlandbahn.
- 13 April 2015 – The Company launched a regular train service to Mošnov, Ostrava Airport, making it the first intermodal terminal linking railway and air transport in the Czech Republic.
- 16 April 2015 – České dráhy started offering redundant real estate on its new website, which is clearly arranged and primarily adjusted for use on smart phones and tablets.
- From 20 April to 24 April 2015, the 30th conference of the CEOs of the companies included in the Organisation for Railway Cooperation (OSŽD) was held in Prague. The conference was hosted by the České dráhy Group.
- 27 April 2015 – Between 27 and 29 April, České dráhy hosted the annual "Prevention Train – Safe Railway" event. Schoolchildren could see the train at Karlovy Vary lower station and in Cheb.
- A joint presentation of ČD, a.s. and the Railway Infrastructure Administration took place in the European Parliament.

May

- 7 May 2015 – České dráhy retained Moody's investment rating at the Baa3 level, thereby remaining in the investment zone. The outlook for the rating is stable, which means that Moody's does not anticipate a rating change in the near future.
- 27 May 2015 – České dráhy finalised the installation of a further 87 payment terminals for cash-less payments. Therefore, since May, fare may be paid with a payment card at ticket offices at a total of 255 railway stations across the republic.
- As part of the ice-hockey world championships in Prague and Ostrava, České dráhy, as the official championships carrier, secured the transport of fans as well as ice-hockey teams.

June

- 2 June 2015 – On Tuesday 2 June, České dráhy, in cooperation with the Railway Employees' Union, dispatched a "Train Full of Smiles" for children with disabilities and from children's homes in Prague and several towns in the Pardubice and Olomouc region. The traditional destination of the special train, which had been dispatched for the twelfth time in a row, was the town of Zlín.
- 15 June 2015 – Direct connection "InterCity Prague – Opava" was launched at the commercial risk of the carrier (without an order of the state).
- 25 June 2015 – The trial circuit in Velim saw the ceremonial launch of the newest electric InterPanter train by Škoda Vagonka. The units were subsequently put into passenger operation in November 2015 on the interregional Olomouc – Břeclav – Brno route.
- People confined to wheelchairs attained a new travellers' record. In the first six months of 2015, 2,262 people in wheelchairs travelled with České dráhy, having used the new ordering system to book tickets. This was about 300 wheelchaired passengers more compared to the first six months of 2014.
- A long-term agreement on interstate transportation at the Kúty and Horní Lideč border crossings was concluded between ČD and ZSSK (Železničná spoločnosť Slovenska).

July

- 22 July 2015 – A tragic railway accident of the SuperCity Pendolino train occurred at the Studénka railway station, caused by a Polish truck driver. Three people perished in the accident and many people including the train driver suffered serious injuries.
- At the summer holidays' weekends, České dráhy offered, via the "ČD Bus Šumava" project, a service to a number of places in Šumava not yet served by regular public transport.

August

- 6 August 2015 – Through the Czech National Disability Council, České dráhy provided disabled passengers with 1,000 "Eurokeys" for use in social and special facilities equipped with "Eurolocks". These predominantly include toilets, lifts and stair lifts in public places such as railway stations.
- 20 August 2015 – České dráhy gradually took over the first three modernised vehicles from Škoda Transportation intended for the joint project of České dráhy and Deutsche Bahn on the Praha – Berlin – Hamburg route.
- With its Austrian partners, České dráhy commemorated the 190th anniversary of the construction of the first horse-drawn track on the European continent, running between České Budějovice and Linz.

September

- 10 September 2015 – The first brand new prototype of a modernised large-capacity České dráhy vehicle produced by Pars nova was put into trial passenger operation. This was, among others, as part of selected services on the Praha – Plzeň – Cheb route.
- On 19 and 20 September, České dráhy strengthened its services and dispatched special trains for the NATO Days & Czech Air Force Days. Special back-up trains to the Mošnov, Ostrava Airport station were dispatched from Prague, Olomouc and Brno.
- 24 September 2015 – The General Meeting of the Community of European Railway and Infrastructure Companies (CER) held on 24 September unilaterally approved the appointment of Pavel Krtek, Chairman of České dráhy's Board of Directors, as a member of the organisation's management.
- 26 September 2015 – This year's National Railway Day was held in Hradec Králové. Over 24,000 visitors could see an exhibition of historic steam locomotives and historic diesel vehicles to the most modern means of railway transport in the Czech Republic, i.e. railjet trains. For the first time ever, the event ended with a night laser show.

October

- 1 October 2015 – České dráhy announced that it would plaster the sides of 64 multifunction vehicles with compartments for passengers with children and 12 passenger vehicles with children's cinemas with motives of Elfík the elephant and children. Thanks to this large and noticeable graphic, passengers can find the "children's carriage" fast and easily, even when looking from a distance or as the train arrives.

November

- 19 November 2015 – České dráhy celebrated the opening of the renovated station building in Týniště nad Orlicí.
- 25 November 2015 – The České dráhy mobile application "My Train" ("Můj vlak") celebrated its first anniversary, with almost a quarter of a million users having downloaded it to date. The "My Train" application received a prize for the Best Mobile Solution awarded by a specialist jury in the Web Top 100 contest.
- In November, České dráhy completed the process for obtaining certification under ISO 50001 Energy management.

December

- 7 December 2015 – The 2015/2016 train timetable newly includes a service in the Karlovy Vary region across the renewed border crossing in Aš – Selb-Plößberg on the Cheb – Hof route, a direct cross-border service between Liberec and Szklarska Poręba in the Liberec region, and a renewed direct train service between Prague and Kiev (Ukraine) featuring a sleeper car of the Ukrainian Railways.
- 8 December 2015 – České dráhy started testing cashless payments in purchasing tickets directly on the train. The testing is carried out by conductors from the Cheb, Olomouc and Břeclav stations in selected long-haul services.
- 10 December 2015 – České dráhy completed the modification of all 64 special barrier-free vehicles for fast services. This was carried out in response to the recommendations of people with disabilities with the aim of making travel easier for them. The vehicles serve routes between most of the Czech regions.
- 18 December 2015 – České dráhy completed the repairs of the unique historic station building in the First-Republic functionalist style in the spa town of Poděbrady. The difficulty of the renovation was accentuated by the fact that the building is under heritage protection and that the repairs were carried out while the station was in full operation.
- České dráhy put into operation two RegioPanter trains connecting the Ostrava region with Leoš Janáček Airport. The purchase of the trains was co-funded by the Regional Operational Programme Moravia Silesia.
- České dráhy concluded a ten-year contract for transportation on the interregional Olomouc – Břeclav – Brno route and put into operation six new InterPartner trains purchased from the funding of the Transportation Operational Programme.

2016

6 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 ČD 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 and the Supreme Body of the Company

The Czech Republic is the sole shareholder of České dráhy, a.s. The supreme body of the Company is the General Meeting. If the Company only has a sole shareholder, the General Meeting is not held and the sole shareholder acts in the capacity of the General Meeting. The scope of the General Meeting's powers is set forth in the legislation stipulating the legal relationships of the Company and the Articles of Association of České dráhy.

Steering Committee

The state exercises its sole 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. 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

Operational management and corporate business governance, including the proper keeping of accounting records and books, are performed and ensured by the Board of Directors, which is composed of five members. Members of the Board of Directors are elected and recalled by the Supervisory Board. The Board of Directors meets as needed, usually on a weekly basis 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 (in the case in hand decisions are made by the sole shareholder through 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 sole shareholder through 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, usually on a monthly basis but at least four times a year. The Supervisory Board oversees 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 prior approval for 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.

As part of its powers, the Supervisory Board has established a Committee for the Management of Real Estate which discusses the proposals put forward by the Board of Directors to the Supervisory Board to obtain prior approval for asset management, if such a procedure is required by the Company's Articles of Association and if discussion in the Committee prior to the submission to the Supervisory Board is required by an internal regulation on the sale and lease of ČD's real estate. The members of the Committee are elected and recalled by the Supervisory Board. The decision-making procedure of the Committee is governed namely by the Articles of Association of ČD, a.s., with the details governed by the Committee's Rules of Procedure which are approved by the Supervisory Board.

Audit Committee

The members of the Audit Committee are appointed and recalled by the sole shareholder through 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 control and of the risk management system;
- Monitoring the efficiency of ČD's internal audit system and ensuring its functional independence;
- Monitoring the process of the mandatory 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 efficiency of Internal Audit is overseen by the Audit Committee.

The activity of the Internal Audit Department of ČD is based on the principles of the International Standards for the Professional Practice of Internal Auditing. In accordance with the standards, it is subject to an independent external assessment thanks to which the quality of the internal audit services is ensured and undergoes constant improvement.

Internal audit activities and the system of methodical risk management are jointly secured by a single specialist department. To ensure better coordination, the Internal Audit Department also communicates and co-operates with external control bodies, the external auditor and criminal law authorities.

Compliance

Performance of monitoring activities in respect of the law, analysis of the impact of legally binding norms on the activities of ČD as well as the scope of authority of the ČD Group, 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, presentation of comments and discussion of proposed changes in legal and internal regulations. Performance of the activities of the Internal Regulations Managing Unit under the Legislative and Compliance Department of ČD's Legal Division, participation in workgroups and the co-ordination of comments on the changes in legal/internal regulations submitted for comments. In charge of updating and entering data into the IS NORMIS internal regulations database and participation in designing the architecture thereof as needed by ČD.

Information on Binding or Voluntary Corporate Governance Codes

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

7

RISK MANAGEMENT

ČD' 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 basis 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 continuously limit the adverse impact of risks on the financial results within the entire ČD Group at its maximum, i.e. to minimise the impacts of unutilised opportunities on revenues and to minimise negative impacts on costs.

The Risk Management Committee was established to fulfil an important management role under the risk management system and to fulfil its function as a permanent advisory body to the Board of Directors. In accordance with the approved risk management policy, the Risk Management Committee meets at least four times a year. 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 in all the main categories, the Company's management is informed of the current state of risk management affairs on a timely basis. 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 2015.

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.

ČD and ČD Cargo ensure that financial risk limits are adhered to using standard hedging transactions on financial markets. In concluding hedging transactions, ČD observes the Risk Management Strategy approved by the Board of Directors which defined in what way the Company will mitigate and manage the market risks that it faces.

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, limits relating to suppliers; limitation to a financial institution 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 services provided, 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.

A key liquidity management instrument is the prediction of the short--term and medium-term development of liquidity and cash flows. An integral part of liquidity risk management involves ensuring a sufficient number of committed credit lines with financing banks.

Besides overdraft accounts, a significant tool of liquidity management within the Group comprises physical mutual cash pooling for an economically connected group provided – including a group overdraft loan facility – by Komerční banka, a.s. which had been selected on the basis of the results of an above-limit public tender. In addition, ČD, a.s. and individual subsidiaries concluded Contracts on Mutual Loan Facilities enabling the mutual provision of funds defined up front and approved by all the bodies of the affected companies within as well as outside of cash pooling.

ČD also actively makes use of the issues of short-term securities though its promissory note programme as a supplementary source of short-term liquidity. The promissory note programme includes fixed underwriting commitments negotiated for 24 months, which strengthens the stability of the Company's liquidity management and its ability to meet its obligations. In 2015, the fixed underwriting commitments were increased to CZK 8 billion. The ČD Group also makes use of debt capital markets as the main source of long-term investment financing supplemented with long-term investment loans.

Operational Risk

In the field of operational risk, attention is principally devoted to meeting strategic objectives of the ČD Group focused on achieving high standards of service quality and customer satisfaction. Emphasis is placed on ensuring high-quality passenger and freight transport services that are able to compete with rail, road, and air transport not only in the Czech Republic, but also within the unified European railway 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 negative 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.

In order to mitigate the negative impact of operational risks and to meet business objectives, the Company adopts measures that involve eliminating, reducing or transferring risk. These measures aim to permanently decrease the negative impacts of the identified risks on the business results of the entire Group. The significant risks having a marked negative impact on the cash flow and profit or loss primarily include the insufficient financing of the public service obligation as part of regional transport, extraordinary accidents, not--yet-finalised property settlement with SŽDC and passive litigation.

8 CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility has a long-established tradition in ČD. Despite the adoption of austerity measures, České dráhy, being a national carrier, continues in this trend not only in the economic and environmental sectors, but in the social sector as well.

As a national carrier, ČD realises its fundamental role in removing barriers and improving travel conditions for disabled people. It is the only carrier providing the most options of comfortable travel all over the Czech Republic. In regional transport, travel is made easier thanks to the new CityElefant, RegioPanter and RegioShark vehicles as well as the RegioSpider diesel vehicles. The number of wheelchair-accessible vehicles has also increased in long-distance transport, be it the 64 multifunctional vehicles specially adjusted for the transport of people with disabilities or the new InterPanter vehicles serving the Brno - Břeclav – Olomouc route or the fast trains on the Praha - Česká Třebová – Brno route. Thanks to the removal of barriers, the interest in travel has seen a significant increase among wheelchaired people. In 2015 and 2014, České dráhy transported 5,297 and 4,300 people in wheelchairs, respectively, on the basis of orders. In doing so, the Company is considerably aided by the booking system which received the annual "MOSTY 2014" ("BRIDGES 2014") prize awarded by the Czech National Disability Council. Hundreds of other passengers with disabilities are transported without orders, directly using low-floor trains as guaranteed by the carrier.

ČD's social awareness activities also traditionally include the "Prevention Train" project intended for students of secondary and vocational schools, concerning railway safety. For several years, the project has been partnered by the Railway Infrastructure Administration, with the partnership involving the production of a film entitled You Won't Make it (or "To nedáš" in Czech). The drama-documentary depicts five cases of the most frequent violations of safety rules which result in severe damage to health or even death. Other projects include the Junior programme taking patronage over and presenting all the activities related to safe behaviour at railway aimed at children. These comprise the publication of the My Train magazine ("Můj vláček"), Elfík the Elephant's Exercise Books against Boredom ("Elfíkovy sešity proti nudě") bringing fun and lessons as well as the popular children's tickets on which children can write poems. Other children's events organised by České dráhy include the "ZOO Trip with Elfík the Elephant", children's days or Nicholas Day's rides. The Company also supports the RunCzech series of family running events and participates in the events held by the Czech

Sports Union as well as the "Sport without Prejudice" project. The Company has newly produced an animated film for young children entitled "The Stories of Elfík the Elephant" in which Elfík, together with his friends, travels by train and acquaints children with how to behave at a railway station and on the train.

Other significant CSR projects include the now traditional "Lustig Train" project, during which selected railway stations saw the theatre company of the Pod Palmovkou Theatre stage, under the leadership of director Petr Kracik, a play by Arnošt Lustig entitled A Prayer For Katerina Horowitzowa. The play is performed in a modified railway carriage, which brings the period of the holocaust closer to the audience in a very suggestive way. An important project on which České dráhy works together with the Czechoslovak Legionnaires' Association is "Legiovlak" or the "Legionary Train". In 2015, it was seen by thousands of visitors at various railway stations.

Last but not least, České dráhy as the national carrier has traditionally participated in distributing the Peace Light of Bethlehem.

A substantial area comprises projects aimed at eliminating disabilities, one of which is the long-standing "Train Full of Smiles" project. Each year, it transports disabled children and children from children's homes to the International Film Festival in Zlín. The project is closely-related to the traditional "Cinema Train" offering free screenings to children at selected train stations.

In cooperation with several foundations, České dráhy organises, at a regional level, the transport of children from children's homes and socially deprived families to schools, after-school activities as well as their subsequent performances. Through its traditional partnership with the National Technical Museum and the Winged Wheel Foundation, České dráhy supports the renovation and preservation of historic railway machinery and buildings.

The category of corporate social responsibility also includes the ČéDés scholarship programme aimed at the training and education of young people. The national carrier supports students at selected schools and thus recruits its future employees. České dráhy purposefully develops their expert skills and, through practical experience, enables them to get acquainted with the working environment of the biggest Czech railway carrier already during preparation for their future employment.

9

REPORT OF THE BOARD OF DIRECTORS

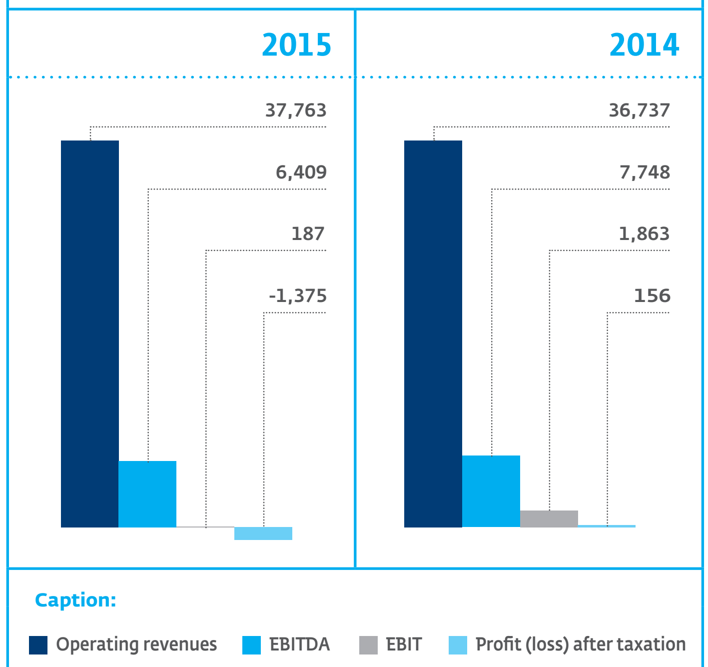
REPORT ON THE COMPANY'S BUSINESS ACTIVITIES AND ASSETS

Financial Results of the ČD Group

The overall economic performance of the ČD Group for the year ended 31 December 2015 resulted in a loss, which was, to a significant degree, negatively affected by an arbitration award in the dispute with ŠKODA TRANSPORTATION a.s., large-scale closures, and increases of certain other expenses. The globally low prices of fuel and energies had a positive impact on the ČD Group in terms of expenses; however, the price factor related to this significant input particularly improved the competitive potential of road carriers, whereby part of the railway performance was transferred to road transport.

As the revenues from principal operations stagnated, the EBITDA indicator decreased by CZK 1.34 billion (17.3%) year-on-year. The EBIT indicator decreased to CZK 187 million, with the overall economic performance of the ČD Group resulting in a loss of CZK 1.37 billion. In contrast, the Group generated a profit of CZK 156 million in the previous year.

Performance Indicators of the ČD Group

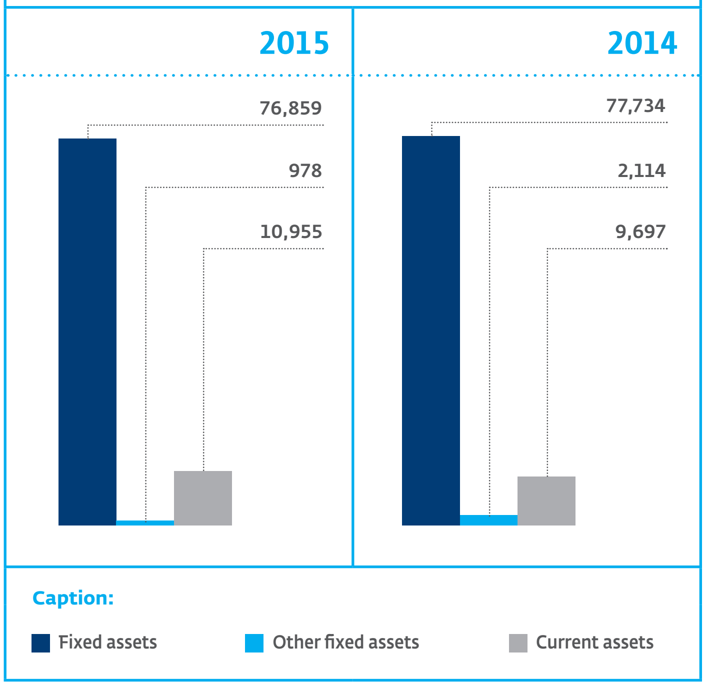


The year-on-year increase in total operating revenues from CZK 36.73 billion to CZK 37.76 billion (of 2.8%) was driven by increased revenues from sales of redundant assets and leases, by the compensation of closure-related expenses by the Railway Infrastructure Administration and by the higher yields generated by subsidiaries. Despite the extraordinary, large-scale closures, the total revenues from principal operations showed only a minor alteration (0.1%

increase) to CZK 33.08 billion. Revenues from the principal activity in the passenger transport segment grew by 1.79% year-on-year, with the continued trend of growing revenues from cross-border tickets. Revenues from international transport were negatively affected by the security-political situation in Europe in the last trimester of 2015. Freight transport, which faced substantially heightened competition, reported a year-on-year decline in revenues of 3.63%.

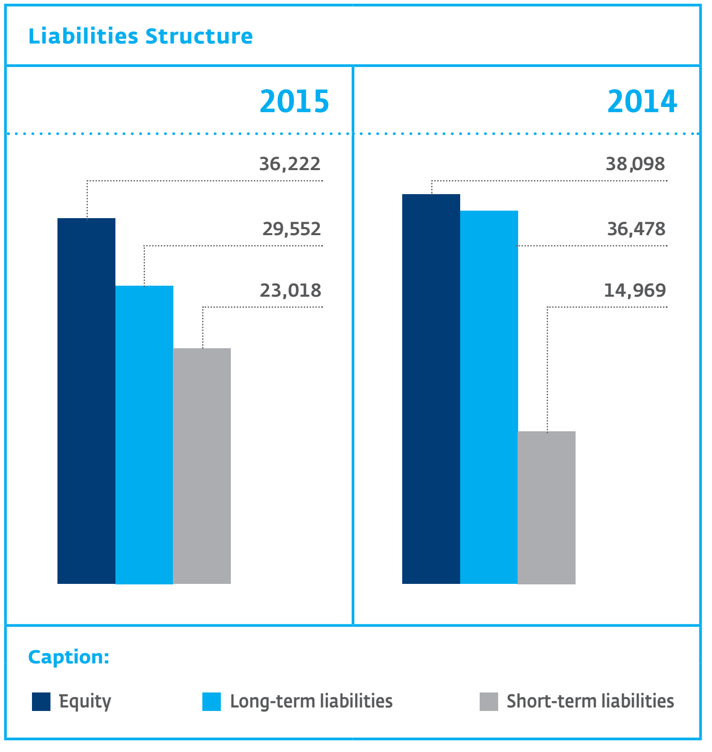
The expenses incurred by the ČD Group grew primarily on account of extraordinary circumstances – the ruling of the arbitration court as part of the dispute with ŠKODA TRANSPORTATION a.s., the expenses incurred on substitute bus transport in relation to particularly large-scale closures (CZK 406 million) and also in relation to accidents, namely the Pendolino train at the Studénka station. Although certain other expense items declined, the overall result is a slight increase. While traction expenses (traction electricity and fuel) recorded a year-on-year decrease (of CZK 479 million), material expenses, depreciation and amortisation and interest expenses grew by CZK 184 million, CZK 337 million and CZK 172 million, respectively. Staff costs increased by CZK 417 million (3.4%) year-on-year, which was due to an increased need for staff resulting from the closures of SŽDC as well as expanding the remote control of SŽDC with the subsequent need for ČD to ensure staffing of customer services centres. The previous stagnation of salary increases and the collective agreements concluded by the Company also had an impact on the amount of staff costs.

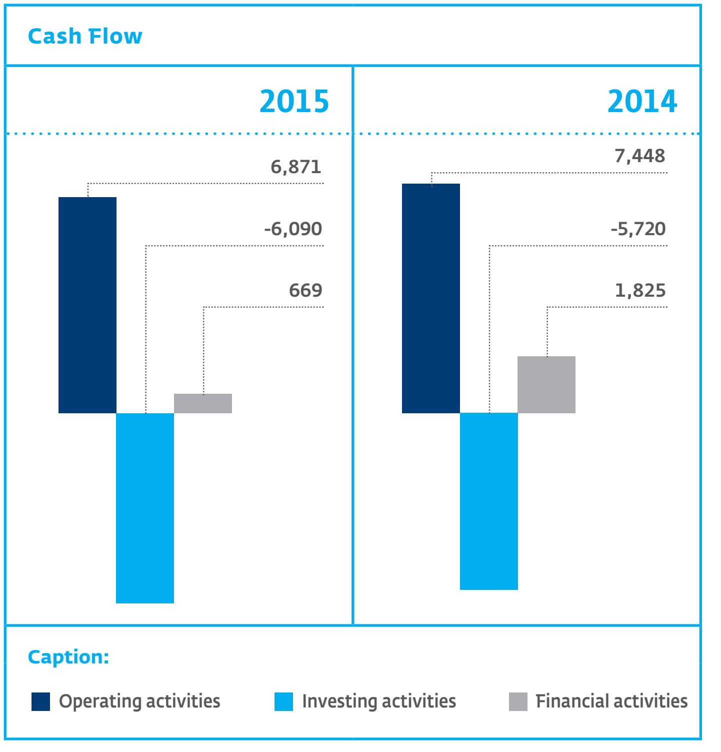
Assets Structure



Assets Structure

The amount of total assets remains at the same level year-on-year, reporting a decrease of a mere 0.8%. The structure altered only to a relatively slight degree, with part of other fixed assets (financial derivatives) assigned to current assets.





Liabilities Structure

Given the net loss reported by the ČD Group, equity decreased by CZK 1.88 billion year-on-year (4.9%). Significant changes in the liabilities structure include namely the transfer of long-term liabilities to short-term liabilities in relation to the Eurobond of EUR 300 million maturing in 2016.

Cash Flow

Alongside the decreased operating results, the Company also reported a year-on-year decrease in operating cash flow.

The ČD Group annually invests billions of crowns in the renovation and modernisation of the rolling stock. The positive trend has been preserved and can be seen in the increased cash flow from investing activities amounting to CZK 6.09 billion (6.5% increase). A significant part of investment – about CZK 5.36 billion – was made in passenger transport and further CZK 1.09 billion in freight transport.

The net balance of cash flow from financial activities for the year ended 31 December 2015 amounts to CZK 669 million, which constitutes a year-on-year decrease of 63%, primarily due to the reduced utilisation of external financial resources.

Profit/Loss by Principal Activity Segment

(in CZK mil.)		Passenger transport	Asset management	Freight transport	Other	Elimination and reconciliation*	Total
Revenue from principal operations	2015	21,075	0	13,132	0	-1,124	33,083
	2014	20,723	0	13,629	0	-1,316	33,036
Purchased consumables and services	2015	-9,009	-478	-7,542	-2,949	3,042	-16,935
	2014	-8,619	-502	-7,735	-2,533	3,118	-16,271
Staff costs	2015	-7,056	-258	-3,978	-1,397	164	-12,525
	2014	-6,877	-260	-3,808	-1,353	191	-12,107
EBITDA from continuing operations	2015	4,236	-400	2,172	615	-215	6,409
	2014	4,519	135	2,554	581	-41	7,748
Depraciation/amortization	2015	-4,580	-230	-1,210	-332	130	-6,222
	2014	-4,397	-240	-1,075	-332	159	-5,885
EBIT from continuing operations	2015	-344	-630	962	283	-85	187
	2014	122	-105	1,479	249	118	1,863
Profit (loss) for the period	2015	-1,398	-619	480	276	-114	-1,375
	2014	-865	-92	877	255	-19	156

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

Passenger Transport

In the year ended 31 December 2015, the passenger transport segment did not manage to maintain its operating profit, which was mainly due to the impacts of the arbitration award in the dispute with ŠKODA TRANSPORTATION a.s. and the extensive closures of SŽDC.

In 2015, EBITDA of the passenger transport segment amounted to CZK 4.24 billion, which constitutes a year-on-year decrease of 6.3%. EBIT represented a loss of CZK 344 million. The net loss for the year 31 December 2015 is CZK 1.4 billion, which constitutes a decline compared to 2014 when the Company reported a loss of CZK 865 million; however, it is a better result than in 2013 when the passenger transport segment reported a loss of CZK 2 billion.

Despite certain adverse conditions (increased road transport competition or the restrictions on account of the closures and the refugee crisis), the passenger transport segment managed to increase its revenues from the principal activity by CZK 352 million (1.7%) year-on-year. The number of transported passengers stagnated in 2015 (169.7 million in 2015 compared to 170.1 million in 2014). The reported amounts are the result of monitoring on trains, taking into consideration that several hundred substitute transport buses were operated on a daily basis most of the year where the

Company was unable to maintain objective records of transported passengers. Despite that the revenues from the regional, long-haul and commercial transport reported a slight increase. The open and proactive approach towards customers supported by the constant modernisation and renovation of the rolling stock has undoubtedly had a positive effect.

The year-on-year increase in expenses is caused mainly by the above mentioned dispute with ŠKODA TRANSPORTATION a.s., the costs of substitute bus transport, repairs and maintenance. Staff costs, which are linked to the temporarily increased need for staff and the collective agreement concluded by the Company, grew by 2.6%.

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

Freight Transport

In the year ended 31 December 2015, the freight transport segment reported EBITDA of CZK 2.17 billion and a net profit of CZK 480 million.

The reduced year-on-year profit was primarily affected by the circumstances surrounding wagon loads, with the freight carrier competing with truck transport, the competitiveness of which continued to grow on account of the gradually decreasing expense inputs (diesel prices). In respect of complete train loads, the main competitors besides the newly emerged domestic low-cost carriers also include large multinational railway companies which continue to increase the pressure on unit prices for the given product. In 2015, freight transport also had to face the extensive closures and, on an international scale, it was affected by the engine drivers' strike in Germany. On account of this, freight transport report a year-on-year decrease in revenues from principal operations of CZK 497 million (3.63%); however, the Company managed to compensate this by making substantial savings in respect of the expense items, with the freight transport segment thus generating a profit in excess of the plan.

In terms of commodities, the Group transported a decreased number of metallurgical products and reported a loss of a significant part of combined transport. In contrast, freight transport was positively affected by the take-over of the previously lost brown coal transport, and the Group also managed to take advantage of the growth in the construction and industrial production in the Czech Republic and thus increase the volume of construction material and automotive shipments. The profit was also affected by the year-on-year growth in other revenues from freight transport and the savings in purchased consumables and services of CZK 193 million (2.5%), which was despite the increased costs of the repairs and maintenance of freight cars and locomotives.

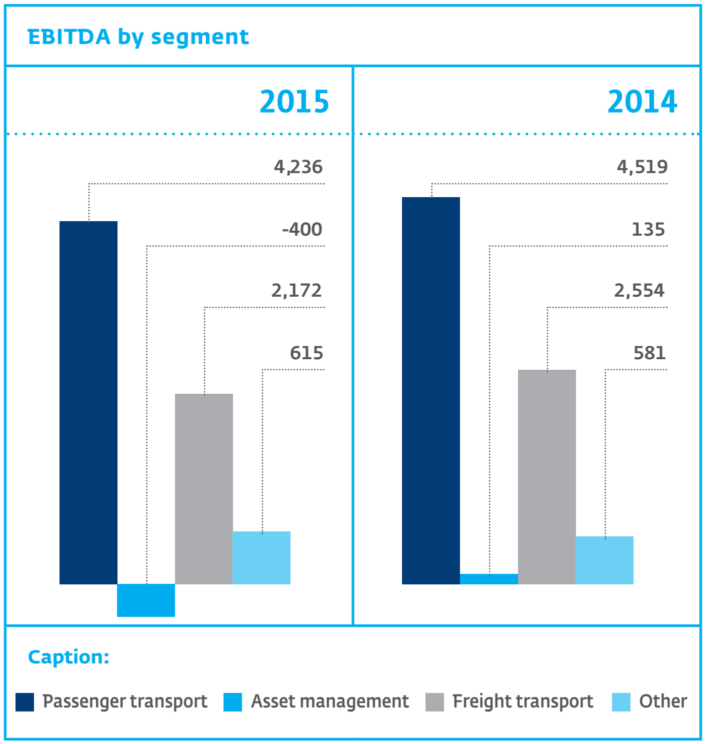
The freight transport segment analysis corresponds with the segment analysis disclosed in the notes to the consolidated financial statements under IFRS.

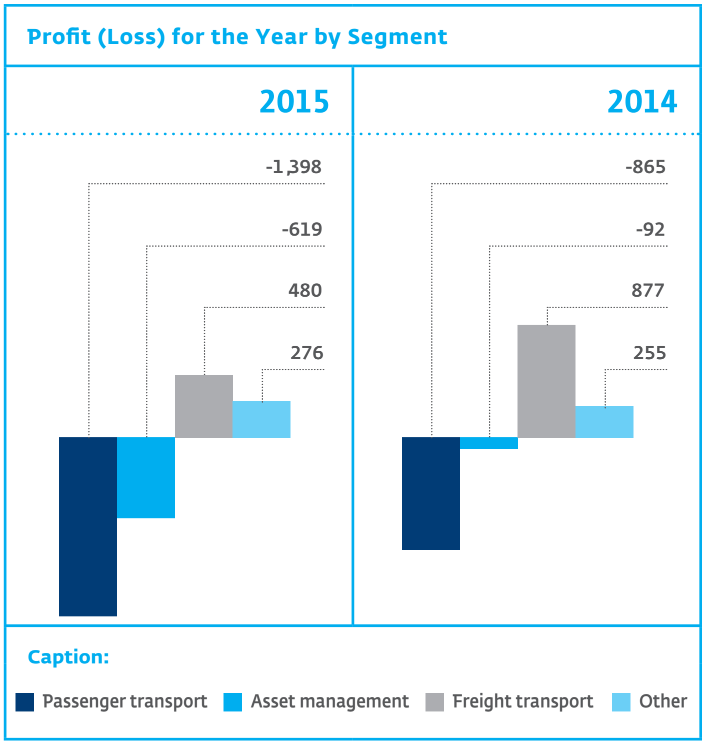
Asset Management

In the year ended 31 December 2015, the asset management segment did not succeed in generating a profit. The loss amounted to CZK 619 million, while in 2014 the loss amounted to CZK 92 million.

The condition and the average age of the station and operational buildings are given by the historic development of the railway network in the Czech Republic. The revenues from leases as well as from the sales of redundant assets cannot fully cover the scope of the necessary repairs and maintenance of the assets held by České dráhy. The substantial loss was significantly contributed to by the recognition of a provision for allocated assets of CZK 497 million in relation to the intended sale of part of business (transfer of "stations" to the Railway Infrastructure Administration).

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


EBITDA by segment
2015
4,236
-400
2,172
615
2014
4,519
135
2,554
581
Caption:
Passenger transport
Asset management
Freight transport
Other


Profit (Loss) for the Year by Segment
2015
-1,398
-619
480
276
2014
-865
-92
877
255
Caption:
Passenger transport
Asset management
Freight transport
Other

10 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, the 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 the necessary volumes of funding and leaves a sufficient reserve of undrawn committed credit lines.

In 2015, 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).

In 2015, the Moody's rating agency maintained the rating of České dráhy, a.s. at Baa3 with a stable outlook.

On 3 June 2015, České dráhy issued bonds in a EUR 115.2 million dual tranche private placement, consisting of a EUR 37.7 million 1.89% standalone bond with maturity of 7 years and a EUR 77.5 million 3.00% standalone bond with maturity of 20 years. The lead manager of the issue was Erste Group Bank AG.

On 22 December, the subsidiary ČD Cargo redeemed bonds in the aggregate nominal amount of CZK 1 billion and issued bonds in the same amount with maturity of 5 years.

2.5 million trains were dispatched in 2015, which is more than 6,800 trains a day, with almost 5 trains departing each minute.

11 FUTURE OUTLOOK

The ČD Group's key aim is the growth of its operating profitability.

In 2016, 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. 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 which may also generate additional revenues from international transport. However, improving the quality of transport will bring considerable costs for the maintenance and repairs 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 transport to ensure that passengers are taken care of during periods of large-scale traffic closures. In 2016, increased staff costs are also expected due to the approved increase in tariff salaries pursuant to the Corporate Collective Agreement of 1.7% at all tariff levels, and the increase in performance bonuses for engine drivers and train crews. The increase in costs will be offset by a series of optimisation measures, such as the centralisation of the procurement of services and materials.

The segment of freight transport is prepared to continue with the measures it has already started, improving the profitability of principal activities and other business activities with the aim of creating a competitive company the production capacities of which – namely the rolling stock – will reflect the current market needs. One of the main tasks to accomplish by 2017 is to ensure the sustainable operation of the transport system of single wagon business on the Czech railway network.

In 2016, the Eurobond issue of EUR 300 million will be payable by the parent company and the domestic bond issue of CZK 1.158 billion will be payable by the subsidiary ČD Cargo. Both companies plan to substitute the issues with new ones and thus ensure sufficient long-term financial resources.

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).

117.8 million train-kilometres of passenger transport in 2015, which means that all trains rode in total an average of 322,740 train-kilometres a day. If the number was recalculated to a single train, it could ride around the equator more than eight times.

12

PASSENGER RAILWAY

TRANSPORT OPERATION

Passenger Transport – Operation

In 2015, the operation of railway transport was significantly affected by the scope of construction work in the railway infrastructure on account of the Operational Programme Transport planning period nearing its completion. The measures adopted in order to ensure railway transport operation in the worsened conditions were complicated by a similar development in the road infrastructure, namely in ensuring substitute transport. The substitute transport was ensured for trains in the range of almost 5 million train kilometres and despite this, České dráhy, a.s. managed to meet the quality requirements of transport service contracts concluded with the regions as well as the Ministry of Transport. In terms of long-distance transport, slight complications were caused by the periodic maintenance of the 380 series locomotives, whereby the situation did not stabilise until the latter half of the year. The fulfilment of long-distance transport quality requirements also had an impact on the routine deployment of the Railjet trains which was affected by closures along the entire route of its operation. This resulted in delays upon the departures from, as well as arrivals in, the Czech Republic. The issue was successfully resolved towards the end of 2015, with the 2015/2016 train timetable not being affected.

Unfortunately, the large-scale closures negatively affected the adherence to the train timetable, namely in respect of the SC trains, where several major closures accumulated. Due to having initiated preparation for further cross-border transport projects which require the improvement of the quality of the rolling stock, late 2015 saw the train marshalling plan negatively affected on account of the assignment of vehicles for renovation. As a consequence, these had to be replaced by vehicles with lower design speed, which had a negative impact on keeping to the scheduled train times.

No major changes were made to the contractual provisions for the operation of railway transport. In February 2015, the Company terminated the appellate proceedings for the 2015 Annual Closures Plan and towards the end of the year, České dráhy filed an objection against the 2017 Network Statement published in the Transport and Tariff Bulletin (PTV – Přepravní a tarifní věstník) in late November. In preparing the closure activities for 2016, a positive change was made: unlike in the previous years, the 2016 Annual Closures Plan was debated in the second half of the year and subsequently approved as early as in November 2015. The court has yet to issue a final ruling on the 2012 Network Statement. A breakthrough change was made to the relation among the railway operator and passenger railway transport operators, involving the announcement of a new incentive enabling carriers to receive compensation for providing substitute transport (Amendment No. 2 to the 2015 Network Statement). In other aspects, the incentive system fully copied the 2014 Network Statement, which was enforced by the Railway Infrastructure Administration. The incentive was also reflected in the effective dates of the 2015/2016 train timetable. Given the newly concluded long-distance transport contracts, the manner of reporting of individual contractual liabilities and parameters in respect of ordering parties substantially changed as of the 2015/2016 train timetable effective date.

In the year ended 31 December 2015, České dráhy dispatched a total of 2,503,191 trains, of which 197,119 were long-distance trains and 2,306,072 were regional trains. In terms of the absolute adherence to the train timetable, a total of 86.6% trains arrived on time (ie with a delay of less than five minutes), with the 87.8% reliability of regional transport significantly higher compared to long-distance transport: the absolute reliability of long-distance transport amounted to 72.1%. In respect of the deficiencies on the part of the carrier, which are essential from the perspective of ČD's fulfilment of obligations towards ordering parties, significantly better results were achieved – ČD's share in the disruptions of the long-distance timetable amounted to 19.9% (ie 94.45% of long-distance trains arrived on time) and to 30.7% in respect of regional transport (ie 96.25% of regional trains arrived on time). In accounting only for the reasons on the part of ČD, the aggregate adherence to the train timetable reached 96.3%. Although the adherence to the train timetable exceeded the quality requirements of ordering parties, it must be, unfortunately, concluded that although the share of fault lying with ČD has so far been the lowest among the influences monitored (27.6%) – the causes on the part of the railway operator amounted to 40.1%, with 32.4% of train timetable disruptions caused by other influences (disruptions outside of ČD and SŽDC) – the disruptions through the carrier's fault were caused, to a decisive degree, by the condition of the rolling stock. While the proportion of disruptions through the carrier's fault (-4.17%) as well as other influences (-12.33%) decreased year-on-year (by 1.4% and 4.1% in absolute terms, respectively), the proportion of delays due to infrastructure causes recorded a year-on-year increase of 15.23% (of 5.3% in absolute terms).

In 2015, the total number of train journeys delayed by more than 5 minutes amounted to 410,375, of which 81,491 were long-distance trains and 328,884 were regional trains. The total disruption time affecting ČD train journeys totalled almost 12,398,753 minutes. The average delay of a single train increased by 3.61 minutes year-on-year. This increase may be directly correlated with the scope of the network closures and the system of preserving connecting trains. The comparison of the actual amount of delays in respect of the affected trains suggests that the number of trains arriving at their final destinations with a less-than-15-minute delay totalled 96.4%. With delays between 16 and 30 minutes, the number amounted to 2.8% of trains, with delays between 31 and 60 minutes to 0.7% of trains and with delays over 61 minutes to 0.1% of the total number of the trains dispatched.

In the year ended 31 December 2015, a total of 5,071 emergencies monitored in the MIMO system occurred, which represents a year-on-year increase of 18.5%. As a result of the emergencies in operation (including extraordinary events), in 2015, it was necessary to cancel a total of 6,321 train journeys without substitution (0.25% of the total number of planned train journeys pursuant to the Printed Timetable), of which 5,451 were regional trains and 870 were long-distance trains. A substantial portion of the cancellations were due to the incapacity of the traction vehicles (1,912 instances – 30.2%); however, in terms of the number of trains published in the Printed Timetable, this amounts to 0.07% of the total number of trains. The number of train journey cancellations due to emergencies decreased by 1.7% year-on-year; however, the proportion of train journeys cancelled due to vehicle malfunctions increased – in terms of the absolute number of emergencies to 37.5% of affected trains and in terms of the share in the origination of emergencies by 17.5%.

Passenger Transport – Commercial Aspects and Long-Distance Passenger Transport

In 2015, the long-distance transport segment was strongly affected by the already mentioned large-scale construction activities on the railway. The substantial number of closures significantly affected not only the long-distance passengers but cross-border passengers as well. Another significant event having an impact on the long-distance transport market was the political and security crisis which erupted in relation to the large-scale movement of refugees and the consequences of the terrorist attacks not only in France. Despite these significant influences, the Company succeeded in developing the segment.

The Railjet units deployed into routine operation significantly contributed to the development not only on the Prague – Vienna – Graz route, but they also increased the standard of travel for passengers on one of the main routes in the Czech Republic (Prague – Brno). Furthermore, the Company continued working with its German partner, DB Fernverkehr, with which it had concluded a Long-Term Cooperation Agreement in 2014. Based on the agreement, ČD launched the gradual modernisation of the rolling stock in order to significantly improve the quality of the services in respect of this route. As part of the cooperation between the two partners, 2015 saw the introduction of special-offer prices in respect of cross-border tickets for selected routes, with foreign train travel thus appealing to a wider range of passengers.

In June 2015, České dráhy also concluded a Long-Term Cooperation Agreement with the Slovak national carrier ZSSK, the main objective of which is to stabilise and gradually increase the quality of the services on the Prague – Olomouc – Horní Lideč – Žilina and Prague

– Bratislava – Budapest routes. In this context, the cross-border route to Slovakia and Hungary saw the initiation of the gradual deployment of the modernised Bdpee vehicles, with the Apee vehicles undergoing a gradual interior upgrade.

The continuous increase of product quality and stability is one of the main commitments of České dráhy as the national carrier. In terms of long-distance transport, further quality improvements are gradually made thanks to the deployment of the new InterPanter trains on the R13 Brno – Břeclav – Olomouc route. The new trains offer access to wi-fi, electric sockets, air-conditioned areas and wheelchair access.

The very first Czech electric units constructed for fast trains are produced in two versions – five-vehicle and three-vehicle – totalling 14 units. Besides the brand new trains, the commencement of their operation has another positive impact – the dislodged "push-pull" vehicles will make it possible to replace other obsolete vehicles on different routes.

In 2015, ČD introduced a new afternoon connection from Ostrava and Prague to Pilsen and Cheb using the SuperCity unit, linking Moravia with the trio of spa towns in the west without the need to change trains. In the opposite direction, new morning connections were introduced, with the number of connections to Luhačovice, Šumperk and the Vysočina region increased. A new category of the comfortable Rx higher-quality fast trains was introduced, comprising the EC/IC vehicles for the most part. The first such trains set out from Prague to Cheb and Klatovy.

Supplementary Services

In 2015, the development of ČD's supplementary services relating to regional and long-distance passenger transport continued. Its major steps included increasing the number of bike rentals (ČD Bike) thanks to which customers may rent a bike in 93 railway stations. Bicycles were renovated and certain rental shops were supplied with electric bikes. A new supplementary service of ČD Taxi was introduced in eight new locations. The offer of parking places near railway stations under the ČD Parking brand was introduced in Pardubice, Plzeň, Otrokovice and Staré Město u Uherského Hradiště. The option to rent a car for favourable prices as part of the ČD Auto service is newly provided to customers in Slovakia, specifically in Bratislava, Poprad and Košice. Given the missing direct train connection to Krakow, a coach line between Ostrava and Krakow was introduced for the period from March to October and in Advent, which was used as a follow-up connection for SuperCity trains from/to Prague and Eurocity trains from/to Vienna and Bratislava. The intervals of the AirportExpress bus line connecting the Prague main station and the Václav Havel Airport Prague were reduced to 15 minutes due to the increased demand in the summer season, i.e. from June to September. Selected EuroCity and 'express' trains were equipped with Bmz229 vehicles with a children cinema. In most 'express' trains without a restaurant car or a buffet car, the Company's internal concept of minibar services was introduced, offering paid refreshments delivered to the seat.

Activities of the ČD shop were predominantly focused on increasing the sale of tickets to firms in 2015. For employee business trips, In Business tickets for domestic travelling and First Minute tickets for travelling abroad, namely to Austria, Germany and Slovakia, were offered. In Karta for private trips was offered to employees through corporate intranets. Firms were addressed and offered registration in the "ČD for Firms" programme allowing for buying tickets in an e-shop and making payments based on invoices.

The Company supported sale through external distribution channels, such as travel agencies and sellers of cultural event tickets. Cooperation with music festival and exhibition organisers was also extensive. Several events in cooperation with ISIC was focused on students. Elementary and secondary schools were offered a product named "Children for a Trip by Pendolino".

66.4 million tonnes of cargo transported

66.4 million tonnes of cargo transported in 2015, which is an average of 181,918 tonnes a day. If we were to transport this cargo in a single train, it would have to be composed of 3,200 wagons and would be as long as the track from Liberec to Mimoň.

13

FREIGHT RAILWAY

TRANSPORT OPERATION

Freight railway transport is the core business of ČD Cargo, a.s., which includes the transport of almost all types of goods, from bulk cargo through dangerous goods to extraordinary and special shipments. ČD Cargo is the only transporter in the Czech Republic offering transport of goods in complete trains as well as in individual wagons and groups of wagons. This offer makes the company different from its competitors in railway transport. This competitive advantage is, however, a negative factor at the same time given the high costs of operation in this segment. Additional services, such as siding operation, customs services, safety advisory services, storing or maintenance and repairs of traction and towed vehicles, are provided as supplementary offers. These activities are covered by internal capacities as well as in cooperation with entities in which the company has equity investments. The potential of subsidiaries is predominantly used for expansion abroad, which is one of the strategic goals of ČD Cargo, a.s.

ČD Cargo, a.s., has an extensive fleet of towed vehicles capable of operating on most of the European railway networks and a fleet of locomotives to be predominantly operated on the SŽDC network. The fleet of 848 locomotives is gradually expanded to include interoperable locomotives. Locomotives of ČD Cargo, a.s., were used in Slovakia, Poland, Hungary and newly in Romania on a regular basis in 2015.

With the transported volume of 66 million tonnes of goods, ČD Cargo, a.s., is the leading domestic railway transporter and ranks among the major transporters in Europe. It is also an important employer in the Czech Republic.

Employment Policy and Social Programme

In line with the development of the Company's position on the market of freight railway transport, restructuring measures were adopted in the necessary scope in 2015 in order to increase the productivity and labour efficiency level. Thanks to adjustments in technologies, the measures resulted in the Company's cost savings. The process leading to the strengthening of the Company's business role of a provider of high-quality services to its customers continued in 2015.

Rolling stock

To operate freight trains, ČD Cargo, a.s., has 848 traction vehicles, of which a portion is leased for a long term and operated outside the Czech Republic while 70 locomotives are leased under finance leasing. 132 traction vehicles wait for physical liquidation. The number of freight vehicles amounts to nearly 26 thousand vehicles of various types. The rolling stock is expanded to include a group of leased vehicles in the average number of 2,400 as required. Out of the total rolling stock, about 17.5 thousand vehicles are operable. At the end of 2015, nearly 3,290 freight vehicles were recommended for elimination due to physical wear-and-tear, obsolescence and poor technical condition and wait for physical liquidation. In 2015, 347 Eas vehicles underwent renovation of body and flooring to all-metal framework. As part of inspection repairs, combined wooden floors were changed to all-metal floors in 120 Eas vehicles in the Railway Vehicle Repair Centre (SOKV). At the end of the year, the traction vehicle stock was expanded to include 23 vehicles of line 163 purchased from the parent company, České dráhy, a.s. Thanks to the purchase of locomotives, the oldest and most worn locomotives of line 122 could be put out of operation.

16.5 million tonnes of coal and coke

16.5 million tonnes of coal and coke were transported in 2015 by ČD Cargo trains, which is an average of 45.2 thousand tonnes a day. If we were to heat a family house with this amount, the fuel would last for over 5 thousand years.

In addition to operating passenger and freight railway transport, the České dráhy Group engages in a wide range of other activities and services that are realised both within the Group and for external customers.

ČD Cargo, a.s.
is the largest Czech freight railway carrier and one of the five largest freight carriers in the EU.

Výzkumný Ústav Železniční, a.s.
focuses on specialised services and comprehensive solutions in the area of testing and expert activity for railway transport.

DPOV, a.s.
ranks among the leading repairers of railway vehicles in the Czech Republic.

Dopravní vzdělávací institut, a.s
specialises primarily in the teaching and education of transportation experts, not exclusively in the area of railway transport.

ČD - Telematika a.s.
offers a wide range of services in the area of telecommunications and IT.

JLV, a.s.
provides a comprehensive service in restaurant cars, sleeping cars and couchette cars for railway companies.

RAILREKLAM, spol. s r.o.
administers and leases advertising space, primarily in trains and at railway stations.

A total of 23,947 employees

14 AIMS FOR THE UPCOMING PERIOD

Expected Development of the Company

ČD will aim at further strengthening its competitiveness in international and domestic long-distance transport as well as suburban and regional transport in 2016. In suburban and regional transport, ČD expects the number of transported passengers and the transport performance to grow. The achievement of the goals is, however, conditioned by the ongoing modernisation of the rolling stock. As a result, ČD intends to call several key tenders for vehicles supporting the priority business interests of the Company in 2016.

The development and simplification of the electronic ticket purchasing will continue and 2016 will be an important year for České dráhy in terms of entering social media, such as Facebook or Instagram.

Priority activities in 2016:

- Deployment of modernised vehicles in line Prague – Hamburg
- Increasing reliability and standardisation of vehicle arrangements in high-quality trains
- Participation in tenders for long-distance lines, including the provision of new vehicles
- Business activities with regional authorities with the aim of ensuring (a part of) the contractual obligation related to public service also after 2019
- Redesign of webpages and development of a new e-shop
- Further development of electronic applications and online communication
- Further development of the quality of follow-up services (ČD Taxi, ČD Municipal Transport, ČD Auto, ČD Bike, bikehouses, ČD Parking)
- Measures to repair a damaged SuperCity Pendolino train and redesign of the interior of all seven units
- Ensuring no fewer than 10 multisystem locomotives with the design speed of 200 km/h

15 ASSET MANAGEMENT

The real estate management department managed 5,023 buildings in 2015, of which 1,144 were railway station buildings accessible to the public. In 2015, the number of redundant buildings decreased by 311, of which 292 were sold and the remaining buildings were demolished. The buildings managed by the Regional Asset Management (RSM) included 2,928 apartments at the end of 2015, of which 2,092 were rented; the number of leased residential units decreased by 61.

A total of 13,254 external lease contracts were concluded for the premises and land managed by the asset management department in 2015, which is 35,845 leased buildings in records and 2,666 internal contracts, i.e. 8,663 leased buildings. Income from external lease contracts for buildings, land and apartments amounted to CZK 495,360 thousand in 2015, income from lease contracts amounted to CZK 55,191 thousand. The total external income from lease and operation of buildings was CZK 677,940 thousand (excluding internal leases). Income from the sale of redundant assets was CZK 297,574 thousand in 2015.

In 2015, the largest sales of assets were located in Prague districts of Michle (a hotel), Vysočany (a hall of residence), Smíchov and Veleslavín (sets of real estate), and in other municipalities, such as Šumperk, Břeclav, Sokolov, Děčín, Mělník, Zábrdovice and Podmokly.

The most important buildings for providing services to passengers are the railway station buildings the amount of which is 1,144 owned by ČD. Given the intended sale of part of the Train Stations business, the total amount of investments decreased in prior years but it was increased in 2015 to improve the condition of railway station buildings.

ČD has to provide access to publicly-accessible premises to other transporters in a non-discriminatory manner. 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 2015, about 70 railway station buildings underwent large renovation work and the total funds used for the large renovation projects amounted to CZK 51.5 million.

The aim of České dráhy involves improving the premises in which services to passengers are provided, i.e. entrance halls, dispatch halls, waiting rooms and toilettes in the railway station buildings. In September 2015, the Board of Directors decided on the increase of the limit for 2015 by CZK 30 million for the organisational units of assets administration for repairs and maintenance with the objective to improve the quality of premises in which customer services are provided. The allocated funds were used in about 170 locations for renovations of toilettes, installation of automatic doors, and repairs of flooring, plastering and lighting. Specific locations were selected carefully in cooperation with the customer-care staff, which is responsible for ticket selling and has a direct contact with passengers.

Investment costs amounted to about CZK 91 million in 2015 and were used in five dispatch buildings in various regions. Out of the investments made in 2015, construction adjustments made to the dispatch buildings in the railway station in Týniště nad Orlicí has to be emphasised. Both historic buildings of the railway station underwent complete renovation, extensions were demolished and the train and bus transport were interconnected. In Prague-Veleslavín where windows were changed in connection with the extension of the underground line also the roof, plastering and premises for passengers were repaired. In Poděbrady, the roof, plastering, restaurant and premises for passengers were repaired. The same repairs were made in the stations in Náchod, Turnov, Uherský Brod and Třinec. The latter two railway stations were subsidised by Swiss and EU funds. Repairs were carried out in cooperation with municipalities in all locations where complete renovation of dispatch buildings and their surroundings was made.

14,618 x denotes the number of rounds made in 2015 by tested vehicles on the large trial railway circuit of the subsidiary VUZ near the town of Velim. In total, they rode a total of 192,956 km of trial journeys.

16 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 stand-alone HR Centre based in Prague and Ostrava.

The headcount of the ČD Group recalculated to FTEs in 2015 was 23,947, of which ČD, a.s. employed 15,183 persons and ČD Cargo, a.s. employed 7,249 persons, which is a year-on-year decrease of 216 employees

In 2015, 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 2016. 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 2016.

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 2015, 13,774 preventive medical examinations were carried out on ČD's employees and 182 examinations were carried out as part of preventive healthcare in the workplace.

In 2015, 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 2016 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 focused on strengthening its position among individual members of the European railway community. For this purpose, České dráhy enhanced its activities in bilateral meetings as well as international railway organisations.

České dráhy a.s. as the parent company of the ČD Group kept its leading position in international cooperation and the key statements on individual issues were consulted with all ČD Group members on a regular basis.

Within the membership in the Community of European Railway and Infrastructure Companies (CER), the role of the Company increased in preparing statements on the EU legislation on railway transport. In September 2015, the Chairman of the Board of Directors of ČD, a.s., Pavel Krtek, was elected to the Steering Committee of CER. This election is the result of the long-term effort of the Company's management to take an active part in CER management. České dráhy plays a very active role in Brussels through its membership in CER as well as its active representation in Brussels and cooperation with other players, including the deputies in the European Parliament.

The year 2015 in Brussels brought further progress in discussing the fourth railway package, which is expected to be finally approved in 2016. České dráhy defended its positions with respect to individual pillars of the important railway legislation. In the field of railway machinery, all players were close to a consensus and the approval of the technical pillar may be expected in the near future. In terms of the policy pillar the discussions are continuing but in the sector of granting public services, CER together with the largest European players moved towards a consensus, predominantly in the definition of conditions for direct granting of the services. ČD, a.s. has supported development of equal and transparent conditions for all carriers in this area for a long time.

České dráhy cooperated with CER in the assessment of meeting the objectives of the White Paper on Transport of 2011. A number of issues were addressed, however, there are many tasks to be resolved by the European Commission, especially in the transfer of transport from roads to railways. The European Commission has not yet delivered on its promise to further elaborate on harmonisation of individual types of transport, namely in terms of equal conditions for end customer payments for the relevant infrastructure. We plan to focus on this area and achieve more significant progress together with CER.

In the International Railway Union (UIC), ČD continued to enforce its interests in machinery and operation within its participation in individual work teams and statutory bodies. There was a change in UIC management, the recalled UIC president, Vladimir Yakunin, was replaced by the new CEO of the Russian Railways, Oleg Belozerov, until the end of Yakunin's original term of office. It is expected that under Belozerov's management, UIC will continue working on the key priorities, i.e. the Europe-Asia corridors, global standardisation, education, etc. Within UIC, ČD, a.s. works to increase UIC's involvement in solving technical and operating standards in the European continent, which is the key mission of UIC.

Within the Organisation for the Cooperation of Railways (OSŽD), České dráhy is active in transforming the organisation into a dynamic tool for the development of cooperation of railway businesses between Europe and Asia, specifically in trade and development of common products. A review of the basic documentation of OSŽD should formally allow for the involvement of all players in OSŽD's activities, i.e. SŽDC in the Czech Republic. The Conference of CEOs of OSŽD, which we organised in April in Prague, was very successful. In addition to a regular programme, many bilateral meetings took place in Prague, which will further develop business contacts.

Our Company regularly organises bilateral workshops with infrastructure administrators and carriers from neighbouring countries. The meetings of the permanent work teams solve business and operating issues and represent a very effective tool to improve the quality of our services and products.

Marketing

The business-marketing strategy focused on four key areas supporting the ČD brand and products in 2015.

1. Increased awareness of the České dráhy brand
An extensive campaign covering TV, printed advertising, outdoor media and the online environment aimed at raising customer awareness of České dráhy as the national carrier in the Czech Republic. The motto "A better way every day" was the crucial message in advertising modern vehicles and trains for long-distance and regional transport, improving services and ČD's staff care for the daily travelling of the company's customers.

2. Long-distance transport and premium trains
The marketing campaign promoted a comfortable and safe travelling in modern vehicles to important European destinations. Customers were offered First Minute Europe tickets suitable for international long-distance connections and ČD Tip special offers intended for travelling to Christmas markets. Communication of support for the expansion of SC Pendolino lines connecting West Bohemia with the Ostrava region and Slovakia continued. For travelling between Prague and Ostrava a new product, Super Action Ticket, was offered for a very favourable price. The Company continued to install wireless Internet access in selected vehicles. Since December 2015, an additional charge to domestic fare for the 1st class and tariff zones under 120 km has reduced from 50% to 30%.

3. Regular commuting by ČD trains
Communication predominantly focused on customers travelling to work and schools and its key pillar was the promotion of In Karta, ČD customer network ticket. The basic advantage of In Karta, i.e. discounts for all trips by ČD trains, was repeatedly introduced to customers and subsequently, specific options for individual groups of travelling people were communicated. Students were informed about the option to combine In Karta with other discounts for the youth. Flat support for In Karta resulted in an increase in the number of the card users.

4. Leisure time travelling
This area was strongly supported by the summer campaign under the motto "This Summer Will Be Fun". The campaign promoted favourable offers for holiday travelling, predominantly the Group Weekend Ticket, the Summer Ticket for unlimited 14-day travelling, ČD Bike cyclist services and the First Minute Czech ticket.

5. Other marketing activities
Awareness of the ČD brand was successfully developed through events. Customers were provided with ČD offers at exhibitions, trade fairs and through the partnership of the national carrier at sports events. Presentation of new modernised vehicles and trains and shows of historic vehicles under the Nostalgie offer played a significant role.

We put large emphasis on electronic services for ČD passengers. The Můj vlak mobile application was further upgraded to make travelling easier from the purchase of a ticket to the information on the current situation on the railway line. It allows easy searching for train connections, including ticket purchasing, supports on-line and off-line connection searching, provides basic information on a train (order of cars, timetables, services provided on train, delay, etc.) and on a railway station (services provided at the station, integrated transport system, ticket purchasing at the station, GPS, etc.), and synchronises electronic tickets from the eShop. The application became popular in general public and was appreciated by professionals.

Environmental Protection

Environmental protection issues are solved in daily operation of České dráhy as the national carrier. Ongoing elimination of all negative impacts on the environment is ensured by the central operational management and continuous modernisation of the rolling stock, including the equipment of individual organisational units.

In 2015, České dráhy focused on the implementation and review of compliance with legislative requirements. Through continuous updating of internal regulations and guidelines together with training sessions, a uniform interpretation of legislation is achieved. Application of legislative requirements in České dráhy is checked through providing information to all environmentalists at all levels and continuous reviews in environmental protection.

Environmental protection activities are divided into the following areas:

- Water management focuses on the monitoring of the quality of drinking and sewage water, water consumption and the amount of sewage water released (compliance with the water management permits); it also includes updating emergency plans for establishments in which hazardous substances are handled, including updating the simplified emergency plans for all railway stations.
- The area of chemical substances and agents focuses on the management of chemicals and chemical substances (storing, handling in compliance with legislative requirements, procedures and measures specified in safety sheets).
- Nature and landscape protection focuses on the maintenance of greenery and full-grown trees and shrubs on the land of České dráhy, with priority of the safe and seamless railway operation.
- Rehabilitation of soil and underground water focuses on compliance with the decisions of state administration bodies (water management authorities, the Czech Environmental Inspectorate) stipulating remedial measures. In 2015, individual remedies were discussed with the state administration bodies in order to use invested funds effectively.
- Air protection focuses on compliance with emission pollution limits and control measuring stipulated by law. Without continuous modernisation of boiler rooms, the specified limits could not be met.
- The area of noise pollution and vibrations monitors compliance with health limits, which also relates to the modernisation of the rolling stock and selected air-conditioning units.
- Waste management focuses on compliance with legislative requirements, namely waste sorting, waste protection against misuse or leakage and delivery to a specialised firm authorised to collect waste. As part of registration and control, a network information system is used both for hazardous and other waste. The system prepares reports intended for state administration bodies for all organisational units.

The above-specified environmental protection areas are monitored in the long term and measures for the following periods are adopted as required based on the development.

In 2015, České dráhy successfully underwent an external audit of the energy management system under ISO 50001. The external auditor stated that České dráhy meets all criteria specified by the international standard and will be awarded a certificate. Thus the legal requirement for energy management has been satisfied.

Research and Development

The subsidiary Výzkumný Ústav Železniční, a. s. (VUZ) is an internationally-renowned company that specialises in the provision of professional services and comprehensive solutions in assessment, testing and expert activities for railway systems and railway transportation. Major business activities of VUZ predominantly include the provision of services in the following areas:

- Specialised testing;
- Assessment of compliance with the interoperability requirements; and
- Expert activities in railway systems and railway transportation.

VUZ operates two railway testing circuits (ŽZO) and other special testing equipment forming the Testing Centre in Velim, which ranks among the important and renowned testing centres for railway machinery and equipment within and outside Europe. VUZ develops close cooperation with the leading manufacturers of railway machinery, academic institutions and professional organisations within and outside the EU. VUZ is 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 is an accredited testing laboratory, an accredited certification body for products and a certified entity for assessing safety under CSM (security method for evaluating and assessing risks).

VUZ provides professional services in research and development in railway transportation for the ČD Group members and for numerous local and foreign clients. The knowledge gained in research and development activities is shared with the professional public through participation in professional publications covering books on railway topics, co-publishing of reviewed non-impacted periodical New Railway Trends or publishing activities in professional journals and scientific collections. VUZ participates in scientific and research activities through the membership of the Chairman of the Board of Directors, Antornín Blažek, in the Scientific Board of the Minister of Transport of the Czech Republic and in the Scientific Board of the Faculty of Transportation Sciences of the Czech Technical University in Prague. VUZ experts take an active part in various professional events as speakers, presenting the research and development results of VUZ.

Through the technological platform entitled "Interoperability of the railway infrastructure", VUZ was involved in the activities of the international UIC committee for railway research (International Railway Research Board (IRRB)) in 2015; a VUZ's representative 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 railway research, and to establish a general scientific base for railway research across the world.

VUZ's business activities are characterised by the effort to introduce railway machinery R&D results in practice in individual fields of the company's principal activities. This is also the reason why the investment project aimed at building the ETCS system in the large testing circuit line of the Testing Centre in Velim was completed in 2015, which used the EU funds from the Operational Programme "Enterprise and Innovation". This project was substantially the last step of the extensive modernisation of the Testing Centre in Velim, connected with the use of the latest R&D results in the railway transportation. Thanks to this extensive investment, which further improved technical parameters and the overall equipment of the infrastructure of the Testing Centre in Velim, VUZ's prestige among local and foreign customers and professional public has increased.

At the end of 2014, or at the beginning of 2015, VUZ's obligations relating to the participation in research projects funded or supported as part of national or European programmes were satisfied, namely in the following projects: NOVIBRAL (noise emission and vibrations in the railway system), EUREMCO (EUropean Railway ElectroMagnetic Compatibility) and D-RAIL (Development of the Future Rail Freight System to Reduce the Occurrences and Impact of Derailment). VUZ's participation in these projects was finished and no costs were incurred as part of the research projects.

Information Technologies

Support and development of passenger transport is the priority for ICT. Emphasis is permanently placed on the sale of tickets through on-line channels, integration of sales via individual channels and the maximum simplification of purchases.

As part of the eShop, a loyalty programme has been further developed 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 for Android and iOS operating systems was upgraded to include additional functionalities. Implementation of the application resulted in a significant improvement in selling tickets as well as information for customers. Apart from the functionality, the application was repeatedly appreciated by the professional public. In the coming periods, the My Train application is intended to be expanded to the Windows Phone/Windows 10 platform.

In providing modern equipment, train staff and inspectors 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).

As result of the conceptual change in the structure of ČD's In Karta, expired cards and cards with the old structure have been gradually replaced. The implementation of the MAP system in In Karta enables cheaper connections between individual partners, more efficient off-line work and the use of only one carrier for electronic tickets with subsequent virtualisation. The MAP implementation includes improved security and faster ticket-purchasing and ticket inspections.

In the area of ICT operation management, alignment with the TAF TSI and TAP TSI telematics standards continued in 2015. This EU legislation requires changes in the company's systems for railway operation management, primarily in the Dispatcher Information System for Passenger Transport (DISOD), and in the systems for the preparation of timetables, primarily in the KASO system. The changes will continue in years 2016-2018 in cooperation with SŽDC, s.o. Another key project, which involves ICT and was started in prior years, is the implementation of the system for supporting the flexible management of passenger transport (DISOD). In 2015, the implementation of the third and final phase was completed.

In the field of economic information systems, three important projects were successfully completed: the Receivable Reminder and Interest Project, the Project for DMS and Electronic Sending of Customer Invoices of ČD, and the KSM On-line Project aimed at uniform loading to material and service ID number register in the ČD

Group. The SAP MM Services project was started and will continue in 2016. The large-extent implementation of native functionalities of SAP was regulated in time due to the planned upgrade of SAP, which will also continue in 2016.

In 2015, ICT started implementing the outcomes of audits focused 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, 2015 was the first year in which services were used in full instead of purchasing devices. This change impacted end devices (computers) in the form of a service (a lease of devices with defined services). The same change was made to comprehensive printing services (renting the printers as a service, while the provider also takes care of the consumables' logistics and rebilling to users).

ČD Informační systémy a. s. (ČD-IS) focuses on the provision of IT services in the field of transport and logistics, including delivery, development and operation of applications, data centre administration, services of system integration and architecture, SAP solutions and IT support and services. The key areas of the company's product portfolio include solutions for passenger and freight transport, economics and HR. In 2015, the company delivered significant projects in the field of operational information system, economic reporting in the SAP environment, operating reporting and integrations and expanded its competencies by the first delivery of mobile applications. In operation, plans relating to the provision of infrastructure and software as a service were completed and a pilot operation of a private cloud was started, allowing for dynamic IT performance. ČD-IS significantly developed its competencies and started providing architecture services, IT security and ticket-purchasing systems. In acquisition activities, it strengthened its competencies in the delivery of non-contact chip cards for ticket purchasing.

ČD - Telematika a.s. (ČD-T) is an important provider of telecommunications services and services in the administration, maintenance and construction of telecommunication infrastructure. ČD-T provides housing services in highly-secured data centres and owns the second largest optical infrastructure in the Czech Republic. ČD-T provides its services to demanding clients from state administration, the railway transportation segment, large companies and local internet providers.

In 2015, ČD-T successfully completed extensive renovation of vehicle and base radio-stations in the 150 MHz band. The engagement related to more than 2,000 vehicles of České dráhy and ČD Cargo. ČD-T also used its potential in implementing telematic solutions in other projects, for example for SŽDC. It provided a state organisation with the ERTMS measurement vehicle and delivered a project of Control and Analytical Centre for Transport Management (KAC).

ČD-T's strategy for the following periods remains the same, i.e. developing business opportunities in the ČD Group, strengthening the strategic partnership with SŽDC, increasing position in telematics projects and increasing revenues outside the railway infrastructure and transportation sector. The key growth opportunities in 2016 will include the growing demand for telematics services in transportation in general. ČD-T invests in strengthening its competencies within and outside the railway transportation.

In ICT management within the ČD Group, binding documents were approved in 2015, specifying IT Governance, describing the ICT strategy for the ČD Group for 2015-2020 and defining the rules for managing ICT projects in the ČD Group, with a special focus on investment protection and a shared licence policy.

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. In its workplaces in Přerov, Nymburk, Veselí nad Moravou, Olomouc and Valašské Meziřičí, the company repairs all of its electric and diesel-electric traction vehicles, complete units, railcars, railcar trailers, and passenger carriages, including repairs of all of their parts and functional units. It provides its services on an open market and provides repair services to external customers.

In 2015, the company underwent significant changes, specifically with respect to quality indicators in the production process, technological development and modernisation. The changes included reduction of labour in individual projects, reduction of repair time and increasing quality of repairs, predominantly through the Project Production Team (the "Comprehensive Team"). The project was aimed at the elimination of the threat of "deterioration of quality parameters of repairs" within a market analysis. In the project, a group of managing and production staff was assigned to specific projects led by individual project managers. The effect of this solution lies in the specification of clearly-defined responsibilities for the assigned production segment, including staff motivation for the quality of labour.

The company has gradually worked on meeting its long-term goal to become a modern railway vehicle repair station for the ČD Group as well as for other foreign and local carriers and companies operating railway siding transport.

Railway Catering Services

JLV, a. s., (JLV), is a traditional Czech company operating on Czech railways for 55 years and having experience with providing customer services.

The main business activities of the company include the provision of services and railway catering in designated carriages operated for České dráhy and the German carrier, Deutsche Bahn. The business portfolio includes gastronomic and retail concepts developed by the company or operated through franchising.

In 2015, a significant acquisition of the ABITO hotel in Prague was made.

The company had three key goals in 2015: participation in a tender of ČD for the provision of train catering services from 2016, starting a full operation of ČD Railjet and the development of MOMENTO restaurant network.

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 by plane, train, bus and private cars. The broad range of destinations comprises Greece, Turkey, Spain, Bulgaria, Italy, Croatia and Slovakia.

The agency plans sightseeing tours in all parts of Europe (Italy-Sicily, France, Swiss Alps by train). ČD travel is among the very few Czech companies using the German DB KURS reservation system and sells tickets for the whole of Europe.

The agency provides tickets, for example, for the French TGV, Spanish AVE and TALGO or Czech SC Pendolino, Eurostar trains going through the tunnel between France and Great Britain (departures from Brussels or Paris), trains to the Far East (Russia) and other trains.

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 carrier 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.

3,843 repairs of rail vehicles performed to a various extent by the subsidiary DPOV in 2015. Each day, an average of 10 repairs was initiated.

17 INVESTMENT

DEVELOPMENT OF THE 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 the segment of long-distance and international transport, the last - seventh non-traction Viaggio Comfort train (railjet) was received in 2015. In regional transport, the last supplies of the low-floor electric RegioPanter units for the South Moravian region were carried out. As for new projects, new rolling stock was acquired, specifically six new electric RegioPanter units for line R13 Brno – Břeclav – Olomouc were acquired under the Transport 1 Operational Programme and two new low-floor electric RegioPanter units were purchased for a line to the Leoš Janáček Airport in Ostrava-Mošnov as part of the Regional Operational Programme Moravia-Silesia. Construction and other investments (namely in machinery in locomotive depots) in 2015 were made predominantly in the sector of railway vehicles to ensure the operational care, repair and maintenance of newly-supplied vehicles. In construction investments, the renovation of the vehicle washing space in Liberec and renovation of some dispatch buildings were completed and the investment project for the renovation of the maintenance hall for passenger vehicles in Hradec Králové continued. Other investments predominantly included machinery and mechanisation, a project for the acquisition of two engine-driver simulators was started. IT investments were mainly aimed at operational systems in passenger railway transport, ticket purchasing, economic and security systems.

ČD Cargo invested primarily in the renewal and modernisation of its rolling stock. Major investments include the purchase of 23 engines of series 163 from ČD (some of the engines are equipped for being operated in Poland) and technical improvement and repairs of 356 Eas freight vehicles of group 52. In addition, repairs of additional substantial lines of freight vehicles, such as Falls discharging vehicles, and the main and component repairs of engines, predominantly 363 series electric engines. In IT, the development of the internal information system relating to business and operating activities continued and an ICT security (cybersecurity) project started with the aim of receiving an ISO 27 0001 Information Security Management System certification. In construction investments, renovations of the premises of the rolling stock and operating unit repair shops were carried out. Other investments related to the renovation of handling equipment and machinery.

VUZ's investments relate to professional activities in specialised testing for railway systems and transportation. In 2015, construction of the equipment to test the ETCS L2 train control system was completed as well as the entire renovation and modernisation of the infrastructure of the Velim Testing Centre co-funded from the Operational Programme Enterprise and Innovation.

Being a major rolling stock repairer, DPOV predominantly invests in modernisation and renovation of repair halls and technological equipment. The key investment of 2015 is the extension of the existing repair hall in the operating repair centre in Veselí nad Moravou.

ČDT's investment activities focused predominantly on further investments in the expansion and renewal of the internal optical network, strengthening the WDM platform for customer projects and expansion of coverage in 2015 and a data centre construction was completed.

ČD–IS focuses on providing ICT services in transportation and logistics, including the development and operation of applications, system integration services, SAP solutions, IT support and servicing. In 2015, ČD-IS invested in the development of a data centre and end equipment for ČD and ČD Cargo. Major investments include infrastructure for the new environment of the PARIS selling and reservation system.

DVI specialises in the education process of railway transport employees. DVI invested in education needs and transport specialist education. The key investment of 2015 was the purchase of the building of a welding school in Česká Třebová.

RAILREKLAM invested in premium advertising equipment in the main station in Prague (backlights and LED screens) and in the preparation of installations in Brno and Olomouc. In the advertising network development, the company focused on the maintenance and repairs and advertising equipment, often concerning extensive reconstructions and renovations of railway corridors, including stations, stops and platforms. Investments in the outdoor advertising network in Prague are influenced by the uncertain situation in the Prague construction regulations and their impact on outdoor advertising in Prague.

5,438 kilometres

5,438 kilometres of the European railway network were daily traversed by JLV's restaurant cars, sleeping cars and couchette cars. If we were to combine all their routes into one, the track would span from Lisbon to Helsinki.

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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

We have audited the accompanying financial statements of České dráhy, a.s. prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as of 31 December 2015, 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 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matters
As discussed in Note 34 to the financial statements, the Company is involved in a series of legal disputes and is addressing the results of inspections focused on the drawing of subsidies allocated in the past. The potential outcome of the stated legal disputes and inspections cannot be presently anticipated. Our opinion is not modified in respect of this matter.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of České dráhy, a.s. and its subsidiaries prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as of 31 December 2015, 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 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matters
As discussed in Note 35 to the financial statements, the Company is involved in a series of legal disputes and is addressing the results of inspections focused on the drawing of subsidies allocated in the past. The potential outcome of the stated legal disputes and inspections cannot be presently anticipated. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the annual report, but does not include the financial statements and the consolidated financial statements (hereinafter also the "financial statements") and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information in the annual report is not materially inconsistent with the financial statements or our knowledge obtained in the audit, the annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

In Prague on 5 April 2016

Audit firm:

Deloitte

Deloitte Audit s.r.o.
registration no. 079

Statutory auditor:

Václav Loubek
registration no. 2037

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CONSOLIDATED FINANCIAL

STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 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**

Consolidated Financial Statements were prepared on 5 April 2016
Statutory body of the reporting entity

Components of the Consolidated Financial Statements for 2015
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

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 2015

		31 Dec 2015 CZK thousand	31 Dec 2014 CZK thousand	1 Jan 2014 CZK thousand
Property, plant and equipment	16	74,332,726	74,999,328	74,197,376
Investment property	17	1,957,502	2,140,185	2,162,067
Intangible assets	18	569,143	594,896	571,745
Investments in joint ventures and associates	20	188,077	187,875	200,864
Deferred tax asset	13	27,596	5,858	12,022
Other financial assets	23	735,677	1,812,882	1,619,722
Other assets	24	26,546	106,998	58,530
Total non-current assets		**77,837,267**	**79,848,022**	**78,822,326**
Inventories	21	1,248,767	1,199,967	1,128,138
Trade receivables	22	3,452,721	3,127,474	3,409,896
Tax receivables		24,745	60	1,191
Other financial assets	23	760,875	125,807	181,942
Other assets	24	1,461,431	1,151,710	1,092,974
Cash and cash equivalents	32	3,972,429	4,042,971	1,755,935
Assets held for sale	15	33,550	49,454	59,161
Total current assets		**10,954,518**	**9,697,443**	**7,629,237**
TOTAL ASSETS		**88,791,785**	**89,545,465**	**86,451,563**
Share capital	25	20,000,000	20,000,000	20,000,000
Reserve and other funds	25	15,760,054	16,046,019	16,315,150
Retained earnings (accumulated losses)		-161,526	1,276,631	1,196,207
Equity attributable to equity holders of the parent company		**35,598,528**	**37,322,650**	**37,511,357**
Non-controlling interests		623,234	775,505	741,544
Total equity		**36,221,762**	**38,098,155**	**38,252,901**
Loans and borrowings	26	25,693,410	33,135,989	29,896,632
Deferred tax liability	13	887,530	751,416	538,538
Provisions	27	856,505	826,019	213,071
Other financial liabilities	29	1,510,850	1,183,234	420,663
Other liabilities	30	603,840	581,252	520,291
Total non-current payables		**29,552,135**	**36,477,910**	**31,589,195**
Trade payables	28	6,200,868	6,694,581	6,582,557
Loans and borrowings	26	11,498,193	3,646,394	4,688,281
Tax payables		12,140	88,951	56,628
Provisions	27	1,790,376	1,288,592	2,016,357
Other financial payables	29	684,109	654,401	408,951
Other payables	30	2,832,202	2,596,481	2,856,693
Total current payables		**23,017,888**	**14,969,400**	**16,609,467**
TOTAL LIABILITIES		**88,791,785**	**89,545,465**	**86,451,563**

Statement of Profit or Loss for the Year ended 31 December 2015

		Year ended 31 Dec 2015 CZK thousand	Year ended 31 Dec 2014 CZK thousand
CONTINUING OPERATIONS			
Revenue from principal operations	5	33,083,317	33,036,221
Other operating income	6	4,679,238	3,700,728
Purchased consumables and services	7	-16,935,870	-16,271,198
Employee benefit costs	8	-12,524,798	-12,106,999
Depreciation and amortisation	9	-6,221,891	-5,884,708
Other operating losses, net	10	-1,892,832	-610,835
Profit before interest and tax		**187,164**	**1,863,209**
Financial expenses	11	-1,427,523	-1,219,510
Other gains (losses), net	12	60,751	-114,650
Share of income of joint ventures and associates		11,415	13,931
Profit (loss) before tax		**-1,168,193**	**542,980**
Income tax expense	13	-206,804	-386,774
Profit (loss) for the period from continuing operations		**-1,374,997**	**156,206**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	15	0	0
Profit (loss) for the year		**-1,374,997**	**156,206**
Attributable to equity holders of the parent company		-1,401,708	116,397
Attributable to non-controlling interests		26,711	39,809

Statement of Comprehensive Income for the Year ended 31 December 2015

	Year ended 31 Dec 2015 CZK thousand	Year ended 31 Dec 2014 CZK thousand
Profit (loss) for the year	-1,374,997	156,206
Foreign exchange rate gains or losses from the transfer of foreign branches	-4,981	-14,188
Cash flow hedging	-364,751	-280,325
Relating income tax	-9,213	-10,597
Other comprehensive income (loss) for the year (items that may be reclassified in profit or loss), net of tax	**-378,945**	**-305,110**
Total comprehensive income (loss) for the year	**-1,753,942**	**-148,904**
Attributable to equity holders of the parent company	-1,780,653	-188,713
Attributable to non-controlling interests	26,711	39,809

Statement of Changes in Equity for the Year ended 31 December 2015

	Share capital CZK thousand	**Reserve and other funds** CZK thousand	**Retained earnings (accumulated losses)** 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 2014	**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 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**
Profit (loss) for the year	0	0	-1,401,708	-1,401,708	26,711	-1,374,997
Other comprehensive income for the year, net of tax	0	-378,945	0	-378,945	0	-378,945
Allocation to the reserve fund	0	51,057	-51,057	0	0	0
Paid dividends	0	0	0	0	-1,492	-1,492
Impact of change in the consolidation group *)	0	41 842	14 608	56 450	-177 490	- 121 040
Other	0	81	0	81	0	81
Balance at 31 Dec 2015	**20,000,000**	**15,760,054**	**-161,526**	**35,598,528**	**623,234**	**36,221,762**

*) The line item "Impact on change in the consolidation group" includes the effect of the increase in the parent company's equity investment in ČD - Telematika, a.s.

Cash Flow Statement for the Year ended 31 December 2015

		Year ended 31 Dec 2015 CZK thousand	Year ended 31 Dec 2014 CZK thousand
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the year before tax		-1,168,193	542,980
Dividend income	12	-114	-1,130
Financial expenses	11	1,427,523	1,219,510
Profit from the sale and disposal of non-current assets	6	-260,374	-208,467
Depreciation and amortisation of non-current assets	9	6,221,891	5,884,708
Impairment of non-current assets	10	500,693	-6,024
Impairment of trade receivables		49,229	67,330
Foreign exchange rate gains (losses)		-186,715	46,460
Other		200,034	38,481
Cash flow from operating activities before changes in working capital		**6,783,974**	**7,583,848**
Decrease (increase) in trade receivables		-305,188	241,211
Decrease (increase) in inventories		-152,272	-41,398
Decrease (increase) in other assets		-287,294	-54,083
Increase (decrease) in trade payables		109	-494,254
Increase (decrease) in provisions		530,260	-115,784
Increase (decrease) in other payables		301,085	328,387
Total changes in working capital		**86,700**	**-135,921**
Cash flows from operating activities		**6,870,674**	**7,447,927**
Interest paid		-1,329,435	-1,107,367
Income tax paid		-190,552	-159,062
Net cash flows from operating activities		**5,350,687**	**6,181,498**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment		-6,320,914	-5,703,164
Proceeds from disposal of property, plant and equipment		390,035	207,547
Payments for investment property		-21,620	-29,789
Costs of acquisition of intangible assets		-157,848	-211,834
Received interest		19,914	16,607
Received dividends		114	1,130
Net cash flows used in investment activities		**-6,090,319**	**-5,719,503**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		4,216,996	5,690,966
Repayments of loans and borrowings		-3,425,414	-3,865,897
Impacts of changes in equity *)		-121,000	0
Dividends paid		-1,492	-28
Net cash flows from financing activities		**669,090**	**1,825,041**
Net increase (decrease) in cash and cash equivalents		**-70,542**	**2,287,036**
Cash and cash equivalents at the beginning of the reporting period		4,042,971	1,755,935
Cash and cash equivalents at the end of the reporting period	32	**3,972,429**	**4,042,971**

*) The line item "Impacts of changes in equity" includes the effect of the increase in the parent company's equity investment in ČD – Telematika a.s.

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NOTES TO THE CONSOLIDATED FINANCIAL

STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015. The reporting period is the calendar year, i.e. from 1 January 2015 to 31 December 2015.

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 corporate 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 2015:

Steering Committee

Chairman	Tomáš Čoček
Vice Chairman	Kamil Rudolecký
Member	Jiří Havlíček
Member	David Koppitz
Member	Jakub Landovský
Member	Jindřich Kušnír
Member	Pavel Kouřil

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 for Vladislav Koval and Jakub Kulhánek were cancelled and Karel Dobeš was recalled as Chairman of the Steering Committee. Pursuant to this resolution, Lukasz Kryński and Jakub Landovský were authorised to perform the activities in the Steering Committee starting from 17 March 2015. Tomáš Čoček was appointed Chairman of the Steering Committee.

Pursuant to Resolution No. 509 of the Czech Government of 24 June 2015, the authorisation for the activities in the Steering Committee of České dráhy for Lukasz Kryński was cancelled. Pursuant to this resolution, David Koppitz was authorised to perform the activities in the Steering Committee of České dráhy starting from 25 June 2015.

Pursuant to Resolution No. 633 of the Czech Government of 29 July 2015, the authorisation for the activities in the Steering Committee of České dráhy for Lukáš Wagenknecht was cancelled. Pursuant to this resolution, Pavel Kouřil was authorised to perform the activities in the Steering Committee of České dráhy starting from 30 July 2015.

Supervisory Board

Chairman	Milan Feranec
Member	Vojtěch Kocourek
Member	Antonín Tesařík
Member	Jan Hart
Member	Tomáš Révész
Member	Antonín Leitgeb
Member	Jaroslav Pejša
Member	Milan Kucharčík
Member	Vladislav Vokoun

At the meeting of the Steering Committee held on 14 December 2015, Milan Křístek and Josef Smýkal were recalled from the positions of members of the Supervisory Board with immediate effect. Tomáš Révész and Milan Kucharčík were appointed members of the Supervisory Board with immediate effect.

A sub-committee of the Supervisory Board is the Remuneration Committee. As of 31 December 2015, positions of committee members were vacant.

Board of Directors

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

Audit Committee

Chairman	Tomáš Vyhnánek
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. At its meeting held on 12 November 2015, the Steering Committee recalled Lukáš Wagenknecht from his position with immediate effect and appointed Tomáš Vyhnánek as a member of the Audit Committee with effect from 12 November 2015. At the meeting of the Audit Committee held on 12 November 2015, Tomáš Vyhnánek was appointed Chairman of the Audit Committee.

At its meeting held on 4 February 2016, the Steering Committee recalled Lukáš Pečeňa as a member of the Audit Committee with immediate effect and appointed Iva Šolcová as a member of the Audit Committee with immediate effect.

The permanent advisory body of the Board of Directors which has its role in the risk management is the Risk Management Committee. The Committee has 5 members. The members of the Committee are:

– Member of the Board of Directors responsible for the division of passenger transportation or a deputy appointed by him/her;

– Member of the Board of Directors responsible for the division of technology, maintenance and assets or a deputy appointed by him/her;

– Member of the Board of Directors responsible for the division of projects and international relations or a deputy appointed by him/her;

– Director of the economy department or a deputy appointed by him/her; and

– Director of the legal department or a deputy appointed by him/her.

The meetings of the Committee are attended by the Director of the division of internal audit and control who has an advisory vote.

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	69.18	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, 28. října 372/5	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
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
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 23 June 2015, České dráhy, a.s. and AŽD Praha s.r.o. entered into a contract for the transfer of securities of ČD - Telematika a.s. The purchase of shares from AŽD Praha s.r.o. resulted in an increase in the equity interest held by České dráhy, a.s. in ČD - Telematika a.s. from 59.31% to 66.70%. The acquisition cost of the equity interest was CZK 91,000 thousand.

On 14 July 2015, České dráhy, a.s. and Odborové sdružení železničářů ("Railway Labour Union" in English) entered into a contract for the transfer of securities of ČD - Telematika a.s. The purchase of shares from Odborové sdružení železničářů (a share of 2.48% in ČDT) resulted in an increase in the equity interest held by České dráhy, a.s. in ČD - Telematika a.s. from 66.70% to 69.18%. The acquisition cost of the equity interest was CZK 30,000 thousand.

As a result of the increase in the parent company's equity interest in ČD - Telematika a. s. of 9.87%, the non-controlling interests decreased by CZK (177,490) thousand. The impact of the transaction is reflected in the Statement of Changes in Equity.

During 2015, the parent company sold its 51% equity interest in Centrum Holešovice a.s. The proceeds of the sale of CZK 51 thousand were collected in cash.

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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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 as equal to 50% of the outstanding carrying amount of the receivables that are past due by greater than 18 months and full allowances against receivables registered for recovery under insolvency proceedings. In addition, full allowances are recognised in respect of receivables that are past due by greater than 12 months and whose carrying amount does not exceed CZK 30 thousand. The Group recognises no allowances against receivables from SŽDC.

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

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

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

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.

Derivatives that do not meet criteria for being recognised as hedging are treated by the Company as at fair value through profit or loss.

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 2015

During the year ended 31 December 2015, the following standards, revised standards and interpretations took effect:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
Improvements to IFRSs – cycle 2011 - 2013 (published in December 2013) *)	1 July 2014
IFRIC 21 Levies **)	1 January 2014

*) effective for periods starting on 1 January 2015 in the EU
**) effective for periods starting on 17 June 2014 in the EU

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

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 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	Date will be determined
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 2016
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 16 - Leases	1 January 2019
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 7 - Amendments to IAS 7 Disclosure Initiative	1 January 2017
IAS 12 - Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
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 (published in September 2014)	1 January 2016

*) effective for periods starting on 1 February 2015 in the EU

Management of the Group anticipates that the adoption of most 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 Group anticipates increased disclosure requirements. With respect to IFRS 16, the Group anticipates the need to disclose a significant number of concluded lease agreements in the balance sheet. Given that this standard was approved on 13 January 2016, the Group has not yet undertaken any analysis making it possible to quantify this impact.

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

At the consolidated balance sheet date, some of the standards and interpretations 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	Date will be determined
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 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 16 - Leases	1 January 2019
IAS 7 - Amendments to IAS 7 Disclosure Initiative	1 January 2017
IAS 12 - Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

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 Train Stations to the State-Owned Organisation SŽDC

In the long-term the Ministry of Transportation has been stating its intent to sell the train station buildings owned by ČD to the state-owned organisation SŽDC. The specific form of the transfer is being debated and the outcome cannot be estimated.

4.9. Values of the Assets and Liabilities of ČD Cargo and ČD Telematika

In 2015, 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 above measures will continue to be taken in 2016. The result of those measures may have an impact on the values of ČD Cargo's assets and liabilities.

At present, the telecommunication sector is subject to significant ownership changes. This may have an impact on the market values 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)	**2015**	**2014**
Revenue from passenger transportation - fare	7,546,719	7,463,438
Intrastate passenger transportation	5,062,427	5,149,864
International passenger transportation	2,484,292	2,313,574
Revenue from passenger transportation - payments from public service orderers	13 513 740	13 227 453
Payment from the state budget	4,408,597	4,249,926
Payment from the regional budget	9,105,143	8,977,527
Revenue from freight transportation	11,274,765	11,699,082
Intrastate freight transportation	4,402,050	4,292,864
International freight transportation	6,872,715	7,406,218
Other revenue from principal operations	748,093	646,248
Total revenue from principal operations – continuing operations	**33,083,317**	**33,036,221**

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 other revenue from freight transportation.

6. Other Operating Income

(CZK '000)	2015	2014
Gain from disposal of property, plant and equipment and investment property	260,374	208,467
Gain from the sale of inventory	17,697	20,890
Sales of other services	2,497,728	2,156,404
Rental income	1,024,503	913,058
Compensations for deficits and damage	136,708	154,483
Gain on material	63,380	56,625
Other subsidies	250	19,584
Other *)	678,598	171,217
Total other operating income – continuing operations	**4,679,238**	**3,700,728**

*) In terms of the Declaration about nationwide and regional railways, ČD received payment in 2015 from the railway operator for alternative bus transport needed due to planned restrictions in railway operations

7. Purchased Consumables And Services

(CZK '000)	2015	2014
Traction costs	-3,728,071	-4,207,615
Traction fuel (diesel)	*-1,611,447*	*-1,804,616*
Traction electricity	*-2,116,624*	*-2,402,999*
Payment for the use of railway route	-3,305,631	-3,385,789
Other purchased consumables and services	-9,902,168	-8,677,794
Consumed material	*-1,525,048*	*-1,340,847*
Consumed other energy	*-535,125*	*-572,320*
Consumed fuel	*-79,062*	*-93,098*
Repairs and maintenance	*-632,978*	*-541,157*
Travel costs	*-154,809*	*-154,099*
Telecommunication, data and postal services	*-275,777*	*-259,356*
Other rental	*-289,130*	*-262,067*
Rental for rail vehicles	*-1,131,896*	*-1,258,477*
Transportation charges	*-2,038,044*	*-1,415,119*
Services of dining and sleeping carriages	*-119,609*	*-115,419*
Services associated with the use of buildings	*-323,772*	*-309,201*
Operational cleaning of rail vehicles	*-330,145*	*-340,886*
Border area services	*-558,882*	*-456,268*
Advertising and promotion costs	*-193,042*	*-140,437*
Other services	*-1,714,849*	*-1,419,043*
Total purchased consumables and services – continuing operations	**-16,935,870**	**-16,271,198**

Transportation charges include particularly alternative bus transport for the parent company, in the amount of CZK 692,114 thousand (2014: CZK 285,707 thousand).

The costs for traction electricity for the year ended 31 December 2015 also included expenses of CZK 209,039 thousand based on the out-of-court agreement between ČD Cargo, a.s., and SŽDC regarding the dispute about the price of consumed traction electricity during 2009.

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

8. Employee Benefit Costs

(CZK '000)	2015	2014
Payroll costs	-8,832,361	-8,524,133
Severance pay	-90,011	-96,895
Statutory social security and health insurance	-2,931,642	-2,831,062
Benefits resulting from the collective agreement	-137,398	-128,507
Other social costs	-460,421	-465,874
Other employee benefit costs	-72,965	-60,528
Total employee benefit costs – continuing operations	**-12,524,798**	**-12,106,999**

9. Depreciation And Amortisation

(CZK '000)	2015	2014
Depreciation of property, plant and equipment	-5,958,275,	-5,617,974
Depreciation of investment property	-77,787	-76,444
Amortisation of intangible assets	-185,829	-190,290
Total depreciation and amortisation – continuing operations	**-6,221,891**	**-5,884,708**

10. Other Operating Losses

(CZK '000)	2015	2014
Change in provisions	-540,874	160,116
Reversal of losses (losses) from impaired receivables	-12,075	41,448
Reversal of losses (losses) from impaired property, plant and equipment, investment property and assets held for sale	-500,693	6,024
Reversal of write-down (write-down) of inventories to their net realisable value	-39,772	39,618
Costs of contractual fines and default interest	-133,278	-122,748
Taxes and fees	-33,282	-27,875
Other operating expenses	-632,858	-707,418
Total other operating losses – continuing operations	**-1,892,832**	**-610,835**

Costs of contractual fines and other operating expenses in 2015 primarily include the payment to Škoda Transportation, a.s., which ČD made based on an arbitration award.

Costs of contractual fines and default interest in 2014 primarily included interest based on the concluded out-of-court settlement agreement between ČD Cargo, a.s. and SŽCD regarding the legal dispute about the price of consumed traction electricity during 2009 and compensation for damage due to traffic closures caused by SŽDC. This interest totalled CZK 29,841 thousand. It also included interest arising from the legal ruling dated 15 January 2014 in the legal dispute for damage compensation due to traffic closures caused by SŽDC. This interest amounted to CZK 36,968 thousand.

Other operating expenses primarily include costs of written-off receivables, damages and insurance.

Other operating expenses in 2014 primarily included 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 included costs of ČD Cargo, a.s, from written-off receivables and costs 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)	2015	2014
Interest on bank overdraft accounts and loans	-2,910	-6,508
Interest on the loan from ČSOB and loans from Eurofima	-799	-10,086
Interest on issued bonds	-1,095,534	-926,519
Interest on finance lease payables	-232,115	-263,930
Other interest	-106,374	-58,569
Less: amounts capitalised as part of the costs of an eligible asset	12,218	47,069
Unwinding of the discount of provisions	-2,009	-967
Total financial expenses – continuing operations	**-1,427,523**	**-1,219,510**

The capitalisation rate in the year ended 31 December 2015 is 0.3% p. a. (2014: 1% p. a.).

12. Other Gains (Losses)

(CZK '000)	2015	2014
Net foreign exchange gains (losses)	103,456	-43,836
Received dividends	114	1,130
Received interest	19,914	16,607
Gains from current financial assets	319	925
Banking fees	-12,261	-14,914
Actuarial gains (losses)	370	-41,315
Gains (losses) from derivative transactions	486	-11,834
Other	-51,647	-21,413
Total other gains (losses) - continuing operations	**60,751**	**-114,650**

13. Income Taxation

13.1. Income Tax Reported in Profit or Loss

(CZK '000)	2015	2014
Current income tax for the period reported in the statement of profit or loss	-99,052	-178,329
Deferred tax recognised in the statement of profit or loss	-104,456	-208,445
Other *)	-3,296	0
Total tax charge relating to continuing operations	**-206,804**	**-386,774**

*) Adjustments accounted for in the period in relation to the income tax of prior periods.

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

(CZK '000)	2015	2014
Gain (loss) from continuing operations before tax	-1,168,193	542,980
Income tax calculated using the statutory rate of 19%	221,957	-103,166
Effect of the unrecognised deferred tax asset	-309,545	-197,226
Other*)	-119,216	-86,382
Income tax reported in profit or loss	**-206,804**	**-386,774**

*) 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)	2015	2014
Remeasurement of financial instruments recognised as cash flow hedging	-9,213	-10,597
Total income tax recognised in other comprehensive income	**-9,213**	**-10,597**

13.3. Deferred Tax

(CZK '000)	Unutilised tax losses	Non-current assets	Provisions	Leases	Receivables	Derivatives	Other	Total
Balance at 1 Jan 2014 - calculated	**775,110**	**-898,715**	**333,387**	**-360,880**	**59,065**	**94,719**	**50,632**	**53,318**
Balance at 1 Jan 2014 - recognised	**0**	**-613,950**	**272,718**	**-287,440**	**25,989**	**29,911**	**46,256**	**-526,516**
Deferred tax recognised in profit or loss:	106	-167,493	-17,503	-53,336	6,418	0	23,363	-208,445
- of which current changes	*-260,482*	*317,683*	*2,129*	*-93,968*	*-6,060*	*0*	*29,479*	*-11,219*
*- of which decrease *)*	*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	*0*	*0*	*0*	*0*	*0*	*57,371*	*0*	*57,371*
*- of which decrease *)*	*0*	*0*	*0*	*0*	*0*	*-67,968*	*0*	*-67,968*
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*
Deferred tax recognised in the statement of profit or loss:	98,258	-142,783	-61,766	-27,301	3,629	0	25,507	-104,456
- of which current changes	*-81,685*	*193,940*	*160,028*	*-72,061*	*3,549*	*0*	*1,318*	*205,089*
*- of which decrease *)*	*179,943*	*-336,723*	*-221,794*	*44,760*	*80*	*0*	*24,189*	*-309,545*
Deferred tax recognised in other comprehensive income	0	0	0	0	0	-9,213	0	-9,213
- of which current changes	*0*	*0*	*0*	*0*	*0*	*71,891*	*0*	*71,891*
*- of which decrease *)*	*0*	*0*	*0*	*0*	*0*	*-81,104*	*0*	*-81,104*
Revaluation	0	0	0	0	0	0	-707	-707
Balance at 31 Dec 2015 - calculated	**432,943**	**-387,092**	**495,544**	**-526,909**	**56,554**	**223,981**	**80,722**	**375,743**
Balance at 31 Dec 2015 - recognised	**98,364**	**-924,226**	**193,449**	**-368,077**	**36,036**	**10,101**	**94,419**	**-859,934**
- of which liability	*98,364*	*-931,649*	*188,920*	*-383,648*	*33,102*	*10,101*	*97,280*	*-887,530*
- of which asset	*0*	*7,423*	*4,529*	*15,571*	*2,934*	*0*	*-2,861*	*27,596*

*) 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 2015 taxation period, the Parent Company records a utilisable tax loss for the 2013 taxation period in the amount of CZK 1,760,942 thousand. The tax loss is utilisable always in five taxation periods subsequent to the period in which the relevant loss was assessed, ie 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 Group 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.

2015

(CZK million)	Passenger transportation	Administration of assets	Freight transportation	Other	Elimination *)	Total
Revenue from principal operations						
Revenue from passenger transportation	7,561	0	0	0	-14	7,547
Revenue from orderers	13,514	0	0	0	0	13,514
Other	0	0	13,132	0	-1,110	12,022
	21,075	**0**	**13,132**	**0**	**-1,124**	**33,083**
Purchased consumables and services						
Traction costs	-2,401	0	-1,362	0	35	-3,728
Payment for the use of the railway route	-1,808	0	-1,497	0	0	-3,305
Other purchased consumables and services	-4,800	-478	-4,683	-2,949	3,007	-9,903
	-9,009	**-478**	**-7,542**	**-2,949**	**3,042**	**-16,936**
Staff costs						
Payroll costs	-5,054	-186	-2,853	-1,023	121	-8,995
Social security and health insurance	-1,670	-60	-907	-329	34	-2,932
Other social costs	-251	-7	-167	-43	7	-461
Benefits arising from the collective agreement	-81	-5	-51	-2	2	-137
	-7,056	**-258**	**-3,978**	**-1,397**	**164**	**-12,525**
Other operating income and expenses	74	287	560	4,162	-2,297	2,786
Intracompany income and expenses	-91	98	0	-7	0	0
Overhead costs – operating	-757	-49	0	806	0	0
Depreciation and amortisation	-4,580	-230	-1,210	-332	130	-6,222
Interest income	4	12	7	4	-7	20
Interest expenses	-1,165	0	-268	-2	7	-1,428
Tax expense	0	0	-203	-65	61	-207
Other income and expenses	121	0	-18	41	-90	54
Overhead costs – financial and other	-14	-1	0	15	0	0
Profit (loss) for the period from continuing operations	**-1,398**	**-619**	**480**	**276**	**-114**	**-1,375**
Profit (loss) for the period from discontinued operations	0	0	0	0	0	0
Profit (loss) for the period	**-1,398**	**-619**	**480**	**276**	**-114**	**-1,375**
Profit attributable to non-controlling interests	0	0	0	0	27	27
Profit (loss) attributable to owners of the parent company	-1,398	-619	480	276	-141	-1,402

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

2014

(CZK million)	Passenger transportation	Administration of assets	Freight transportation	Other	Elimination *)	Total
Revenue from principal operations						
Revenue from passenger transportation	7,477	0	0	0	-14	7,463
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	-2,710	-1,000	133	-8,682
Social security and health insurance	-1,615	-60	-878	-320	42	-2,831
Other social costs	-254	-17	-167	-35	7	-466
Benefits arising from the collective agreement	-88	2	-53	2	9	-128
	-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
Interest income	2	12	9	1	-7	17
Interest expenses	-937	0	-286	-2	5	-1,220
Tax expense	0	0	-332	-61	6	-387
Other income and expenses	-116	-3	7	136	-141	-117
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' column includes eliminations of intracompany relations.

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 2015 consolidated financial statements date, intensive negotiations are pending with regard to amendments to long-term contracts for 2016. Two amendments have been concluded in regional transport for 2016, another two have been approved by regional authorities. Other amendments 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 2016 – in the amount of the prepayments from 2015.

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 Maersk Line A/S, STVA S.A, METRANS, BLG Auto Rail GmbH, and principal foreign railway customers are DB Schenker Rail Deutschland AG, Železničná spoločnosť 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 2015	31 Dec 2014	1 Jan 2014
Land	16,906	25,368	53,922
Buildings	16,644	24,086	5,239
Total	**33,550**	**49,454**	**59,161**

16. Property, Plant And Equipment

(CZK '000)

Cost	Balance at 1 Jan 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2015
Land	6,070,397	11,282	797	9,680	6,090,562	3,926	1,711	-15,457	6,077,320
Structures	18,268,354	164,111	34,645	-164,792	18,233,028	272,145	101,859	-169,777	18,233,537
Individual movable assets	117,695,746	7,352,406	2,271,472	-21,777	122,754,903	5,109,000	2,890,563	-15,478	124,957,862
- Machinery, equipment, and furniture and fixtures	*4,217,507*	*142,935*	*141,417*	*7,887*	*4,226,912*	*195,520*	*80,743*	*-191,578*	*4,150,111*
Vehicles	*101,580,992*	*6,984,264*	*2,058,185*	*256,110*	*106,763,181*	*4,839,679*	*2,712,787*	*107,581*	*108,997,654*
- Vehicles acquired under finance leases	*11,789,706*	*205,691*	*63,885*	*-285,522*	*11,645,990*	*68,886*	*90,380*	*68,522*	*11,693,018*
- Other	*107,541*	*19,516*	*7,985*	*-252*	*118,820*	*4,915*	*6,653*	*-3*	*117,079*
Other assets	52,562	6,767	4,727	0	54,602	26,245	2,747	19	78,119
Assets under construction	1,574,391	6,095,403	25,619	-6,122,341	1,521,834	4,706,639	0	-4,072,970	2,155,503
Prepayments	992,579	31,368	899,150	0	124,797	100,050	139,087	0	85,760
Total	**144,654,029**	**13,661,337**	**3,236,410**	**-6,299,230**	**148,779,726**	**10,218,005**	**3,135,967**	**-4,273,663**	**151,588,101**

(CZK '000)

Accumulated depreciation	Balance at 1 Jan 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2015
Structures	8,535,881	427,872	27,346	-72,838	8,863,569	451,559	82,147	-83,317	9,149,664
Individual movable assets	60,727,574	5,024,999	2,052,918	6,401	63,706,056	5,332,310	2,646,595	-3,642	66,388,129
- Machinery, equipment, and furniture and fixtures	*3,083,028*	*192,474*	*128,327*	*1,163*	*3,148,338*	*190,455*	*78,193*	*-161,805*	*3,098,795*
- Vehicles	*54,023,013*	*4,322,776*	*1,857,599*	*46,483*	*56,534,673*	*4,628,528*	*2,478,343*	*155,920*	*58,840,778*
- Vehicles acquired under finance leases	*3,525,488*	*497,276*	*59,046*	*-41,004*	*3,922,714*	*506,869*	*83,421*	*2,243*	*4,348,405*
- Other	*96,045*	*12,473*	*7,946*	*-241*	*100,331*	*6,458*	*6,638*	*0*	*100,151*
Other assets	22,794	8,889	4,540	0	27,143	19,427	2,712	21	43,879
Total	**69,286,249**	**5,461,760**	**2,084,804**	**-66,437**	**72,596,768**	**5,803,296**	**2,731,454**	**-86,938**	**75,581,672**

(CZK '000)

Impairment	Balance at 1 Jan 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2015
Land	56,126	3,149	0	0	59,275	43,762	0	0	103,037
Structures	43,885	393	4,465	0	39,813	384,670	393	0	424,090
Individual movable assets	1,001,537	365,912	419,334	0	948,115	365,973	173,774	0	1,140,314
Machinery, equipment, and furniture and fixtures	*661*	*512*	*0*	*0*	*1,173*	*0*	*766*	*0*	*407*
Vehicles	*1,000,876*	*351,078*	*419,334*	*0*	*932,620*	*354,893*	*158,686*	*0*	*1,128,827*
Vehicles acquired under finance leases	*0*	*14,322*	*0*	*0*	*14,322*	*11,080*	*14,322*	*0*	*11,080*
Other assets	42	1,186	34	0	1,194	801	0	0	1,995
Assets under construction	68,814	66,419	0	0	135,233	4,263	135,229	0	4,267
Total	**1,170,404**	**437,059**	**423,833**	**0**	**1,183,630**	**799,469**	**309,396**	**0**	**1,673,703**

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 2014	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Land	6,014,271	6,031,287	5,974,283
Buildings	9,688,588	9,329,646	8,659,783
Individual movable assets	55,966,635	58,100,732	57,429,419
Machinery, equipment, and furniture and fixtures	*1,133,818*	*1,077,401*	*1,050,909*
Vehicles	*46,557,103*	*49,295,888*	*49,028,049*
Vehicles acquired under finance leases	*8,264,218*	*7,708,954*	*7,333,533*
Other	*11,496*	*18,489*	*16,928*
Other assets	29,726	26,265	32,245
Assets under construction	1,505,577	1,386,601	2,151,236
Prepayments	992,579	124,797	85,760
Total	**74,197,376**	**74,999,328**	**74,332,726**

Principal additions from 1 January 2014 to 31 December 2015 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. In the year ended 31 December 2015, the Parent Company provided no significant prepayments.

Principal additions to individual movable assets in the year ended 31 December 2015 included the modernisation of freight wagons of CZK 170,959 thousand, inspection repairs (components) of freight wagons of CZK 246,718 thousand, major and general repairs (components) of traction vehicles of CZK 238,732 thousand, purchase of traction vehicles of the 163 series of CZK 233,000 thousand and acquisition of wheelsets for freight wagons of CZK 89,603 thousand.

In 2015, the Group acquired fixed assets in the 'Property, plant and equipment' class financed through government grants in the amount of CZK 83,695 thousand (2014: CZK 622,233 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 2015, 2014 and 1 January 2014 is the loss on the 680 series tilting trains (Pendolino) amounting to CZK 764,467 thousand, CZK 581,541 thousand and CZK 609,233 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. In 2015, the level of the allowance was significantly affected by the inoperability of train no. 3 due to an accident. 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 3,768 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 Parent 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 indications of impairment. An allowance of CZK 496,600 thousand was therefore reported as of 31 December 2015.

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

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

	Number of years
Buildings	20 – 50
Structures	20 – 50
Locomotives	20 – 30
Passenger coaches	20 – 30
Wagons (without components)	30
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 1,453,149 thousand that were pledged as collateral, of which train sets of the 471 series amounted to CZK 1,351,274 thousand, the Ampz passenger coaches amounted to CZK 101,875 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 219,884 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)	2015	2014
Balance at the beginning of the year	2,140,185	2,162,067
Additions from subsequent capitalised expenses	22,781	7,330
Disposals	-125,677	50
Disposals, annual depreciation	-77,787	-76,444
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	129,003	226,467
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	-48,417	-137,808
Transfers to assets held for sale (from IAS 40 to IFRS 5)	-10,326	-8,031
Change in the value	-71,207	-56,043
Transfers of assets held for sale (from IFRS 5 to IAS 40)	-1,053	22,597
Balance at the end of the year	**1,957,502**	**2,140,185**

(CZK '000)	Balance at 31 Dec 2015	Balance at 31 Dec 2014	Balance at 1 Jan 2014
Cost	3,697,624	3,732,862	3,509,998
Accumulated depreciation	-1,806,603	-1,648,703	-1,347,658
Impairment	66,481	56,026	-273
Net book value	**1,957,502**	**2,140,185**	**2,162,067**

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 Group used a valuation model in determining the fair value of investment property. In respect of land, the calculation includes the product of the market price for m2 for the specific locality and the area of the land. In respect of buildings, the calculation is based on the yield method from market rental. The estimate of the fair value as of 31 December 2015, 2014 and 1 January 2014 is CZK 7,851,286 thousand, CZK 6,033,000 thousand and CZK 4,085,062 thousand, respectively. The investment property is classified to level 3 in terms of determining the fair value.

The Group 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 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2015
Development costs	95,907	0	93,892	0	2,015	0	0	0	2,015
Software	1,702,325	146,549	154,736	-91	1,694,047	259,526	121,492	-121	1,831,960
Valuable rights	682,279	20,084	17,298	0	685,065	18,086	0	0	703,151
Other assets	2,479	-1	760	0	1,718	0	0	0	1,718
Assets under construction	128,538	248,125	0	-172,381	204,282	206,992	0	-320,638	90,636
Prepayments	9	147	156	0	0	0	0	0	0
Total	**2,611,537**	**414,904**	**266,842**	**-172,472**	**2,587,127**	**484,604**	**121,492**	**-320,759**	**2,629,480**

(CZK '000)

Accumulated amortisation	Balance at 1 Jan 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2015
Development costs	95,907	0	93,892	0	2,015	0	0	0	2,015
Software	1,406,191	140,701	145,062	-119	1,401,711	142,476	120,777	6,032	1,429,442
Valuable rights	536,264	55,205	3,878	0	587,591	46,164	0	-6,032	627,723
Other assets	1,430	244	760	0	914	243	0	0	1,157
Total	**2,039,792**	**196,150**	**243,592**	**-119**	**1,992,231**	**188,883**	**120,777**	**0**	**2,060,337**

(CZK '000)

Net book value	Balance at 1 Jan 2014	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Development costs	0	0	0
Software	296,134	292,336	402,518
Valuable rights	146,015	97,474	75,428
Other assets	1,049	804	561
Assets under construction	128,538	204,282	90,636
Prepayments	9	0	0
Total	**571,745**	**594,896**	**569,143**

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 of ČD Cargo, a.s predominantly include the SAP system and the operational business information system – PROBIS. Intangible fixed assets additionally include the information system supporting the activities of the freight carrier, development of the SAP information system, Microsoft Enterprise Agreement licences, OPT information system, office support systems and other systems used by ČD Cargo, a.s. In the year ended 31 December 2015, ČD Cargo, a.s. obtained grants for intangible fixed assets from the Operational Programme Transport in the amount of CZK 56,987 thousand.

Intangible assets under construction include primarily the purchased software for handheld cash registers in valued at CZK 10 million.

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 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
ČD – Telematika a. s.	30.82 %	40.69 %	24,067	36,040	578,163	731,544

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

(CZK '000)

ČD – Telematika a. s.	**31 Dec 2015**	**31 Dec 2014**	**1 Jan 2014**
Fixed assets	1,728,010	1,797,671	1,784,057
Current assets	1,562,980	1,139,739	865,374
Long-term payables	144,798	150,487	191,539
Short-term payables	1,270,258	989,077	748,618
Equity attributable to owners of the company	1,297,772	1,066,302	1,013,770
Non-controlling interests	578,163	731,544	695,504

(CZK '000)	**Year ended 31 Dec 2015**	**Year ended 31 Dec 2014**
Income	1,624,059	1,465,311
Expenses	-1,545,970	-1,376,740
Profit for the period	78,089	88,571
Profit attributable to owners of the company	54,022	52,531
Profit attributable to non-controlling interests	24,067	36,040
Total profit	**78,089**	**88,571**
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	54,022	52,531
Total comprehensive income attributable to non-controlling interests	24,067	36,040
Total comprehensive income	**78,089**	**88,571**
Dividends paid to non-controlling interests		0
Net cash flows from operating activities	520,579	395,697
Net cash flows from investments activities	-147,343	-124,211
Net cash flows from financing	-13,169	-25,857
Total cash flow	**360,067**	**245,629**

20. Investments In Joint Ventures And Associates

(CZK '000) Entity		Value of investment at 31 Dec 2015	Ownership percentage at 31 Dec 2015	Value of investment at 31 Dec 2014	Ownership percentage at 31 Dec 2014
RAILLEX, a.s.	Associate	12,214	50%	16,214	50%
BOHEMIAKOMBI, spol. s r.o.	Associate	3,270	30%	3,286	30%
Ostravská dopravní společnost, a.s.	Associate	24,498	20%	20,984	20%
JLV, a. s.	Associate	125,171	38.79%	125,429	38.79%
Masaryk Station Development, a. s.	Associate	0	34%	0	34%
Total – associates		**165,153**	**-**	**165,913**	**-**
Smíchov Station Development, a. s.	Joint venture	0	51%	0	51%
Žižkov Station Development, a. s.	Joint venture	527	51%	659	51%
Centrum Holešovice, a. s.	Joint venture	0	0%	116	51%
RAILREKLAM, spol. s r.o.	Joint venture	22,397	51%	21,187	51%
Total – joint ventures		**22,924**	**-**	**21,962**	**-**
Total – investments in joint ventures and associates		**188,077**		**187,875**	**-**

Summary of financial information on associates:

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Total assets	1,074,853	991,526	1,077,714
Total liabilities	628,036	549,019	544,323
Net assets	446,817	442,507	533,391
Share of the Company in associates' net assets	**153,698**	**156,003**	**170,584**

(CZK '000)	2015	2014
Total income	1,812,282	2,000,344
Profit for the period	28,729	37,095
Share of the Company in associates' profit for the period	**8,917**	**12,275**

Summary of financial information on joint ventures:

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Total assets	128,347	147,610	146,597
Total liabilities	101,514	119,742	115,506
Net assets	26,833	27,868	31,091
The Company's share of net assets	**13,685**	**14,213**	**15,856**

(CZK '000)	2015	2014
Total income	113,844	102,562
Profit (loss) for the period	4,899	3,248
The Company's share of profit (loss)	**2,498**	**1,656**

21. Inventories

(CZK '000)	31.12.2015	31.12.2014	1.1.2014
Spare parts for machinery and equipment	74,779	67,968	67,905
Spare parts and other components for rail vehicles and locomotives	912,888	840,706	784,754
Other machinery, tools and equipment and their spare parts	159,852	142,919	167,220
Fuels, lubricants and other oil products	29,423	30,683	28,789
Work clothes, work shoes, protective devices	66,128	101,239	99,768
Other	124,314	95,317	98,184
Total cost	**1,367,384**	**1,278,832**	**1,246,620**
Write-down of inventories to their net realisable value	-118,617	-78,865	-118,482
Total net book value	**1,248,767**	**1,199,967**	**1,128,138**

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

22. Trade Receivables

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Long-term	0	0	0
Short-term	3,452,721	3,127,474	3,409,896
Total	**3,452,721**	**3,127,474**	**3,409,896**

22.1. Aging of Trade Receivables

(CZK '000)	Category	Before due date	1 - 30 days	31 – 90 days	91 – 180 days	181 – 365 days	365 and more	Total past due date	Total
				Past due date (days)					
31 Dec 2015	Gross	3,166,472	161,215	111,133	11,568	17,548	282,561	584,025	3,750,497
	Allowances	-7,516	-1,414	-2,812	-2,765	-7,011	-276,258	-290,260	-297,776
	Net	**3,158,956**	**159,801**	**108,321**	**8,803**	**10,537**	**6,303**	**293,765**	**3,452,721**
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**
1 Jan 2014	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**

22.2. Movements in Allowances for Doubtful Receivables

(CZK '000)	2015	2014
Balance at the beginning of the year	288,454	391,222
Recognition of allowances	123,793	153,303
Use of allowances	-114,471	-256,071
Balance at the end of the year	**297,776**	**288,454**

23. Other Financial Assets

(CZK '000)	31.12.2015	31.12.2014	1.1.2014
Financial assets available for sale	336,317	320,531	320,531
Receivables from finance leases	91,830	96,152	103,996
Hedging derivatives	296,682	1,386,875	1,177,625
Other financial derivatives	0	0	3,904
Other	10,848	9,324	13,666
Total non-current financial assets	**735,677**	**1,812,882**	**1,619,722**
Receivables from finance leases	-9,215	-7,641	-7,026
Hedging derivatives	680,342	48,818	91,638
Other financial derivatives	3,958	5	0
Other	85,790	84,625	97,330
Total current financial assets	**760,875**	**125,807**	**181,942**
Total	**1,496,552**	**1,938,689**	**1,801,664**

23.1. Receivables from Finance Leases

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

(CZK '000)	Minimum lease payments 31 Dec 2015	31 Dec 2014	1 Jan 2014	Present value of minimum lease payments 31 Dec 2015	31 Dec 2014	1 Jan 2014
Under 1 year	4,628	4,609	4,302	-9,215	-7,641	-7,026
From 1 to 5 years	59,885	43,970	28,099	-3,335	-17,027	-29,410
5 years and more	443,176	459,181	475,141	95,165	113,179	133,406
Total	**507,689**	**507,760**	**507,542**	**82,615**	**88,511**	**96,970**
Less: unrealised financial income	-425,074	-419,249	-410,572	0	0	0
Present value of receivables of minimum lease payments	**82,615**	**88,511**	**96,970**	**82,615**	**88,511**	**96,970**
In the statement of financial position as:						
- Other current financial assets				*-9,215*	*-7,641*	*-7,026*
- Other non-current financial assets				*91,830*	*96,152*	*103,996*
Total				**82,615**	**88,511**	**96,970**

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 2015	31 Dec 2014	1 Jan 2014
Total non-current assets	**26,546**	**106,998**	**58,530**
Prepayments made	280,123	270,874	217,244
Tax receivables (except for the corporate income tax)	927,359	629,569	687,620
Prepaid expenses	137,889	133,236	143,905
Other	116,060	118,031	44,205
Total current assets	**1,461,431**	**1,151,710**	**1,092,974**
Total	**1,487,977**	**1,258,708**	**1,151,504**

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 2015	31 Dec 2014	1 Jan 2014
Share premium	16,439,605	16,439,605	16,439,605
Statutory reserve fund	310,048	257,866	222,030
Cash flow hedging reserve	-1,029,842	-655,878	-364,956
Foreign currency translation fund	8,430	13,411	27,599
Other	38,381	-1,861	-1,871
Non-controlling interests	-6,568	-7,124	-7,257
Total	**15,760,054**	**16,046,019**	**16,315,150**

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 2015	31 Dec 2014
Balance at the beginning of the year	-655,878	-364,956
Profit (loss) from revaluation	-542,720	-423,814
Settled deferred derivatives	0	-4,278
Reclassifications to profit or loss upon settlement	177,969	147,767
Total change in the cash flow hedging reserve	**-364,751**	**-280,325**
Relating income tax	-9,213	-10,597
Balance at the year-end	**-1,029,842**	**-655,878**

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 2015	31 Dec 2014
Balance at the beginning of the year	13,411	27,599
Foreign exchange rate gains or losses arising from translation of foreign operations	-4,981	-14,188
Tax on the profit relating to profits arising from translation of net assets of foreign operations	0	0
Balance at the year-end	**8,430**	**13,411**

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 a 9.87% equity investment of the Parent company in ČD - Telematika, a.s. resulted in a decrease in non-controlling interests of CZK 177,490 thousand.

26. Loans And Borrowings

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Short-term bank loans	0	0	281,283
Payables from finance leases	947,286	925,250	927,893
Payable to EUROFIMA	811,477	1,250,380	1,239,761
Overdraft accounts	0	53	844,691
Issued bonds	9,726,593	1,410,817	1,383,624
Other received short-term loans and borrowings	12,837	59,894	11,029
Total short-term	**11,498,193**	**3,646,394**	**4,688,281**
Payable to EUROFIMA	810,750	1,663,500	2,879,625
Issued bonds	20,998,477	26,691,323	21,874,864
Other – received loans and borrowings – long-term	27,794	42,128	51,411
Payables from finance leases	3,856,389	4,739,038	5,090,732
Total long-term	**25,693,410**	**33,135,989**	**29,896,632**
Total	**37,191,603**	**36,782,383**	**34,584,913**

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. As of 31 December 2015, the principal of EUR 60,000 thousand needs to be repaid to EUROFIMA according to the relevant due dates between 7 April 2016 and 3 April 2017.

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 are bonds 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 3 June 2015, the Parent Company successfully issued bonds in a EUR 115.2 million dual tranche private placement, consisting of a EUR 37.7 million 1.89% standalone bond with maturity of 7 years and a EUR 77.5 million 3.00% standalone bond with maturity of 20 years. The lead manager of the issue was Erste Group Bank AG.

The bonds of EUR 300 million issued by the Parent Company on 24 June 2011 will mature on 24 June 2016. As of 31 December 2015 these bonds are therefore reported as current liabilities (balance sheet line 'Loans and borrowings'), since they fall due within a period shorter than one year from the date of these consolidated financial statements.

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. 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%. 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 amount after the exercising of the option of CZK 658.3 million will be due on 20 June 2016, as of 31 December 2015 these bonds are therefore reported as current liabilities.

On 21 December 2011, ČD Cargo, a. s. issued five-year bonds in the aggregate amount of CZK 500 million with the issue rate of 99.941 % and the fixed interest yield of 3.8% p. a. through Raiffeisenbank, a.s. As of 31 December 2015 these bonds are reported as current liabilities as they will fall due on 21 December 2016.

The issue of bonds with Československá obchodní banka in the amount of CZK 1 billion was redeemed by ČD Cargo, a.s. as of the maturity date of 22 December 2015. The issues were the following: from 22 December 2011 in the amount of CZK 500 million, from 12 January 2012 in the amount of CZK 200 million and from 19 January 2012 in the amount of CZK 300 million.

On 26 November 2015, ČD Cargo, a.s. issued bonds in the total nominal amount of CZK 1,000 million through the administrator UniCredit Bank Czech Republic and Slovakia, a.s, with the issue rate of 99.617 % and the fixed interest yield of 1.40% p. a. Interest on these bonds is paid once a year.

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 2015	31 Dec 2014	1 Jan 2014	31 Dec 2015	31 Dec 2014	1 Jan 2014
Less than 1 year	1,129,980	1,140,305	1,151,279	947,286	925,250	927,893
From 1 to 5 years	3,536,497	4,051,818	3,918,320	3,147,768	3,530,299	3,341,935
5 years and more	753,380	1,300,961	1,867,362	708,621	1,208,739	1,748,797
Total	**5,419,857**	**6,493,084**	**6,936,961**	**4,803,675**	**5,664,288**	**6,018,625**
Less future finance expenses	-616,182	-828,796	-918,336	,		
Present value of minimum lease payments	**4,803,675**	**5,664,288**	**6,018,625**	**4,803,675**	**5,664,288**	**6,018,625**
In the statement of financial position as:						
- short-term loans				*947,286*	*925,250*	*927,893*
- long-term loans				*3,856,389*	*4,739,038*	*5,090,732*
Total				**4,803,675**	**5,664,288**	**6,018,625**

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 2014	Charge	Use	Balance at 31 Dec 2014	Charge	Use	Balance at 31 Dec 2015
Provision for discounts and refunds	20,821	16,176	20,820	16,177	5,100	6,900	14,377
Provision for rents	4,748	197	496	4,449	267	497	4,219
Provision for legal disputes	605,850	341,201	107,041	840,010	1,032,994	520,297	1,352,707
Provision for outstanding vacation days	75,213	80,173	75,674	79,712	36,461	21,539	94,634
Provision for removal of the environmental burden	3,833	0	3,833	0	0	0	0
Provisions for employees benefits	350,378	183,365	139,180	394,563	97,403	92,606	399,360
Provisions for business risks	902,947	37,275	916,518	23,704	0	0	23,704
Provisions for restructuring	249,973	0	69,652	180,321	18,746	59,380	139,687
Provisions for loss-making transactions	0	525,450	0	525,450	54,215	0	579,665
Other provisions	15,665	83,287	48,727	50,225	71,900	83,597	38,528
Total provisions	**2,229,428**	**1,267,124**	**1,381,941**	**2,114,611**	**1,317,086**	**784,816**	**2,646,881**
- long-term	*213,071*			*826,019*			*856,505*
- short-term	*2,016,357*			*1,288,592*			*1,790,376*

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 Group 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 Group 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. decided as of 31 December 2015 to maintain the amount of the non-tax deductible provision to cover potential expenses relating to potential risks for business transactions at the same level as at the end of 2014 in the amount of CZK 23,704 thousand.

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 2014, this provision was used and specified and it amounted to CZK 180,321 thousand as of 31 December 2014. During the year ended 31 December 2015, the amount of the provision decreased by the use by CZK 59,380 thousand to the balance of CZK 139,687 thousand as of 31 December 2015. These funds will continue to be available to the company to cover the costs relating to the ongoing 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 amounted to CZK 525,450 thousand as of 31 December 2014. As of 31 December 2015 and after its update it amounts to CZK 579,665 thousand.

The reasons for decreasing the provision of ČD Cargo, a. s. for business risks by CZK 916,518 thousand primarily related to:

- The conclusion of an agreement on out-of-court settlement with SŽDC regarding the legal dispute about the price of the consumed traction electricity during 2009 and compensation for damage due to traffic closures caused by SŽDC. The out-of-court settlement was concluded for the total amount of CZK 375,811 thousand, of which the amount of CZK 61,786 thousand relates to the compensation for damage caused by traffic closures and the amount of CZK 314,025 thousand relates to the price of traction electricity consumed in 2009. Payables arising from these out-of-court settlements have been recorded as 'Other payables', divided into long-term and short-term parts; and
- The court ruling dated 15 January 2014 in the legal dispute for damage due to traffic closures caused by SŽDC, based on which ČD Cargo, a.s. is required to settle the payable of CZK 164,152 thousand to SŽDC.

28. Trade Payables

(CZK '000)

			Past due date (days)						
Year	**Category**	**Before due date**	**1 - 30 days**	**31 – 90 days**	**91 – 180 days**	**181 – 365 days**	**365 and more**	**Total past due date**	**Total**
31 Dec 2015	Short-term	5,926,583	126,944	113,924	22,907	2,689	7,821	274,285	**6,200,868**
31 Dec 2014	Short-term	6,339,790	150,034	11,460	5,212	175,935	12,150	354,791	**6,694,581**
1 Jan 2014	Short-term	6,430,037	64,052	75,091	5,428	2,316	5,633	152,520	**6,582,557**

29. Other Financial Liabilities

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Hedging derivatives	899,141	494,172	155,269
Other financial derivatives	2,896	5,573	10,014
Other long-term liabilities	608,813	683,489	255,380
Total long-term	**1,510,850**	**1,183,234**	**420,663**
Hedging derivatives	269,091	254,787	189,382
Other financial derivatives	2,534	16,712	14,616
Other	412,484	382,902	204,953
Total short-term	**684,109**	**654,401**	**408,951**
Total	**2,194,959**	**1,837,635**	**829,614**

Long-term other financial liabilities for the year ended 31 December 2015 primarily consist of the long-term portion of a payable of ČD Cargo, a.s. to SŽDC in the amount of CZK 214,584 thousand arising from the concluded out-of-court agreement regarding the dispute about the price of traction energy during 2009, the long-term portion of a payable of ČD Cargo, a.s. to SŽDC in the amount of CZK 42,220 thousand for the settlement of the damage due to SŽDC's traffic closures, and the amount of CZK 22,799 thousand relating to the settlement of the damage due to SŽDC's traffic closures pursuant to a court ruling dated 15 January 2014.

In the year ended 31 December 2014, other financial liabilities in the amount of CZK 331,966 thousand consisted primarily of the long-term portion of a payable of ČD Cargo, a.s. to SŽDC arising from the concluded out-of-court agreement. Another long-term liability of ČD Cargo, a.s. to SŽDC of CZK 77,522 thousand related to the settlement of the damage due to SŽDC's traffic closures (see Note 27 Provisions).

As of 31 December 2015, the short-term other financial liability of ČD Cargo, a.s. to SŽDC amounts to CZK 129,880 thousand. The increase is due to the reclassification of the long-term portion to the short-term portion as of the due date of the first payment, 30 June 2015.

As of 31 December 2014, short-term other financial liabilities primarily included a payable of ČD Cargo, a.s. to SŽDC of CZK 98,562 thousand. The amount of CZK 43,845 thousand consisted of the short-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 the settlement of the damage due to SŽDC's traffic closures. The amount of CZK 54,717 thousand related to the settlement of the damage due to SŽDC's traffic closures pursuant to a court ruling dated 15 January 2014 (see Note 27 Provisions).

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

30. Other Liabilities

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Total long-term	**603,840**	**581,252**	**520,291**
Received prepayments	582,387	431,189	303,302
Payables to employees	990,489	948,164	1,043,061
Social security and health insurance payables	359,492	345,532	360,186
Subsidies	0	5,737	4,475
Other	899,834	865,859	1,145,669
Total short-term	**2,832,202**	**2,596,481**	**2,856,693**
Total	**3,436,042**	**3,177,733**	**3,376,984**

Other short-term liabilities predominantly include leases received in advance, tax withheld from employees and deferred income.

The Group carries no payables to taxation authorities, social security authorities or health insurers past their due dates.

31. Related Party Transactions

The Group provided no loans to related parties as of 31 December 2015, 31 December 2014 and 1 January 2014.

31.2. Key Management Members Compensation

Directors and other members of key management received short-term employee benefits of CZK 155,533 thousand in 2015 (2014: CZK 166,561 thousand) and post-employment benefits of CZK 3,278 thousand (2014: 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 2015 and 2014 amounted to CZK 72,965 thousand and CZK 60,528 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)	2015		2014	
	SŽDC	**ČEZ group**	**SŽDC**	**ČEZ group**
Expenses	4,238,733	621,952	4,512,650	625,614
Income	1,641,805	426,290	1,054,211	512,925

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

(CZK '000)	31 Dec 2015		31 Dec 2014		1 Jan 2014	
	SŽDC	**Skupina ČEZ**	**SŽDC**	**Skupina ČEZ**	**SŽDC**	**Skupina ČEZ**
Receivables ("Trade receivables" line)	340,967	78,454	253,296	74,392	263,074	76,463
Payables ("Trade payables" line)	1,437,759	190,748	1,512,920	177,803	1,104,871	229,195
Prepayments made ("Other assets" short-term line)	72,915	951	52,117	2,581	32,177	2,774
Received prepayments ("Other liabilities" short-term line)	423,060	5,084	257,380	2,404	197,445	249
Estimated payables ("Trade payables" line)	54,853	26	37,734	129	51,442	1,568
Estimated receivables ("Trade receivables" line)	40,485	47	70,736	0	59,462	23

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 2015	31 Dec 2014	1 Jan 2014
Cash on hand and cash in transit	102,603	55,853	64,450
Cash at bank	3,131,667	3,737,118	1,551,485
Short-term securities	738,159	250,000	140,000
Total	**3,972,429**	**4,042,971**	**1,755,935**

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 2015, 31 December 2014 and 1 January 2014 amount to CZK 54,736 thousand, CZK 57,101 thousand and CZK 53,582 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 2015 and 2014 amounted to CZK 68,505 thousand and CZK 62,544 thousand, respectively.

The Group as a lessee has not concluded any contingent lease 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 522,546 thousand in 2015 (2014: CZK 518,122 thousand). Direct operating expenses relating to investment property for 2015 amounted to CZK 242,114 thousand (2014: CZK 212,889 thousand).

Income from operating leases of movable assets in 2015 amounts to CZK 503,059 thousand (2014: CZK 406,414 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 7,648,140 thousand, of which CZK 5,122,008 thousand relates to supplies contracted for 2016 and CZK 404,603 thousand relates to supplies contracted for the following years. The remaining balance of CZK 2,121,529 thousand was paid as of 31 December 2015. A significant portion of the obligations relating to expenses (CZK 5,521,649 thousand) include investments in railway vehicles.

35. Contingent Liabilities And Contingent Assets

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 Administrative Board. The nominal value of unpaid shares as of 31 December 2015 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 2016.

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 2016.

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 reports the following sureties from orders:

Name of the order	Applicant-name	Required surety	Surety paid on
Deliveries of brake blocks	„Supplier association: Euro-Metall Kft, Eisenwerk Arnstadt GmbH"	7 000,000,00 CZK	18 Nov 2015
Scrapping of 8 NV for Municipal Authority Choťovice-Převýšov Choťovice-Převýšov	PV RECYKLING s.r.o.	288,415.50 CZK	25 Sept 2015

The Parent Company's aggregate costs of clean-ups in 2015 and 2014 were CZK 28 million and CZK 29 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.

35.1. Legal Disputes

35.1.1. Dispute with ŠKODA TRANSPORTATION a.s.

On 16 November 2015, an arbitration award was issued in which the arbitration court upheld the legal action brought by ŠKODA TRANSPORTATION, a.s. to the extent that it mandated České dráhy to make an additional purchase price payment of CZK 370 million and to settle default interest of CZK 98 million. The total payment of CZK 468 million was made on 19 November 2015. The arbitration award additionally replaced the will of České dráhy to enter into an amendment to make an inflationary increase in the purchase price of CZK 754 million. České dráhy has filed a legal action to revoke the arbitration award referred to above.

35.1.2. Railway Freight Transportation Market

In May 2009, the Chairman of the Anti-Monopoly Office reduced the fine imposed on ČD, a.s. for abusing its position on the market from CZK 270 million to CZK 254 million. According to the Anti-Monopoly Office, ČD, a.s. abused its dominant position on the market of the railway transportation of large quantities of natural resources and raw materials. On the basis of the remedies filed by ČD, the court revoked the ruling of the Chairman of the Anti-Monopoly Office and the matter is referred back to the Anti-Monopoly Office which now has to re-open it and/or supply additional evidence. The Anti-Monopoly Office has filed a remedy – cassation complaint against this decision.

35.1.3. Prague – Ostrava Line

In January 2012, the Anti-Monopoly Office initiated proceedings against ČD, a.s. regarding the alleged abuse of ČD, a.s.'s dominant position on the Prague – Ostrava line in the form of inadequately low (predatory) prices in response to an entry of a new competitor railway transporter. The proceedings with the Anti-Monopoly Office are still continuing, the Anti-Monopoly Office is currently collecting supporting documents for its ruling and it will subsequently either issue a statement of objections, which will formally open the proceedings against ČD, or it will not issue the statement of objections and will discontinue the proceedings.

35.1.4. Legal Action by LEO Express against ČD, a.s. for the compensation of damage amounting to CZK 418,869,000

On 10 July 2014, LEO Express filed a legal action for the compensation of damage amounting to CZK 418,869,000 which was allegedly caused to LEO Express by ČD, a.s. and its pricing policy. The first-instance court rejected LEO Express's legal action which appealed the ruling.

35.1.5. RegioJet's Legal Action for the Return of Allegedly Prohibited Public Support (the Defendants Being ČD, a.s., SŽDC, s.o., and the Czech Republic Represented by the Czech Ministry of Transportation)

In April 2015, RegioJet filed a legal action for the return of approximately CZK 7 billion and default interest due to allegedly prohibited public support. The assets involving the 'assets required to maintain rails and their operability' ("mrtvá dopravní cesta" in Czech), which were transferred by ČD to SŽDC in 2008 for CZK 12 billion, were allegedly overstated by this amount. ČD provided its statement to the legal action indicating that it does not agree with the assertions made in the legal action and considers it to lack merit.

35.1.6. RegioJet's Call for the Payment of Compensation for Detriment

RegioJet sent a pre-trial call to ČD, a.s. for the payment of the compensation for the detriment dated 10 April 2015 in which it seeks the payment of CZK 716,977,278. The alleged detriment was caused by ČD's illegal activities in operating the Prague – Ostrava track, involving the application of dumping prices. ČD refused to pay the detriment. RegioJet filed a legal action seeking the payment of compensation of approximately CZK 716 million with accrued interest and charges which result in legal proceedings being initiated in the matter.

35.1.7. Audits of Subsidies Used from the Regional Operational Programme (ROP) for the Acquisition of Railway Vehicles

Since early 2014, the Audit Body of the Czech Ministry of Finance (the "Audit Body") has been conducting a due audit of operation at ČD, a.s. in terms of Section 7 (2) and Section 13a of Act No. 320/2001 Coll., on Financial Auditing in Public Administration and Changes to Certain Acts (the "Financial Auditing Act"), as amended, and Article 62 (1) (b) of Council Regulation (EC) No. 1083/2006. Subsequently in 2015, the audits continued and, at the end of 2015, the sample of the Czech Ministry of Finance included all realised projects, the only exceptions being the projects "Modern Railway Vehicles for the Pardubický Region" and "Leoš Janáček Airport Traffic Connection". At the end of 2015, ČD, a.s. received the final audit report on all the audited projects. Given the completion of the audit by the Czech Ministry of Finance, individual Regional Council Authorities are claiming the refund of the proportionate part of the subsidy from the relevant amount of calculated ineligible expenses according to the AO's methodology, referring to the AO's recommendations and conclusions. ČD, a.s. fully rejects to pay the determined amount of the subsidised discrepancy within the period stated by the Regional Council Authorities. ČD, a.s. disagrees with the audit conclusions and is pursuing the relevant procedural defence. At the end of 2015, ČD, a.s. records five calls to refund the proportionate part of the subsidy of CZK 349,538 thousand.

35.1.8. SŽDC's Legal Action against ČD Cargo, a.s. for the Payment of CZK 286,134,763.63

The ruling of the High Court in Prague, ref. no. 3 Cmo 422/2012-250, approved court settlement on the basis that the defendant ČD Cargo is obliged to pay to the plaintiff, ie SŽDC, a total of CZK 314,024,813.26 in full settlement of the litigated claims, in regular monthly payments of CZK 5,233,746.89.

35.1.9. SŽDC's Legal Action against ČD Cargo, a.s. for the Payment of CZK 127,184,298.55

SŽDC has concluded a settlement agreement with ČD Cargo under which ČD Cargo undertakes to pay CZK 164,152,088.28 to SŽDC, in regular monthly payments of CZK 4,559,780.23.

35.1.10. Dispute regarding the amount of payment for 'easements' relating to plots of land underneath the backbone optical network owned by ČD - Telematika a.s.

The year 2015 brought notable progress in resolving the long-term dispute regarding the amount of payment for 'easements' relating to plots of land underneath the backbone optical network owned by ČD - Telematika a.s. A trilateral agreement on an arbiter has been signed, in which the companies agreed on the framework in which it is possible to resolve the dispute relating to the payment for 2011. During 2015, the contractual parties filed a legal action with the arbiter appointed under the agreement. It can be anticipated that the outcome of the arbitration proceedings and hence the resolution of the dispute will be available during 2016. The Group believes that the accrual made for the payment for establishing the 'easements' represents the best possible estimate of the outcome of the dispute.

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 2015**	**31 Dec 2014**	**1 Jan 2014**
Cash and bank accounts	3,234,270	3,792,971	1,755,935
Derivative instruments in designated hedge accounting relationships	977,024	1,435,693	1,269,263
Other financial derivatives	3,958	5	3,904
Held-to-maturity investments (term deposits and promissory notes)	738,159	250,000	0
Loans and receivables	3,631,974	3,309,934	3,617,862
Available-for-sale financial assets	336,317	320,531	320,531
Total	**8,921,702**	**9,109,134**	**6,967,495**

Financial liabilities (CZK '000)	**31 Dec 2015**	**31 Dec 2014**	**1 Jan 2014**
Derivative instruments in designated hedge accounting relationships	1,168,231	748,959	344,651
Other financial derivative instruments	5,431	22,285	24,630
Measured at amortised cost	44,413,768	44,543,355	41,627,803
Total	**45,587,430**	**45,314,599**	**41,997,084**

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	2015	2014	Reported in the statement of profit or loss line
Interest on cash in bank accounts	6,121	4,734	Other gains (losses)
Interest on investments held to maturity (term deposits and promissory notes)	1,888	963	Other gains (losses)
Dividends from available-for-sale financial assets	114	1,129	Other gains (losses)
Total	**8,123**	**6,826**	

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 and provision of services, received loans and issued bonds. In line with the approved Risk Management Strategy, the Parent Company hedges the anticipated payments in a foreign currency so as to prevent the amount of the open risk position from exceeding the limit set for the period by the Risk Management Committee and approved by the Board of Directors of the Parent Company.

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 2015	EUR	USD	Other	Total
Financial assets	2,914,544	104,359	11,929	3,030,832
Financial liabilities	-27,865,670	-124,526	-10,348	-28,000,544
Total	**-24,951,126**	**-20,167**	**1,581**	**-24,969,712**

(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)

1 Jan 2014	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**

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)	2015	2014
Translation of items denominated in foreign currencies at the end of the period	922,300	874,657
Change in the fair value of derivatives at the end of the period	-750,475	-677,338
Total impact on the profit for the period	**171,825**	**197,319**
Change in the fair value of derivatives at the end of the period	-62,586	-55,704
Total impact on other comprehensive income	**-62,586**	**-55,704**

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 2015	26.95	EUR	24	548
	26.50 – 27.15	EUR	12	-518
31 Dec 2014	27.182	EUR	55,000	-31,271
1 Jan 2014	26.45 - 27.25	EUR	24,000	-8,603
	26.066	EUR	86,000	-117,642

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 2015	24.33	USD	5,700	2,606
	26.98	EUR	28,700	1,291
31 Dec 2014	22.51	USD	15	5
1 Jan 2014	26.94	EUR	44,000	21,648
	20.16	USD	1,110	-310

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 0 thousand and CZK 1,534 thousand for the year ended 31 December 2015 and 2014, 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 2015	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	722,200	3.93%	-18,616,762	3.98%	652,644
1 to 5 years	482,200	3.57%	-12,789,047	3.78%	123,442
5 years and more	232,200	3.57%	-6,439,047	3.26%	-571,574
Total					**204,512**

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**

1 Jan 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	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**

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 amount of the open risk position does not exceed the limit set for the period by the Risk Management Committee and approved by the Board of Directors of the Parent Company.

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)	2015	2014
Interest from loans and lease with variable rate for the period	-209,096	-6,831
Change in the present value of long-term provisions at the end of the period	85,970	87,055
Change in the fair value of derivatives at the end of the period	10,565	26,760
Total impact on the profit for the period	**-112,561**	**106,984**
Change in the fair value of derivatives at the end of the period	402,130	408,198
Total impact on other comprehensive income	**402,130**	**408,198**

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 Dec 2015	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value In CZK thousand
Less than 1 year	Loans from Eurofima	2.43%	EUR 60 million	-30,358
	float interest bonds	1.61%	CZK 4,000 million	-49,405
	leases	1.43%	CZK 1,111 million	-18,035
				-97,798
1 to 5 years	Loans from Eurofima	2.58%	EUR 30 million	-10,798
	float interest bonds	1.61%	CZK 4,000 million	-95,406
	leases	1.93%	CZK 882 million	-28,890
				-135,094
5 years and more	leases	1.44%	CZK 122 million	**-280**
Total				**-233,172**

31 Dec 2014	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value In CZK thousand
Less than 1 year	Loans from Eurofima	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	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**

1 Jan 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	1.13%	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**

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 2015
Less than 1 year	1.13% - 3.13%	94,059	-2,534
1 to 5 years	1.13% - 3.13%	384,576	-2,896
5 years and more	1.13% - 3.13%	0	0
Total		,	**-5,430**

	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			**-8,820**

	Hedged range	Principal in CZK thousand	Fair value of assets (liabilities) in CZK thousand at 1 Jan 2014
Less than 1 year	1.13% - 3.13%	85,818	-2,585
1 to 5 years	1.13% - 3.13%	402,585	3,242
5 years and more	1.13% - 3.13%	117,458	662
Total			**1,319**

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 so that the amount of the open risk position does not exceed the limit set for the period by the Risk Management Committee and approved by the Board of Directors of the Parent Company, using a combination of several instruments:

– 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.

(CZK '000)	2015	2014
Costs of oil consumption for the period	-157,269	-188,492
Change in the fair value of derivatives at the end of the period	-2,352	-3,350
Total impact on the profit for the period	**-159,621**	**-191,842**
Change in the fair value of derivatives at the end of the period	30,366	42,325
Total impact on other comprehensive income	**30,366**	**42,325**

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 (CZK thousand)
31 Dec 2015	13,032 CZK/mt	12,600	-44,888
	11,150 – 16,000 CZK/mt	13,500	-57,244
	773 - 775 USD/mt	6,120	-60,447
31 Dec 2014	16,751 CZK/mt	8,400	-35,165
	14,200 – 20,450 CZK/mt	2,040	-49,077
	773 - 970 USD/mt	10,200	-46,702
1 Jan 2014	17,485 CZK/mt	11,760	16,942
	14,200 – 19,300 CZK/mt	20,520	18,357

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 maximum net unhedged exposure to one counterparty in the normal course of business outside of the Group is set at CZK 50 million. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

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

The carrying amount of financial assets recognised in the 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 2015. 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 2015	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2,590,991	2,755,671	1,235,794	586,656	53,055	7,222,167
Derivatives	54,020	28,806	188,797	330,182	571,857	1,173,662
Finance lease liabilities	95,125	190,947	843,908	3,536,497	753,380	5,419,857
Float interest rate instruments	42,320	0	1,534,503	5,060,757	0	6,637,580
Fixed interest rate instruments	1,305	2,435	9,612,023	11,171,508	10,273,905	31,061,176
Total	**2 783 761**	**2 977 859**	**13 415 025**	**20 685 600**	**11 652 197**	**51 514 442**

(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)

1 Jan 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	2,910,901	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**

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 2015	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	4,209,663	1,499,417	1,058,821	4,202	343,454	7,115,557
Derivatives	3,111	847	680,342	296,682	0	980,982
Finance lease assets	4,561	0	67	59,885	443,176	507,689
Fixed interest rate instruments	488,159	250,000	0	0	0	738,159
Total	**4,705,494**	**1,750,264**	**1,739,230**	**360,769**	**786,630**	**9,342,387**

(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)

1 Jan 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	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**

36.9.2. Financing Facilities

The Group has access to the below loan facilities:

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Overdraft loan facilities:			
amount of the loan facility	*3,410,000*	*3,400,000*	*3,450,000*
amount unused	*3,410,000*	*3,400,000*	*2,605,309*
Promissory notes programme:			
amount of the loan facility	*9,500,000*	*6,500,000*	*6,500,000*
amount unused	*9,500,000*	*6,500,000*	*6,500,000*

In the year ended 31 December 2015 the Parent Company's committed promissory notes programme was increased by CZK 3 billion – an underwriting commitment of CZK 1 billion was established in ČSOB, a.s., of CZK 0.3 billion in KB, a.s. and of CZK 0.7 billion in Deutsche Bank, and the commitment in Česká spořitelna, a.s. was increased from CZK 1 billion to CZK 2 billion. As of 31 December 2015, the total amount of the Parent Company's committed promissory notes programme is CZK 8 billion and as of the stated date the limit is not being drawn.

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 16,531,802 thousand as of 31 December 2015. Pursuant to the calculation using interest rate curves, their fair value amounts to CZK 17,199,251 thousand as of 31 December 2015. As of 16 March 2016, the market value of the issues from 2011 and 2012 was listed at 101.25 % and 109.453 %, respectively.

The carrying value of Eurobonds issued by the Parent Company in 2014 and 2015 amounts to CZK 7,995,941 thousand as of 31 December 2015. Pursuant to the calculation using interest rate curves, their fair value amounts to CZK 7,974,088 thousand as of 31 December 2015.

The fair value of the lease as of 31 December 2015 amounts to CZK 3,275,501 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 2015 amounts to CZK 2,195,069 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 2015, 31 December 2014 and 1 January 2014 are included in Level 2.

37. Post Balance Sheet Events

In 2016, the Eurobonds issue placed by the Parent Company of EUR 300 million and the domestic bonds issue placed by the subsidiary ČD Cargo of CZK 1.158 billion will fall due for redemption. Both entities are planning to replace those issues with new ones in order to secure sufficient long-term sources of funding.

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 5 April 2016.

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SEPARATE FINANCIAL

STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 PREPARED UNDER IFRS AS ADOPTED BY THE EU

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

Components of the Separate Financial Statements for 2015
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 5 April 2016
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 2015

		31 Dec 2015 CZK thousand	31 Dec 2014 CZK thousand	1 Jan 2014 CZK thousand
Property, plant and equipment	16	57,388,983	57,990,347	57,366,555
Investment property	17	1,957,502	2,140,185	2,162,067
Intangible assets	18	224,161	251,888	292,136
Investments in subsidiaries and associates and joint ventures	19	8,002,130	7,882,111	7,882,111
Other financial assets	22	727,927	1,796,629	1,595,520
Other assets	23	3,386	3,523	6,141
Total non-current assets		**68,304,089**	**70,064,683**	**69,304,530**
Inventories	20	988,424	975,241	907,254
Trade receivables	21	1,746,366	1,297,192	1,424,884
Other financial assets	22	831,532	255,616	225,589
Other assets	23	958,720	784,822	697,732
Cash and cash equivalents	31	2,023,882	2,607,111	826,921
Assets held for sale	15	33,550	49,454	59,161
Total current assets		**6,582,474**	**5,969,436**	**4,141,541**
TOTAL ASSETS		**74,886,563**	**76,034,119**	**73,446,071**
Share capital	24	20,000,000	20,000,000	20,000,000
Reserve and other funds	24	15,552,758	15,965,999	16,302,100
Retained earnings (accumulated losses)		-1,438,594	578,185	1,534,898
Total equity		**34,114,164**	**36,544,184**	**37,836,998**
Loans and borrowings	25	22,264,477	29,085,955	25,604,389
Provisions	26	164,450	171,931	146,474
Other financial liabilities	28	945,976	541,903	201,023
Total non-current payables		**23,374,903**	**29,799,789**	**25,951,886**
Trade payables	27	4,137,843	4,642,806	4,683,528
Loans and borrowings	25	9,870,742	2,226,984	2,380,191
Provisions	26	1,476,320	930,267	656,835
Other financial payables	28	266,504	199,118	90,727
Other payables	29	1,646,087	1,690,971	1,845,906
Total current payables		**17,397,496**	**9,690,146**	**9,657,187**
TOTAL LIABILITIES		**74,886,563**	**76,034,119**	**73,446,071**

Statement of Profit or Loss for the Year ended 31 December 2015

		Year ended 31 Dec 2015 CZK thousand	Year ended 31 Dec 2014 CZK thousand
CONTINUING OPERATIONS			
Revenue from principal operations	5	21,074,407	20,723,393
Other operating income	6	2,204,029	1,619,975
Purchased consumables and services	7	-9,868,245	-9,464,783
Employee benefit costs	8	-7,817,140	-7,621,693
Depreciation and amortisation	9	-4,871,394	-4,708,221
Other operating losses, net	10	-1,756,448	-602,678
Loss before interest and tax		**-1,034,791**	**-54,007**
Financial expenses	11	-1,164,641	-937,104
Other gains (losses), net	12	182,929	34,678
Loss before tax		**-2,016,503**	**-956,433**
Income tax expense	13	-276	-280
Loss for the period from continuing operations		**-2,016,779**	**-956,713**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	15	0	0
Loss for the year		**-2,016,779**	**-956,713**

Statement of Comprehensive Income for the Year ended 31 December 2015

	Year ended 31 Dec 2015 CZK thousand	Year ended 31 Dec 2014 CZK thousand
Loss for the year	-2,016,779	-956,713
Cash flow hedging	-413,241	-336,101
Relating income tax	0	0
Other comprehensive income (loss) for the year (items that may be reclassified in profit or loss), net of tax	**-413,241**	**-336,101**
Total comprehensive income (loss) for the year	**-2,430,020**	**-1,292,814**

Statement of Changes in Equity for the Year ended 31 December 2015

	Share capital CZK thousand	**Reserve and other funds** CZK thousand	**Retained earnings (accumulated losses)** CZK thousand	**Total equity** CZK thousand
Balance at 1 January 2014	**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
Balance at 31 December 2014	**20,000,000**	**15,965,999**	**578,185**	**36,544,184**
Loss for the period	0	0	-2,016,779	-2,016,779
Other comprehensive income for the year, net of tax	0	-413,241	0	-413,241
Balance at 31 December 2015	**20,000,000**	**15,552,758**	**-1,438,594**	**34,114,164**

Cash Flow Statement for the Year ended 31 December 2015

		Year ended 31 Dec 2015 CZK thousand	Year ended 31 Dec 2014 CZK thousand
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year before tax		-2,016,503	-956,433
Dividend income	12	-74,869	-116,829
Financial expenses	11	1,164,641	937,104
Profit from the sale and disposal of non-current assets	6	-389,781	-216,179
Depreciation and amortisation of non-current assets	9	4,871,394	4,708,221
Impairment of non-current assets	10	571,571	64,251
Impairment of trade receivables		36,954	49,389
Foreign exchange rate gains (losses)		-170,238	75,020
Other		126,932	32,027
Cash flows from operating activities before changes in working capital		**4,120,101**	**4,576,571**
Decrease (increase) in trade receivables		-487,484	80,503
Decrease (increase) in inventories		-123,060	-42,566
Decrease (increase) in other assets		-196,107	-74,825
Increase (decrease) in trade payables		-145,467	-526,434
Increase (decrease) in provisions		537,166	298,464
Increase (decrease) in other payables		15,709	-111,632
Total changes in working capital		**-399,244**	**-376,490**
Cash flows from operating activities		**3,720,858**	**4,200,081**
Interest paid		-1,077,176	-847,556
Income tax paid		-276	-280
Net cash flows from operating activities		**2,643,406**	**3,352,245**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment		-5,136,886	-4,836,548
Proceeds from disposal of property, plant and equipment		574,007	224,474
Payments for acquisition of subsidiaries and associates and joint ventures		-121,000	0
Payments for investment property		-21,620	-29,789
Costs of acquisition of intangible assets		-79,392	-65,133
Received interest		15,898	13,751
Loans and borrowings provided to related parties		-50,000	-81,460
Payments for loans and borrowings from related parties		100,000	51,460
Received dividends		76,692	116,829
Net cash flows (used in) from investment activities		**-4,642,301**	**-4,606,416**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of loans and borrowings		3,151,518	4,951,636
Repayments of loans and borrowings		-1,685,381	-1,956,890
Net cash flows from financing activities		**1,466,137**	**2,994,746**
Net increase (decrease) in cash and cash equivalents		**-532,758**	**1,740,575**
Cash and cash equivalents at the beginning of the reporting period		2,587,362	846,787
Cash and cash equivalents at the end of the reporting period	31	**2,054,604**	**2,587,362**

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NOTES TO THE SEPARATE FINANCIAL

STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015. The reporting period is the calendar year, i.e. from 1 January 2015 to 31 December 2015. 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 corporate 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 the Company's Bodies as of 31 December 2015:

Steering Committee

Chairman	Tomáš Čoček
Vice Chairman	Kamil Rudolecký
Member	Jiří Havlíček
Member	David Koppitz
Member	Jakub Landovský
Member	Jindřich Kušnír
Member	Pavel Kouřil

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 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 Landovský were authorised to perform the activities in the Steering Committee starting from 17 March 2015. Tomáš Čoček was appointed Chairman.

Pursuant to Resolution No. 509 of the Czech Government of 24 June 2015, the authorisation for the activities in the Steering Committee of České dráhy for Lukasz Kryński was cancelled. Pursuant to this resolution, David Koppitz was authorised to perform the activities in the Steering Committee of České dráhy starting from 25 June 2015.

Pursuant to Resolution No. 633 of the Czech Government of 29 July 2015, the authorisation for the activities in the Steering Committee of České dráhy for Lukáš Wagenknecht was cancelled. Pursuant to this resolution, Pavel Kouřil was authorised to perform the activities in the Steering Committee of České dráhy starting from 30 July 2015.

Supervisory Board

Chairman	Milan Feranec
Member	Vojtěch Kocourek
Member	Antonín Tesařík
Member	Jan Hart
Member	Tomáš Révész
Member	Antonín Leitgeb
Member	Jaroslav Pejša
Member	Milan Kucharčík
Member	Vladislav Vokoun

At the meeting of the Steering Committee held on 14 December 2015, Milan Křístek and Josef Smýkal were recalled from the positions of members of the Supervisory Board with immediate effect. Tomáš Révész and Milan Kucharčík were appointed members of the Supervisory Board with immediate effect.

A sub-committee of the Supervisory Board is the Remuneration Committee. As of 31 December 2015, positions of committee members were vacant.

Board of Directors

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

Audit Committee

Chairman	Tomáš Vyhnánek
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. At its meeting held on 12 November 2015, the Steering Committee recalled Lukáš Wagenknecht from his position with immediate effect and appointed Tomáš Vyhnánek as a member of the Audit Committee with effect from 12 November 2015. At the meeting of the Audit Committee held on 12 November 2015, Tomáš Vyhnánek was appointed Chairman of the Audit Committee.

At its meeting held on 4 February 2016, the Steering Committee recalled Lukáš Pečeňa as a member of the Audit Committee with immediate effect and appointed Iva Šolcová as a member of the Audit Committee with immediate effect.

The permanent advisory body of the Board of Directors which has its role in the risk management is the Risk Management Committee. The Committee has 5 members. The members of the Committee are:

- Member of the Board of Directors responsible for the division of passenger transportation or a deputy appointed by him/her;
- Member of the Board of Directors responsible for the division of technology, maintenance and assets or a deputy appointed by him/her;
- Member of the Board of Directors responsible for the division of projects and international relations or a deputy appointed by him/her;
- Director of the economy department or a deputy appointed by him/her; and
- Director of the legal department or a deputy appointed by him/her.

The meetings of the Committee are attended by the Director of the division of internal audit and control who has an advisory vote.

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 as equal to 50% of the outstanding carrying amount of the receivables that are past due by greater than 18 months and full allowances against receivables registered for recovery under insolvency proceedings. In addition, full allowances are recognised in respect of receivables that are past due by greater than 12 months and whose carrying amount does not exceed CZK 30 thousand. The Company recognises no allowances against receivables from subsidiaries and SŽDC.

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

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

2.18.6. Derecognition of Financial Assets

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

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.

Derivatives that do not meet criteria for being recognised as hedging are treated by the Company as at fair value through profit or loss.

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 Ended 31 December 2015

During the year ended 31 December 2015, the following standards, revised standards and interpretations took effect:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
Improvements to IFRSs – cycle 2011 - 2013 (published in December 2013) *)	1 July 2014
IFRIC 21 Levies **)	1 January 2014

*) effective for periods starting on 1 January 2015 in the EU
**) effective for periods starting on 17 June 2014 in the EU

The improvements and interpretation 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	Date will be determined
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 2016
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 16 - Leases	1 January 2019
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 7 - Amendments to IAS 7 Disclosure Initiative	1 January 2017
IAS 12 - Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IIAS 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 (published in September 2014)	1 January 2016

*) effective for periods starting on 1 February 2015 in the EU

Management of the Company anticipates that the adoption of most 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 Company anticipates increased disclosure requirements. With respect to IFRS 16, the Company anticipates the need to disclose a significant number of concluded lease agreements in the balance sheet. Given that this standard was approved on 13 January 2016, the Company has not yet undertaken any analysis making it possible to quantify this impact.

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	Date will be determined
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 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 16 - Leases	1 January 2019
IAS 7 - Amendments to IAS 7 Disclosure Initiative	1 January 2017
IAS 12 - Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

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 Train Stations to the State-Owned Organisation SŽDC

In the long-term the Ministry of Transportation has been stating its intent to sell the train station buildings owned by ČD to the state-owned organisation SŽDC. The specific form of the transfer is being debated and the outcome cannot be estimated.

4.9. Values of ČD Cargo and ČD Telematika

In 2015, 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 the above measures in 2016. 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)	2015	2014
Revenue from passenger transportation - fare	7,560,667	7,476,737
Intrastate passenger transportation	*5,076,375*	*5,163,163*
International passenger transportation	*2,484,292*	*2,313,574*
Revenue from passenger transportation - payments from public service orderers	13,513,740	13,227,453
Payment from the state budget	*4,408,597*	*4,249,926*
Payment from the regional budget	*9,105,143*	*8,977,527*
Other revenue from principal operations	0	19,203
Total revenue from principal operations – continuing operations	**21,074,407**	**20,723,393**

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

6. Other Operating Income

(CZK '000)	2015	2014
Gain from property, plant and equipment and investment property	389,781	216,179
Gain from the sale of inventory	1,164	60,606
Sales of other services	428,758	455,946
Rental income	618,238	628,037
Compensations for deficits and damage	88,682	56,842
Gain on material	35,643	33,071
Other subsidies	250	19,584
Other *)	641,513	149,710
Total other operating income – continuing operations	**2,204,029**	**1,619,975**

*) In terms of the Declaration about nationwide and regional railways, ČD received payment in 2015 from the railway operator for alternative bus transport needed due to planned restrictions in railway operations.

7. Purchased Consumables And Services

(CZK '000)	2015	2014
Traction costs	-2,400,917	-2,597,238
Traction fuel (diesel)	*-1,175,856*	*-1,336,384*
Traction electricity	*-1,225,061*	*-1,260,854*
Payment for the use of railway route	-1,808,310	-1,869,178
Other purchased consumables and services	-5,659,018	-4,998,367
Consumed material	*-853,140*	*-853,776*
Consumed other energy	*-416,788*	*-426,935*
Consumed fuel	*-66,655*	*-77,067*
Repairs and maintenance	*-615,682*	*-486,940*
Travel costs	*-109,678*	*-109,006*
Telecommunication, data and postal services	*-332,402*	*-264,367*
Other rental	*-94,290*	*-91,030*
Rental for rail vehicles	*-492,846*	*-550,179*
Transportation charges	*-707,022*	*-299,241*
Services of dining and sleeping carriages	*-119,609*	*-115,419*
Services associated with the use of buildings	*-277,142*	*-266,029*
Operational cleaning of rail vehicles	*-327,778*	*-335,700*
Border area services	*-373,464*	*-274,363*
Advertising and promotion costs	*-150,777*	*-112,970*
Other services	*-721,745*	*-735,345*
Total purchased consumables and services – continuing operations	**-9,868,245**	**-9,464,783**

Transportation charges include particularly alternative bus transport in the amount of CZK 692,114 thousand in the year ended 31 December 2015 (2014: CZK 285,707 thousand).

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

(CZK '000)

Audit Services:	2015	2014
Obligatory audit of the annual financial statements	2,195	2,282
Tax advisory	1,087	1,072
Other services	8,402	2,739
Total	**11,684**	**6,093**

8. Employee Benefit Costs

(CZK '000)	2015	2014
Payroll costs	-5,546,412	-5,397,130
Severance pay	-43,138	-64,746
Statutory social security and health insurance	-1,848,168	-1,791,140
Benefits resulting from the collective agreement	-86,643	-83,715
Other social costs	-268,884	-274,498
Other employee benefit costs	-23,895	-10,464
Total employee benefit costs – continuing operations	**-7,817,140**	**-7,621,693**

9. Depreciation And Amortisation

(CZK '000)	2015	2014
Depreciation of property, plant and equipment	-4,683,856	-4,512,684
Depreciation of investment property	-77,787	-76,444
Amortisation of intangible assets	-109,751	-119,093
Total depreciation and amortisation – continuing operations	**-4,871,394**	**-4,708,221**

10. Other Operating Losses

(CZK '000)	2015	2014
Change in other provisions	-542,755	-273,873
Reversal of losses (loss) from impaired receivables	-10,779	8,745
Losses from impaired property, plant and equipment, investment property and assets held for sale	-571,571	-64,251
Reversal of write-down (write-down) of inventories to their net realisable value	-47,982	41,165
Costs of contractual fines and default interest	-112,099	-26,776
Taxes and fees	-23,226	-21,415
Other operating expenses	-448,036	-266,273
Total other operating losses – continuing operations	**-1,756,448**	**-602,678**

The increase in costs of contractual fines and other operating expenses in 2015 is primarily attributable to the payment to Škoda Transportation, a.s., which ČD made based on an arbitration award.

11. Financial Expenses

(CZK '000)	2015	2014
Interest on the loan from ČSOB and loans from Eurofima	-799	-10,086
Interest on issued bonds	-1,025,668	-842,171
Interest on finance lease payables	-74,330	-88,100
Other interest	-74,656	-43,390
Less: amounts capitalised as part of the costs of an eligible asset	12,218	47,069
Unwinding of the discount of provisions	-1,406	-426
Total financial expenses – continuing operations	**-1,164,641**	**-937,104**

The capitalisation rate in the year ended 31 December 2015 is 0.3% p. a. (2014: 1% p. a.).

12. Other Gains (Losses)

(CZK '000)	2015	2014
Net foreign exchange gains (losses)	131,541	-21,005
Received dividends	74,869	116,829
Received interest	15,864	13,814
Banking fees	-8,707	-11,669
Actuarial gains (losses)	5,590	-28,040
Other	-36,228	-35,251
Total other gains (losses) – continuing operations	**182,929**	**34,678**

13. Income Taxation

13.1. Income Tax Reported in Profit or Loss

(CZK '000)	2015	2014
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 *)	-276	-280
Total tax charge relating to continuing operations	**-276**	**-280**

*) 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)	2015	2014
Loss from continuing operations before tax	-2,016,503	-956,433
Income tax calculated using the statutory rate of 19%	383,136	181,722
Effect of the unrecognised deferred tax asset	-309,545	-197,226
Other*)	-73,867	15,224
Income tax reported in profit or loss	**-276**	**-280**

*) 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 2014 – calculated	**775,110**	**257,176**	**60,669**	**-73,440**	**33,076**	**69,184**	**1,121,775**
Balance at 1 Jan 2014 - 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	*-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	0
– of which current changes	*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**
Deferred tax recognised in profit or loss:	0	0	0	0	0	0	0
– of which current changes	*-179,943*	*336,723*	*221,794*	*-44,760*	*-80*	*-24,189*	*309,545*
*– of which impairment *)*	*179,943*	*-336,723*	*-221,794*	*44,760*	*80*	*24,189*	*-309,545*
Deferred tax recognised in other comprehensive income	0	0	0	0	0	0	0
– of which current changes	*0*	*0*	*0*	*0*	*0*	*81,104*	*81,104*
*– of which impairment *)*	*0*	*0*	*0*	*0*	*0*	*-81,104*	*-81,104*
Balance at 31 Dec 2015 – calculated	**334,579**	**1,079,075**	**302,095**	**-158,832**	**20,518**	**200,183**	**1,777,618**
Balance at 31 Dec 2015 - 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 2015 taxation period, the Company records a utilisable tax loss for the 2013 taxation period in the aggregate amount of CZK 1,760,942 thousand. The tax loss is utilisable always in five taxation periods subsequent to the period in which the relevant loss was assessed, ie 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.

(CZK million) 2015	Passenger transportation	Administration of assets	Other	Total
Revenue from principal operations				
Revenue from passenger transportation	7,560	0	0	7,560
Payments from orderers	13,514	0	0	13,514
Other	0	0	0	0
	21,074	**0**	**0**	**21,074**
Purchased consumables and services				
Traction costs	-2,401	0	0	-2,401
Payment for the use of the railway route	-1,808	0	0	-1,808
Other purchased consumables and services	-4,799	-478	-382	-5,659
	-9,008	**-478**	**-382**	**-9,868**
Staff costs				
Payroll costs	-5,054	-186	-373	-5,613
Social security and health insurance	-1,670	-60	-118	-1,848
Other social costs	-251	-7	-12	-270
Benefits arising from the collective agreement	-81	-5	0	-86
	-7,056	**-258**	**-503**	**-7,817**
Other operating income and expenses	74	287	86	447
Intracompany income and expenses	-91	98	-7	0
Overhead costs – operating	-757	-49	806	0
Depreciation and amortisation	-4,580	-230	-61	-4,871
Interest income	4	12	0	16
Interest expenses	-1,165	0	0	-1,165
Tax expense	0	0	0	0
Other income and expenses	121	0	46	167
Overhead costs – financial and other	-14	-1	15	0
Loss for the period from continuing operations	**-1,398**	**-619**	**0**	**-2,017**
Profit (loss) for the period from discontinued operations	0	0	0	0
Loss for the period	**-1,398**	**-619**	**0**	**-2,017**

(CZK million) 2014	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	-367	-5,472
Social security and health insurance	-1,615	-60	-116	-1,791
Other social costs	-254	-17	-3	-274
Benefits arising from the collective agreement	-88	2	2	-84
	-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
Interest income	2	12	0	14
Interest expenses	-937	0	0	-937
Tax expense	0	0	0	0
Other income and expenses	-116	-3	139	20
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**

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 2015 financial statements date, intensive negotiations are pending with regard to amendments to long-term contracts for 2016. Two amendments have been concluded in regional transport for 2016, another two have been approved by regional authorities. Other amendments 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 2016 – in the amount of the prepayments from 2015.

15. Discontinued Operations And Assets Held For Sale

15.1. Assets Held for Sale

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Land	16,906	25,368	53,922
Buildings	16,644	24,086	5,239
Total	**33,550**	**49,454**	**59,161**

16. Property, Plant And Equipment

(CZK '000)

Cost	Balance at 1 Jan 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2015
Land	5,922,853	6,819	654	9,680	5,938,698	3,719	1,702	-15,462	5,925,253
Structures	13,781,869	43,828	30,031	-164,172	13,631,494	136,809	47,212	-168,110	13,552,981
Individual movable assets	78,252,420	6,311,581	1,749,788	9,566	82,823,779	4,031,955	2,328,388	-453	84,526,893
- Machinery, equipment, and furniture and fixtures	*2,249,271*	*37,624*	*54,699*	*9,670*	*2,241,866*	*43,818*	*46,446*	*-453*	*2,238,785*
- Vehicles	*71,556,915*	*6,228,573*	*1,661,238*	*-104*	*76,124,146*	*3,953,492*	*2,265,323*	*0*	*77,812,315*
- Vehicles acquired under finance leases	*4,402,632*	*45,384*	*30,330*	*0*	*4,417,686*	*34,645*	*12,873*	*0*	*4,439,458*
- Other	*43,602*	*0*	*3,521*	*0*	*40,081*	*0*	*3,746*	*0*	*36,335*
Other assets	12,943	0	121	0	12,822	0	18	0	12,803
Assets under construction	1,344,480	4,939,878	25,619	-5,111,268	1,147,471	3,482,825	0	-2,773,135	1,857,161
Prepayments	970,472	0	853,585	0	116,887	0	116,887	0	0
Total	**100,285,037**	**11,302,106**	**2,659,798**	**-5,256,194**	**103,671,151**	**7,655,308**	**2,494,207**	**-2,957,160**	**105,875,092**

(CZK '000)

Accumulated depreciation	Balance at 1 Jan 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2015
Structures	6,654,120	277,981	22,843	-72,860	6,836,398	272,795	27,645	-83,101	6,998,447
Individual movable assets	35,339,039	4,035,160	1,541,734	3,118	37,835,583	4,263,427	2,119,240	-392	39,979,378
- Machinery, equipment, and furniture and fixtures	*1,723,894*	*80,886*	*42,155*	*3,396*	*1,766,021*	*81,146*	*45,950*	*-392*	*1,800,825*
- Vehicles	*32,614,992*	*3,721,396*	*1,470,526*	*-278*	*34,865,584*	*3,942,991*	*2,057,365*	*0*	*36,751,210*
- Vehicles acquired under finance leases	*959,202*	*232,278*	*25,564*	*0*	*1,165,916*	*238,781*	*12,190*	*,0*	*1,392,507*
- Other	*40,951*	*600*	*3,489*	*0*	*38,062*	*509*	*3,735*	*0*	*34,836*
Other assets	61	0	0	0	61	0	0	0	61
Total	**41,993,220**	**4,313,141**	**1,564,577**	**-69,742**	**44,672,042**	**4,536,222**	**2,146,885**	**-83,493**	**46,977,886**

(CZK '000)

Impairment	Balance at 1 Jan 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2014	Additions	Disposals	Reclassi-fication	Balance at 31 Dec 2015
Land	56,126	2,876	0	0	59,002	43,762	0	0	102,764
Structures	43,444	0	4,024	0	39,420	384,324	0	0	423,744
Individual movable assets	756,878	192,904	174,675	0	775,107	207,370	766	0	981,711
- Machinery, equipment, and furniture and fixtures	*661*	*512*	*0*	*0*	*1,173*	*0*	*766*	*0*	*407*
- Vehicles	*756,217*	*192,392*	*174,675*	*0*	*773,934*	*207,370*	*0*	*0*	*981,304*
Assets under construction	68,814	66,419	0	0	135,233	0	135,229	0	4
Total	**925,262**	**262,199**	**178,699**	**0**	**1,008,762**	**635,456**	**135,995**	**0**	**1,508,223**

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)	Balance at 1 Jan 2014	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Land	5,866,727	5,879,696	5,822,489
Buildings	7,084,305	6,755,676	6,130,790
Individual movable assets	42,156,503	44,213,089	43,565,804
- Machinery, equipment, and furniture and fixtures	*524,716*	*474,672*	*437,553*
- Vehicles	*38,185,706*	*40,484,628*	*40,079,801*
- Vehicles acquired under finance leases	*3,443,430*	*3,251,770*	*3,046,951*
- Other	*2,651*	*2,019*	*1,499*
Other assets	12,882	12,761	12,743
Assets under construction	1,275,666	1,012,238	1,857,157
Prepayments	970,472	116,887	0
Total	57,366,555	57,990,347	57,388,983

Principal additions from 1 January 2014 to 31 December 2015 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. In the year ended 31 December 2015, the Company provided no significant prepayments.

In 2015, the Company acquired fixed assets financed through government grants in the amount of CZK 83,590 thousand (2014: CZK 588,202 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 2015, 2014 and 1 January 2014 is the loss on the 680 series tilting trains (Pendolino) amounting to CZK 764,467 thousand, CZK 581,541 thousand and CZK 609,233 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. In 2015, the level of the allowance was significantly affected by the inoperability of train no. 3 due to an accident. 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 3,768 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 indication of impairment. An allowance of CZK 496,600 thousand was therefore reported as of 31 December 2015.

Impairment losses are included in other operating expenses and losses 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 1,453,149 thousand that were pledged as collateral, of which train sets of the 471 series amounted to CZK 1,351,274 thousand and the Ampz passenger coaches amounted to CZK 101,875 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 219,884 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)	2015	2014
Balance at the beginning of the year	2,140,185	2,162,067
Additions from subsequent capitalised expenses	22,781	7,330
Disposals	-125,677	50
Disposals, annual depreciation	-77,787	-76,444
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	129,003	226,467
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	-48,417	-137,808
Transfers to assets held for sale (from IAS 40 to IFRS 5)	-10,326	-8,031
Change in the value	-71,207	-56,043
Transfers of assets held for sale (from IFRS 5 to IAS 40)	-1,053	22,597
Balance at the end of the year	**1 957 502**	**2 140 185**

(CZK '000)	Balance at 31 Dec 2015	Balance at 31 Dec 2014	Balance at 1 Jan 2014
Cost	3,697,624	3,732,862	3,509,998
Accumulated depreciation	-1,806,603	-1,648,703	-1,347,658
Impairment	66,481	56,026	-273
Net book value	**1,957,502**	**2,140,185**	**2,162,067**

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

The property is located around the railway route, in train stations and depots of rail vehicles. The fair value based on market comparison cannot be determined with a reasonable certainty given the different nature and location of the property. The Company used a valuation model in determining the fair value of investment property. In respect of land, the calculation includes the product of the market price for m2 for the specific locality and the area of the land. In respect of buildings, the calculation is based on the yield method from market rental. The estimate of the fair value as of 31 December 2015, 2014 and 1 January 2014 is CZK 7,851,286 thousand, CZK 6,033,000 thousand and CZK 4,085,062 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 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2015
Development costs	95,907	0	93,892	0	2,015	0	0	0	2,015
Software	639,065	74,971	10,305	-132	703,599	114,983	0	0	818,582
Valuable rights	563,555	20,420	0	0	583,975	15,238	0	0	599,213
Other assets	760	0	760	0	0	0	0	0	0
Assets under construction	83,769	96,444	0	-104,191	76,022	80,683	0	-128,880	27,825
Total	**1,383,056**	**191,835**	**104,957**	**-104,323**	**1,365,611**	**210,904**	**0**	**-128,880**	**1,447,635**

(CZK '000)

Accumulated amortisation	Balance at 1 Jan 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2014	Additions	Disposals	Reclassification	Balance at 31 Dec 2015
Development costs	95,907	0	93,892	0	2,015	0	0	0	2,015
Software	534,121	76,189	3,041	-132	607,137	69,316	0	0	676,453
Valuable rights	460,132	44,439	0		504,571	40,435	0	0	545,006
Other assets	760	0	760	0	0	0	0	0	0
Total	**1,090,920**	**120,628**	**97,693**	**-132**	**1,113,723**	**109,751**	**0**	**0**	**1,223,474**

(CZK '000)

Net book value	Balance at 1 Jan 2014	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Development costs	0	0	0
Software	104,944	96,462	142,129
Valuable rights	103,423	79,404	54,207
Other assets	0	0	0
Assets under construction	83,769	76,022	27,825
Total	**292,136**	**251,888**	**224,161**

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 software used for portable cash registers of CZK 10 million.

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 2015	Value of investment as of 31 Dec 2014	Value of in-vestment as of 1 Jan 2014
Výzkumný Ústav Železniční, a. s.	Prague	382,711	382,711	382,711
ČD – Telematika a. s.	Prague	1,060,904	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	5,907,679
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		**7,872,095**	**7,751,096**	**7,751,096**

(CZK '000) Name of the entity	Principal activities	Ownership percentage as of 31 Dec 2015	Ownership percentage as of 31 Dec 2014	Ownership percentage as of 1 Jan 2014
Výzkumný Ústav Železniční, a. s.	Research and development in rail vehicles	100%	100%	100%
ČD – Telematika a. s.	Provision of ITC services	69.18%	59.31%	59.31%
DPOV, a. s.	Repairs and renovations of rail vehicles	100%	100%	100%
ČD Cargo, a. s.	Operations of railway freight transportation	100%	100%	100%
ČD – Informační systémy, a.s.	Provision of ITC services	100%	100%	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%

On 23 June 2015, České dráhy, a.s. and AŽD Praha s.r.o. entered into a contract for the transfer of securities of ČD - Telematika a.s. The purchase of shares from AŽD Praha s.r.o. resulted in an increase in the equity interest held by České dráhy, a.s. in ČD - Telematika a.s. from 59.31% to 66.70%. The acquisition cost of the equity interest was CZK 91,000 thousand. On 14 July 2015, České dráhy, a.s. and Odborové sdružení železničářů ("Railway Labour Union" in English) entered into a contract for the transfer of securities of ČD - Telematika a.s. The purchase of shares from Odborové sdružení železničářů (a share of 2.48% in ČDT) resulted in an increase in the equity interest held by České dráhy, a.s. in ČD - Telematika a.s. from 66.70% to 69.18%. The acquisition cost of the equity interest was CZK 30,000 thousand.

19.1.1. Details on Significant Co-owned Subsidiaries

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

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Fixed assets	1,728,010	1,797,671	1,797,671
Current assets	1,562,980	1,139,739	1,140,218
Long-term payables	144,798	150,487	150,519
Short-term payables	1,270,258	989,077	988,172
Equity	1,875,935	1,797,846	1,799,198

(CZK '000)	31 Dec 2015	31 Dec 2014
Income	1,624,059	1,465,311
Expenses	-1,545,970	-1,376,740
Profit for the period	**78,089**	**88,571**
Profit attributable to company owners	54,022	52,531
Other comprehensive income attributable to company owners	0	0
Total comprehensive income attributable to company owners	**54,022**	**52,531**
Net cash flows from operating activities	520,579	395,697
Net cash flows from investment activities	-147,343	-124,211
Net cash flows from financing activities	-13,169	-25,857
Net cash flow	**360,067**	**245,629**

19.2. Information on Associates

(CZK '000)

Name of the entity	Registered office	Value of Investment as of 31 Dec 2015	Value of Investment as of 31 Dec 2014	Value of Investment as of 1 Jan 2014
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**

(CZK '000)

Name of the entity	Principal activities	Ownership percentage as of 31 Dec 201	Ownership percentage as of 31 Dec 2014	Ownership percentage as of 1 Jan 2014
JLV, a. s.	Catering services	38.79%	38.79%	38.79%
Masaryk Station Development, a.s.	Development of the Masaryk train station	34 %	34 %	34 %

Summary of financial information on associates:

(CZK '000)

31 December 2015	Masaryk Station Development, a.s.	JLV, a. s.	Total
Total assets	141,314	500,624	641,938
Total liabilities	175,016	177,934	352,950
Net assets	-33,702	322,690	288,988
Share of the Company in associates' net assets	**-11,459**	**125,171**	**113,713**
Total income	8,982	405,381	414,363
Profit (loss) for the period	-4,122	7,538	3,416
Share of the Company in associates' profit for the period	**-1,401**	**2,924**	**1,523**

(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 (loss) 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**

(CZK '000)

1 January 2014	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 (loss) 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**

19.3. Information on Joint Ventures

(CZK '000)

Name of the entity	Registered office	Investment as of 31 Dec 2015	Investment as of 31 Dec 2014	Investment as of 1 Jan 2014
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	0	982	982
RAILREKLAM, spol. s r. o.	Prague	19,312	19,310	19,310
Total		**20,332**	**21,312**	**21,312**

*) In the year ended 31 December 2015, the Company sold its 51% equity interest in Centrum Holešovice a.s..

(CZK '000)

Name of the entity	Principal activities	Ownership percentage as of 31 Dec 2015	Ownership percentage as of 31 Dec 2014	Ownership percentage as of 1 Jan 2014
Smíchov Station Development, a. s.	Development of the Smíchov railway station	51%	51%	51%
Žižkov Station Development, a. s.	Development of the Žižkov railway station	51%	51%	51%
Centrum Holešovice, a. s.	Development of the Holešovice railway station	0%	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 2015	Smíchov Station Development, a. s.	Žižkov Station Development, a. s.	RAILREKLAM, spol. s r. o.	Total
Total assets	57,617	7,614	63,116	128,347
Total liabilities	75,732	6,581	19,201	101,514
Net assets	-18,115	1,033	43,915	26,833
The Company's share of net assets	**-9,239**	**527**	**22,397**	**13,685**
Total income	0	2	113,842	113,844
Profit (loss) for the period	-2,920	-264	8,083	4,899
The Company's share of profit	**-1,489**	**-135**	**4,122**	**2,498**

(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 (loss) 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**

(CZK '000)

1 January 2014	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 (loss) 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**

20. Inventories

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Spare parts for machinery and equipment	72,879	66,008	65,938
Spare parts and other components for rail vehicles and locomotives	732,341	672,675	628,618
Other machinery, tools and equipment and their spare parts	75,814	68,240	83,608
Fuels, lubricants and other oil products	25,079	26,301	24,182
Work clothes, work shoes, protective devices	64,062	99,100	97,771
Other	91,412	68,118	73,503
Total cost	**1,061,587**	**1,000,442**	**973,620**
Write-down of inventories to their net realisable value	-73,163	-25,201	-66,366
Total net book value	**988,424**	**975,241**	**907,254**

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

21. Trade Receivables

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Long-term	0	0	0
Short-term	1,746,366	1,297,192	1,424,884
Total	**1,746,366**	**1,297,192**	**1,424,884**

21.1. Aging of Trade Receivables

(CZK '000)	Category	Before due date	Past due date (days) 1 - 30 days	31 – 90 days	91 – 180 days	181 – 365 days	365 and more	Total past due date	Total
31 Dec 2015	Gross	1,717,051	16,825	3,891	1,595	21,225	163,808	207,344	1,924,395
	Allowances	0	0	0	0	-14,520	-163,509	-178,029	-178,029
	Net	**1,717,051**	**16,825**	**3,891**	**1,595**	**6,705**	**299**	**29,315**	**1,746,366**
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**
1 Jan 2014	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**

21.2. Movements in Allowances for Doubtful Receivables

(CZK '000)	2015	2014
Balance at the beginning of the year	168,501	166,266
Recognition of allowances	81,015	137,072
Use of allowances	-71,487	-134,837
Balance at the end of the year	**178,029**	**168,501**

22. Other Financial Assets

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Financial assets for sale	329,872	307,872	307,872
Receivables from finance leases	91,831	96,152	103,996
Hedging derivatives	296,682	1,386,875	1,175,760
Other	9,542	5,730	7,892
Total non-current financial assets	**727,927**	**1,796,629**	**1,595,520**
Receivables from finance leases	-9,215	-7,641	-7,026
Hedging derivatives	680,809	48,818	85,343
Group cash pooling	88,887	96,766	62,067
Other	71,051	117,673	85,205
Total current financial assets	**831,532**	**255,616**	**225,589**
Total	**1,559,459**	**2,052,245**	**1,821,109**

22.1. Receivables from Finance Leases

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

(CZK '000)	Minimum lease payments 31 Dec 2015	31 Dec 2014	1 Jan 2014	Present value of minimum lease payments 31 Dec 2015	31 Dec 2014	1 Jan 2014
Under 1 year	4,628	4,609	4,302	-9,215	-7,641	-,7,026
From 1 to 5 years	59,885	43,970	28,099	-3,335	-17,027	-29,410
5 years and more	443,176	459,181	475,141	95,166	113,179	133,406
Total	**507,689**	**507,760**	**507,542**	**82,616**	**88,511**	**96,970**
Less: unrealised financial income	-425,074	-419,249	-410,572	0	0	0
Present value of receivables of minimum lease payments	**82,615**	**88,511**	**96,970**	**82,616**	**88,511**	**96,970**
In the statement of financial position as:						
Other current financial assets				*-9,215*	*-7,641*	*-7,026*
Other non-current financial assets				*91,831*	*96,152*	*103,996*
Total				**82,616**	**88,511**	**96,970**

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 2015	31 Dec 2014	1 Jan 2014
Total non-current assets	**3,386**	**3,523**	**6,141**
Prepayments made	105,898	100,692	89,813
Tax receivables (except for the corporate income tax)	685,410	519,253	512,775
Prepaid expenses	57,719	55,307	51,253
Other	109,693	109,570	43,891
Total current assets	**958,720**	**784,822**	**697,732**
Total	**962,106**	**788,345**	**703,873**

24. Equity

24.1. Share Capital

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

24.2. Reserve and Other Funds

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Share premium	16,438,594	16,438,594	16,438,594
Statutory reserve fund	100,951	100,951	100,951
Cash flow hedging reserve	-986,787	-573,546	-237,445
Total	**15,552,758**	**15,965,999**	**16,302,100**

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

24.2.1. Cash Flow Hedging Reserve

(CZK '000)	2015	2014
Balance at the beginning of the year	-573,546	-237,445
Revaluation loss	-513,174	-360,952
Settled deferred derivatives	0	-4,278
Reclassification to profit or loss	99,933	29,129
Total change in the cash flow hedging reserve	**-413,241**	**-336,101**
Relating income tax	0	0
Balance at the year-end	**-986,787**	**-573,546**

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 2015	31 Dec 2014	1 Jan 2014
Loan from ČSOB	0	0	281,283
Payable to EUROFIMA	811,478	1,250,380	1,239,761
Short-term issued promissory notes	0	0	0
Payables from finance leases	448,690	449,272	433,322
Group cash pooling	58,165	116,515	42,201
Overdraft accounts	0	0	0
Issued bonds	8,552,409	410,817	383,624
Total short-term	**9,870,742**	**2,226,984**	**2,380,191**
Payable to EUROFIMA	810,750	1,663,500	2,879,625
Issued bonds	19,998,477	25,515,628	20,369,051
Payables from finance leases	1,455,250	1,906,827	2,355,713
Total long-term	**22,264,477**	**29,085,955**	**25,604,389**
Total	**32,135,219**	**31,312,939**	**27,984,580**

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 and the maturity of the loan is 10 years for each individual tranche. As of 31 December 2015, the principal of EUR 60,000 thousand needs to be repaid to EUROFIMA according to the relevant due dates between 7 April 2016 and 3 April 2017.

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 3 June 2015 the Company successfully issued bonds in a EUR 115.2 million dual tranche private placement, consisting of a EUR 37.7 million 1.89% standalone bond with maturity of 7 years and a EUR 77.5 million 3.00% standalone bond with maturity of 20 years. The lead manager of the issue was Erste Group Bank AG.

The bonds of EUR 300 million issued by the Company on 24 June 2011 will mature on 24 June 2016. As of 31 December 2015 these bonds are therefore reported as current liabilities (balance sheet line 'Loans and borrowings'), since they fall due within a period shorter than one year from the date of these financial statements.

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 2015	31 Dec 2014	1 Jan 2014	31 Dec 2015	31 Dec 2014	1 Jan 2014
Less than 1 year	507,512	521,423	523,088	448,690	449,272	433,323
From 1 to 5 years	1,404,330	1,627,243	1,865,897	1,291,389	1,466,061	1,640,552
5 years and more	166,515	455,775	755,459	163,861	440,766	715,160
Total	**2,078,357**	**2,604,441**	**3,144,444**	**1,903,940**	**2,356,099**	**2,789,035**
Less future finance expenses	-174,417	-248,342	-355,409			
Present value of minimum lease payments	**1,903,940**	**2,356,099**	**2,789,035**	**1,903,940**	**2,356,099**	**2,789,035**
In the statement of financial position as:						
– short-term loans				*448,690*	*449,272*	*433,322*
– long-term loans				*1,455,250*	*1,906,827*	*2,355,713*
Total				**1,903,940**	**2,356,099**	**2,789,035**

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 2014	Charge	Use	Balance at 31 Dec 2014	Charge	Use	Balance at 31 Dec 2015
Provision for rents	4,748	197	496	4,449	267	497	4,219
Provision for legal disputes	510,806	318,487	54,852	774,441	1,032,943	502,768	1,304,616
Provision for outstanding vacation days	47,102	58,022	47,102	58,022	12,811	0	70,833
Provision for removal of the environmental burden	3,833	0	3,833	0	0	0	0
Provisions for employees benefits	236,820	112,181	83,715	265,286	82,459	86,643	261,102
Total provisions	**803,309**	**488,887**	**189,998**	**1,102,198**	**1,128,480**	**589,908**	**1,640,770**
long-term	*146,474*			*171,931*			*164,450*
short-term	*656,835*			*930,267*			*1,476,320*

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 provisions recognised with respect to particular 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 2015	Short-term	4,115,766	11,892	2,527	2,006	2,356	3,296	22,077	**4,137,843**
31 Dec 2014	Short-term	4,641,466	6,180	3,872	597	166,147	7,207	184,003	**4,642,806**
1 Jan 2014	Short-term	4,973,555	26,078	3,928	4,427	2,081	5,548	42,062	**4,683,528**

28. Other Financial Liabilities

(CZK ‘000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Financial derivatives	885,981	470,565	114,622
Other	59,995	71,338	86,401
Total long-term	**945,976**	**541,903**	**201,023**
Financial derivatives	228,272	176,749	64,448
Other	38,232	22,369	26,279
Total short-term	**266,504**	**199,118**	**90,727**
Total	**1,212,480**	**741,021**	**291,750**

29. Other Liabilities

(CZK ‘000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Received prepayments	247,292	268,372	284,709
Payables to employees	691,731	669,605	681,889
Social security and health insurance payables	228,574	220,550	219,502
Other	478,490	532,444	659,806
Total short-term	**1,646,087**	**1,690,971**	**1,845,906**

The Company carries no payables to taxation authorities, social security authorities or health insurers past their due dates.

30. Related Parties

30.1. Income Generated from Subsidiaries and Associates

(CZK ʼ000)

2015	Sale of inventories	Sale of services	Other income	Total
ČD – Telematika a. s.	4	7,566	1,396	8,966
Výzkumný Ústav Železniční, a. s.	143	3,129	864*)	4,136
DPOV, a.s.	205,629	44,246	8,512*)	258,387
ČD Cargo, a. s.	576,994	156,930	1,573	735,497
ČD-Informační systémy, a.s.	11	16,750	159	16,920
JLV, a. s.	0	11,345	1,840	13,185
Dopravní vzdělávací institut, a.s.	117	4,019	65	4,201
ČD travel, s.r.o.	42	11,769	1,604	13,415
Total	**782,940**	**255,754**	**16,013**	**1,054,707**

*) Including financial income

(CZK ʼ000)

2014	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**

30.2. Purchases from Subsidiaries and Associates

(CZK '000)

2015	Purchase of material	Services	Other expenses	Total
ČD – Telematika a. s.	3,166	79,655	46	82,867
Výzkumný Ústav Železniční, a. s.	0	175	0	175
DPOV, a.s.	25,293	136,555	13	161,861
ČD Cargo, a.s.	485	28,979	942	30,406
ČD Informační systémy, a.s.	3,080	190,632	0	193,712
JLV, a. s.	122	134,655	1,191	135,968
Dopravní vzdělávací institut, a.s.	0	40,004	0	40,004
ČD travel, s.r.o.	0	28,735	0	28,735
Total	**32,146**	**639,390**	**2,192**	**673,728**

(CZK '000)

2014	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**

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

(CZK '000)

Sales	Intangible fixed assets 2015	Tangible fixed assets 2015	Intangible fixed assets 2014	Tangible fixed assets 2014
ČD - Telematika a. s.	0	0	0	1
Výzkumný Ústav Železniční, a. s.	0	800	0	22,327
DPOV, a.s.	0	0	0	0
ČD Cargo, a.s.	0	233,000	0	1,556
Dopravní vzdělávací institut, a.s.	0	0	0	0
JLV, a. s.	0	109,265	0	0
Total	**0**	**343,065**	**0**	**23,884**

(CZK '000)

Purchases	Intangible fixed assets 2015	Tangible fixed assets 2015	Intangible fixed assets 2014	Tangible fixed assets 2014
ČD - Telematika a. s.	995	5,799	0	163,732
Výzkumný Ústav Železniční, a. s.	0	0	0	0
DPOV, a.s.	0	859,867	0	751,058
ČD Cargo, a.s.	0	0	0	0
ČD-Informační systémy, a.s.	24,065	2,761	33,401	0
Dopravní vzdělávací institut, a.s.	80	0	0	0
Total	**25,140**	**868,427**	**33,401**	**914,790**

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 with Subsidiaries and Associates

(CZK ‘000)

31 Dec 2015	Receivables	Payables
ČD - Telematika a. s.	58,031	13,152
Výzkumný Ústav Železniční, a. s.	1,004	139
DPOV, a.s.	60,232	373,779
ČD Cargo, a.s.	483,651	10,159
JLV, a. s.	14	37,517
ČD-Informační systémy, a.s.	301	63,042
Dopravní vzdělávací institut, a.s.	49	2,869
ČD travel, s.r.o.	3,108	4,803
Total	**606,390**	**505,460**

(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)

1 Jan 2014	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**

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 2015	31 Dec 2014
ČD - Telematika a. s.	655,555	530,732
Výzkumný Ústav Železniční, a. s.	268	8
DPOV, a.s.	1,419,775	2,355,814
ČD Cargo, a.s.	43,333	32,665
JLV, a. s.	84,785	186,302
ČD-Informační systémy, a.s.	1,017,281	475,006
Dopravní vzdělávací institut, a.s.	44,921	70,770
ČD travel, s.r.o.	105,897	55,611
RAILREKLAM, spol. s r.o.	4,502	11,085
ČD Restaurant, a.s.	0	0
Masaryk Station Development, a.s.	3	3
Total	**3,376,320**	**3,717,996**

30.6. Loans to Related Parties

In May 2015, České dráhy, a.s. provided a loan to Výzkumný Ústav Železniční, a.s. of CZK 50,000 thousand which was repaid in November 2015. A repayment of CZK 50,000 thousand of a loan from 2014 was also made in November 2015. 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. In 2013, the Company provided a loan to DPOV, a.s. of CZK 20,000 thousand.

30.7. Key Management Members Compensation

Directors and other members of key management received short--term employee benefits of CZK 36,407 thousand in 2015 (2014: CZK 47,683 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 23,896 thousand and CZK 10,464 thousand in 2015 and 2014, 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)	2015		2014	
	SŽDC	**ČEZ group**	**SŽDC**	**ČEZ group**
Expenses	2,556,791	611,856	2,579,187	619,145
Income	599,718	2,050	258,234	1,758

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

(CZK '000)	31 Dec 2015		31 Dec 2014		1 Jan 2014	
	SŽDC	ČEZ group	SŽDC	ČEZ group	SŽDC	ČEZ group
Receivables ("Trade receivables" line)	145,887	6,374	12,831	6,998	11,751	5,168
Payables ("Trade payables" line)	525,520	190,206	525,584	177,396	552,982	228,767
Prepayments made ("Other assets" short-term line)	54,107	912	42,997	573	27,222	753
Received prepayments ("Other liabilities" short-term line)	60,178	5,084	67,674	2,404	71,462	107
Estimated payables ("Trade payables" line)	2,276	0	8,187	0	4,656	0
Estimated receivables ("Trade receivables" line)	39,352	0	66,908	0	57,172	23

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 2015	31 Dec 2014	1 Jan 2014
Cash on hand and cash in transit	49,330	52,914	61,232
Cash at bank	1,236,393	2,304,196	765,689
Depository promissory notes	738,159	250,000	0
Receivables/payables from cash pooling	30,722	-19,748	19,866
Total	**2,054,604**	**2,587,362**	**846,787**

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 2015, 31 December 2014 and 1 January 2014 amount to CZK 7,669 thousand, CZK 7,675 thousand and CZK 6,142 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 2015 and 2014 amounted to CZK 48,753 thousand and CZK 44,827 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 2015 from investment property based on the operating leases amounts to CZK 522,546 thousand (2014: CZK 518,122 thousand).

Direct operating expenses relating to investment property for the period amounted to CZK 242,114 thousand (2014: CZK 212,889 thousand).

Income from operating leases of movable assets in 2015 amounts to CZK 95,860 thousand (2014: CZK 110,860 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 6,612 million, of which CZK 4,703 million relates to supplies agreed for 2016 and CZK 79 million relates to supplies agreed for the following years. The remaining amount of CZK 1,830 million was paid as of 31 December 2015. A significant part of the obligations relating to expenses (CZK 4,586 million) include investments in railway vehicles.

34. Contingent Liabilities And Contingent Assets

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 Administration Board. The nominal value of unpaid shares as of 31 December 2015 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 2015 and 2014 were CZK 28 million and CZK 29 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.

34.1. Legal Disputes

34.1.1. Dispute with ŠKODA TRANSPORTATION a.s.

On 16 November 2015, an arbitration award was issued in which the arbitration court upheld the legal action brought by ŠKODA TRANSPORTATION, a.s. to the extent that it mandated České dráhy to make an additional purchase price payment of CZK 370 million and to settle default interest of CZK 98 million. The total payment of CZK 468 million was made on 19 November 2015. The arbitration award additionally replaced the will of České dráhy to enter into an amendment to make an inflationary increase in the purchase price of CZK 754 million. České dráhy has filed a legal action to revoke the arbitration award referred to above.

34.1.2. Railway Freight Transportation Market

In May 2009, the Chairman of the Anti-Monopoly Office reduced the fine imposed on ČD, a.s. for abusing its position on the market from CZK 270 million to CZK 254 million. According to the Anti-Monopoly Office, ČD, a.s. abused its dominant position on the market of the railway transportation of large quantities of natural resources and raw materials. On the basis of the remedies filed by ČD, the court revoked the ruling of the Chairman of the Anti-Monopoly Office and the matter is referred back to the Anti-Monopoly Office which now has to re-open it and/or supply additional evidence. The Anti-Monopoly Office has filed a remedy – cassation complaint against this decision.

34.1.3. Prague – Ostrava Line

In January 2012, the Anti-Monopoly Office initiated proceedings against ČD, a.s. regarding the alleged abuse of ČD, a.s.'s dominant position on the Prague – Ostrava line in the form of inadequately low (predatory) prices in response to an entry of a new competitor railway transporter. The proceedings with the Anti-Monopoly Office are still continuing, the Anti-Monopoly Office is currently collecting supporting documents for its ruling and it will subsequently either issue a statement of objections, which will formally open the proceedings against ČD, or it will not issue the statement of objections and will discontinue the proceedings.

34.1.4. Legal Action by LEO Express against ČD, a.s. for the compensation of damage amounting to CZK 418,869,000

On 10 July 2014, LEO Express filed a legal action for the compensation of damage amounting to CZK 418,869,000 which was allegedly caused to LEO Express by ČD, a.s. and its pricing policy.

The first-instance court rejected LEO Express's legal action which appealed the ruling.

34.1.5. RegioJet's Legal Action for the Return of Allegedly Prohibited Public Support (the Defendants Being ČD, a.s., SŽDC, s.o., and the Czech Republic Represented by the Czech Ministry of Transportation)

In April 2015, RegioJet filed a legal action for the return of approximately CZK 7 billion and default interest due to allegedly prohibited public support. The assets involving the 'assets required to maintain rails and their operability' ("mrtvá dopravní cesta" in Czech), which were transferred by ČD to SŽDC in 2008 for CZK 12 billion, were allegedly overstated by this amount. ČD provided its statement to the legal action indicating that it does not agree with the assertions made in the legal action and considers it to lack merit.

34.1.6. RegioJet's Call for the Payment of Compensation for Detriment

RegioJet sent a pre-trial call to ČD, a.s. for the payment of the compensation for the detriment dated 10 April 2015 in which it seeks the payment of CZK 716,977,278. The alleged detriment was caused by ČD's illegal activities in operating the Prague – Ostrava track, involving the application of dumping prices. ČD refused to pay the detriment. RegioJet filed a legal action seeking the payment of compensation of approximately CZK 716 million with accrued interest and charges which result in legal proceedings being initiated in the matter.

34.2. Audits of Subsidies Used from the Regional Operational Programme (ROP) for the Acquisition of Railway Vehicles

Since early 2014, the Audit Body of the Czech Ministry of Finance (the "Audit Body") has been conducting a due audit of operation at ČD, a.s. in terms of Section 7 (2) and Section 13a of Act No. 320/2001 Coll., on Financial Auditing in Public Administration and Changes to Certain Acts (the "Financial Auditing Act"), as amended, and Article 62 (1) (b) of Council Regulation (EC) No. 1083/2006. Subsequently in 2015, the audits continued and, at the end of 2015, the sample of the Czech Ministry of Finance included all realised projects, the only exceptions being the projects "Modern Railway Vehicles for the Pardubický Region" and "Leoš Janáček Airport Traffic Connection". At the end of 2015, ČD, a.s. received the final audit report on all the audited projects. Given the completion of the audit by the Czech

Ministry of Finance, individual Regional Council Authorities are claiming the refund of the proportionate part of the subsidy from the relevant amount of calculated ineligible expenses according to the AO's methodology, referring to the AO's recommendations and conclusions. ČD, a.s. fully rejects to pay the determined amount of the subsidised discrepancy within the period stated by the Regional Council Authorities. ČD, a.s. disagrees with the audit conclusions and is pursuing the relevant procedural defence. At the end of 2015, ČD, a.s. records five calls to refund the proportionate part of the subsidy of CZK 349,538 thousand.

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 2015	31 Dec 2014	1 Jan 2014
Cash and bank accounts	1,285,723	2,357,111	826,921
Financial derivatives used in hedge accounting	976,200	1,435,693	1,261,103
Other financial derivatives	1,291	0	0
Held-to-maturity investments (term deposits and promissory notes)	738,159	250,000	0
Loans and receivables	1,998,462	1,605,872	1,677,018
Available-for-sale financial assets	329,872	307,872	307,872
Total	**5,329,707**	**5,956,548**	**4,072,914**

Financial liabilities (CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Financial derivatives used in hedge accounting	1,114,253	647,314	179,070
Measured at amortised cost	36,371,289	36,049,452	32,780,788
Total	**37,485,542**	**36,696,766**	**32,959,858**

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	2015	2014	Reported in the statement of profit or loss line
Interest on cash in bank accounts	916	1,042	Other gains
Interest on cash pooling	1,179	956	Other gains
Interest on investments held to maturity (term deposits and promissory notes)	1,569	38	Other gains
Dividends from available-for-sale financial assets	114	1,129	Other gains
Total	3,778	3,165	

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 such that the size of the open risk position does not exceed the limit defined for the period by the Risk Management Committee and approved by the Company's Board of Directors.

The 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 2015	EUR	USD	Other	Total
Financial assets	1,305,225	127	3,091	1,308,443
Financial liabilities	-26,854,897	0	-170	-26,855,067
Total	**-25,549,672**	**127**	**2,921**	**-25,546,624**

(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)

1 Jan 2014	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**

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)	2015	2014
Translation of items denominated in foreign currencies at the end of the period	943,757	890,616
Change in the fair value of derivatives at the end of the period	-763,406	-677,338
Total impact on the profit for the period	**180,351**	**213,278**
Change in the fair value of derivatives at the end of the period	-94,527	-110,665
Total impact on other comprehensive income	**-94,527**	**-110,665**

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 2015	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	722,200	3.93%	-18,616,762	3.98%	652,644
1 to 5 years	482,200	3.57%	-12,789,047	3.78%	123,442
5 years and more	232,200	3.12%	-6,439,047	3.26%	-571,574
Total					**204,512**

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**

1 Jan 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	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**

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

31 Dec 2015	Average agreed exchange rate (CZK/EUR)	Principal	Fair value in CZK thousand
In 1 month	26.98	EUR 28,700 thousand	1,291

31 Dec 2014	Average agreed exchange rate (CZK/EUR)	Principal	Fair value in CZK thousand
In 6 months	26.94	EUR 44,000 thousand	21,648

As of 31 December 2015, the Company concluded a currency swap which will be settled in January 2016. This swap was not concluded for hedging purposes. As of 31 December 2014, the Company recorded no currency forwards. In 2013, the Company concluded currency forwards in order to hedge repayments of EUR loans that fell due in the first half of 2014. These derivatives were classified as fair value hedges.

The gain from fair value hedging instruments amounted to CZK 0 thousand and CZK 1,534 thousand for the year ended 31 December 2015 and 2014, 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 size of the open risk position does not exceed the limit defined for the period by the Risk Management Committee and approved by the Company's Board of Directors.

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)	2015	2014
Interest from loans and lease with variable rate for the period	-162,696	-196,116
Change in the present value of long-term provisions at the end of the period	22,740	23,413
Change in the fair value of derivatives at the end of the period	0	0
Total impact on the profit for the period	**-139,956**	**-172,703**
Change in the fair value of derivatives at the end of the period	389,653	387,352
Total impact on other comprehensive income	**389,653**	**387,352**

35.6.2. Interest Rate Swap Contracts

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

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

	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value In CZK thousand as of 31 December 2015
Less than 1 year	Loans from Eurofima	2.43%	EUR 60 million	-30,358
	float interest bonds	1.61%	CZK 4,000 million	-49,405
	leases	1.23%	CZK 1,104 million	-7,602
				-87,365
1 to 5 years	Loans from Eurofima	2.58%	EUR 30 million	-10,798
	float interest bonds	1.61%	CZK 4,000 million	-95,406
	leases	1.23%	CZK 579 million	-15,796
				-122,000
5 years and more	leases	1.23%	CZK 109 million	**-215**
Total				**-209,580**

	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value In CZK thousand as of 31 December 2014
Less than 1 year	Loans from Eurofima	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	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**

	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value In CZK thousand as of 31 January 2014
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**

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 so that the size of the open risk position does not exceed the limit defined for the period by the Risk Management Committee and approved by the Company's Board of Directors. The risk is managed by the Company 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)	2015	2014
Costs of oil consumption for the period	-113,935	-137,920
Change in the fair value of derivatives at the end of the period	-2,352	-3,350
Total impact on the profit for the period	**-116,287**	**-141,270**
Change in the fair value of derivatives at the end of the period	22,672	31,641
Total impact on other comprehensive income	**22,672**	**31,641**

35.7.2. Commodity Derivatives

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

Purchase of oil	Hedged value	Volume of contracts (mt)	Fair value (CZK thousand)
31 Dec 2015	13 670 CZK	4,200	-15,296
	11,150 – 16,000 CZK/mt	13,500	-57,244
	773 - 775 USD/mt	6,120	-60,447
31 Dec 2014	17,244 CZK	0	-1,556
	14,200 – 20,450 CZK/mt	2,040	-49,077
	773 - 970 USD/mt	10,200	-46,702
1 Jan 2014	17,244 CZK	4,560	8,783
	14,200 – 19,300 CZK/mt	20,520	18,357

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 2015. 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 2015	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1,615,597	1,983,039	633,511	9,034	53,055	4,294,236
Derivatives	49,748	20,667	157,856	314,192	571,790	1,114,253
Finance lease liabilities	42,888	86,730	377,894	1,404,330	166,515	2,078,357
Float interest rate instruments	42,320	0	862,672	5,060,757	0	5,965,749
Fixed interest rate instruments	82	0	9,050,681	10,082,166	10,273,905	29,406,834
Total	**1,750,635**	**2,090,436**	**11,082,614**	**16,870,479**	**11,065,265**	**42,859,429**

(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)

1 Jan 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	1,632,245	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**

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 2015	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1,910,025	424,952	855,023	159	341,281	3,531,440
Finance lease assets	4,561	0	67	59,885	443,176	507,689
Fixed interest rate instruments	488,159	250,000	0	0	0	738,159
Hedging derivatives	1,291	0	679,518	296,682	0	977,491
Total	**2,404,036**	**674,952**	**1,534,608**	**356,726**	**784,457**	**5,754,779**

(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)

1 Jan 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	1,480,859	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**

35.9.2. Financing Facilities

The Company has access to the below loan facilities:

(CZK '000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Overdraft loan facilities:			
amount of the loan facility	*2,200,000*	*2,200,000*	*2,200,000*
amount unused	*2,200,000*	*2,200,000*	*2,200,000*
Promissory notes programme:			
amount of the loan facility	*8,000,000*	*5,000,000*	*3,000,000*
amount unused	*8,000,000*	*5,000,000*	*3,000,000*

In the year ended 31 December 2015 the Company's committed promissory notes programme was increased by CZK 3 billion – an underwriting commitment of CZK 1 billion was established in ČSOB, a.s., of CZK 0.3 billion in KB, a.s. and of CZK 0.7 billion in Deutsche Bank, and the commitment in Česká spořitelna, a.s. was increased from CZK 1 billion to CZK 2 billion. As of 31 December 2015, the total amount of the Company's committed promissory notes programme is CZK 8 billion and as of the stated date the limit is not being drawn.

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 16,531,802 thousand as of 31 December 2015. Pursuant to the calculation using interest rate curves, their fair value amounts to CZK 17,199,251 thousand as of 31 December 2015. As of 16 March 2016, the market value of the issues from 2011 and 2012 was listed at 101.25 % and 109.453 %, respectively.

The carrying value of Eurobonds issued in 2014 and 2015 amounts to CZK 7,995,941 thousand as of 31 December 2015. Pursuant to the calculation using interest rate curves, their fair value amounts to CZK 7,974,088 thousand as of 31 December 2015.

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 2015, 31 December 2014 and 1 January 2014 are included in Level 2.

36. Post Balance Sheet Events

In 2016, the Eurobonds issue placed by ČD of EUR 300 million will fall due for redemption. The Company is planning to replace the issue with a new one in order to secure sufficient long-term sources of funding.

No 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 5 April 2016.

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PROVIDING INFORMATION

PURSUANT TO ACT NO. 106/1999 COLL., ON FREE ACCESS TO INFORMATION FOR 2015

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 2015:

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

In the reporting period, the total number of 149 information requests was satisfied.

b) Pursuant to Section 15 of the Act, the following fist-instance decisions were issued

- 16 decisions to decline the request; and
- 11 decisions to partially decline the request.

c) Pursuant to Section 90 (1)(b) of Act no. 500/2004 Coll., the Code of Administrative Procedure, as amended, the following number of decisions was rejected and returned by the Chairman of the Board of Directors of České dráhy a.s. based on the requesting party's appeal

- A total of 32 first-instance decisions.
- Based on these decisions, 20 first-instance declining decisions and 11 partial first-instance declining decisions were repeatedly issued.
- Pursuant to Section 90 (5) of Act No. 500/2004 Coll., the Code of Administrative Procedure, as amended, one appeal was approved by the decision of the Chairman of the Board of Directors of České dráhy a.s.

d) Pursuant to Section 14 (5)(d) of the Act

- 26 pieces of information were provided

e) Pursuant to Section 16a of the Act, the Chairman of the Board of Directors of České dráhy a.s. received

- 3 complaints for late settlement; these complaints were rejected as having no grounds.

f) Pursuant to Section 14 (1) (a) and (b) of the Act

- 6 calls to complete the request for information was sent, of which 3 requests were completed and 3 were suspended due to the lack of additional information

g) Based on the decision of the Supreme Administrative Court of 22 October 2014, ref.no. 8As 55/2012-62, www.nssoud.cz) and pursuant to Section 4(4) of Act no. 500/2004 Coll., the Code of Administrative Procedure, as amended, České dráhy, a.s. provided statements for the Ministry of Transport

- With respect to 23 requests relating to the operation of České dráhy, a.s.

h) The number of exclusive licences provided, 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.

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POST-BALANCE SHEET EVENTS

Audit Committee

At the Steering Committee meeting held on 4 February 2016, Lukáš Pečeňa was recalled with immediate effect and Iva Šolcová was appointed with effect from 4 February 2016.

A Summary of Disputes as of 31 December 2015

1. Dispute with ŠKODA TRANSPORTATION a.s.
On 16 November 2015, an arbitration award was issued in which the arbitration court upheld the legal action brought by ŠKODA TRANSPORTATION, a.s. to the extent that it mandated České dráhy to make an additional purchase price payment of CZK 370 million and to settle default interest of CZK 98 million. The total payment of CZK 468 million was made on 19 November 2015. The arbitration award additionally replaced the will of České dráhy to enter into an amendment to make an inflationary increase in the purchase price of CZK 754 million. České dráhy has filed a legal action to revoke the arbitration award referred to above.

2. Railway Freight Transportation Market
In May 2009, the Chairman of the Anti-Monopoly Office reduced the fine imposed on ČD, a.s. for abusing its position on the market from CZK 270 million to CZK 254 million. According to the Anti-Monopoly Office, ČD, a.s. abused its dominant position on the market of the railway transportation of large quantities of natural resources and raw materials. On the basis of the remedies filed by ČD, the court revoked the ruling of the Chairman of the Anti-Monopoly Office and the matter is referred back to the Anti-Monopoly Office which now has to re-open it and/or supply additional evidence. The Anti-Monopoly Office has filed a remedy – cassation complaint against this decision.

3. Prague – Ostrava Line
In January 2012, the Anti-Monopoly Office initiated proceedings against ČD, a.s. regarding the alleged abuse of ČD, a.s.'s dominant position on the Prague – Ostrava line in the form of inadequately low (predatory) prices in response to an entry of a new competitor railway transporter. The proceedings with the Anti-Monopoly Office are still continuing, the Anti-Monopoly Office is currently collecting supporting documents for its ruling and it will subsequently either issue a statement of objections, which will formally open the proceedings against ČD, or it will not issue the statement of objections and will discontinue the proceedings.

4. SŽDC's Legal Action against ČD Cargo, a.s. for the Payment of CZK 286,134,763.63
The ruling of the High Court in Prague, ref. no. 3 Cmo 422/2012-250, approved court settlement on the basis that the defendant ČD Cargo is obliged to pay to the plaintiff, i.e. SŽDC, a total of CZK 314,024,813.26 in full settlement of the litigated claims, in regular monthly payments of CZK 5,233,746.89.

5. SŽDC's Legal Action against ČD Cargo, a.s. for the Payment of CZK 127,184,298.55
SŽDC has concluded a settlement agreement with ČD Cargo under which ČD Cargo undertakes to pay CZK 164,152,088.28 to SŽDC, in regular monthly payments of CZK 4,559,780.23.

6. Legal Action by LEO Express against ČD, a.s. for the compensation of damage amounting to CZK 418,869,000
On 10 July 2014, LEO Express filed a legal action for the compensation of damage amounting to CZK 418,869,000 which was allegedly caused to LEO Express by ČD, a.s. and its pricing policy. The first--instance court rejected LEO Express's legal action which appealed the ruling.

7. RegioJet's Legal Action for the Return of Allegedly Prohibited Public Support (the Defendants Being ČD, a.s., SŽDC, s.o., and the Czech Republic Represented by the Czech Ministry of Transportation)
In April 2015, RegioJet filed a legal action for the return of approximately CZK 7 billion and default interest due to allegedly prohibited public support. The assets involving the 'assets required to maintain rails and their operability' ("mrtvá dopravní cesta" in Czech), which were transferred by ČD to SŽDC in 2008 for CZK 12 billion, were

allegedly overstated by this amount. ČD provided its statement to the legal action indicating that it does not agree with the assertions made in the legal action and considers it to lack merit.

8. RegioJet's Call for the Payment of Compensation for Detriment

RegioJet sent a pre-trial call to ČD, a.s. for the payment of the compensation for the detriment dated 10 April 2015 in which it seeks the payment of CZK 716,977,278. The alleged detriment was caused by ČD's illegal activities in operating the Prague – Ostrava track, involving the application of dumping prices. ČD refused to pay the detriment. RegioJet filed a legal action seeking the payment of compensation of approximately CZK 716 million with accrued interest and charges which result in legal proceedings being initiated in the matter.

9. Audits of Subsidies Used from the Regional Operational Programme (ROP) for the Acquisition of Railway Vehicles

Since early 2014, the Audit Body of the Czech Ministry of Finance (the "Audit Body") has been conducting a due audit of operation at ČD, a.s. in terms of Section 7 (2) and Section 13a of Act No. 320/2001 Coll., on Financial Auditing in Public Administration and Changes to Certain Acts (the "Financial Auditing Act"), as amended, and Article 62 (1)(b) of Council Regulation (EC) No. 1083/2006. Subsequently in 2015, the audits continued and, at the end of 2015, the sample of the Czech Ministry of Finance included all realised projects, the only exceptions being the projects "Modern Railway Vehicles for the Pardubický Region" and "Leoš Janáček Airport Traffic Connection". At the end of 2015, ČD, a.s. received the final audit report on all the audited projects. Given the completion of the audit by the Czech Ministry of Finance, individual Regional Council Authorities are claiming the refund of the proportionate part of the subsidy from the relevant amount of calculated ineligible expenses according to the AO's methodology, referring to the AO's recommendations and conclusions. At the end of 2015, ČD, a.s. records five calls to refund the proportionate part of the subsidy of CZK 349,537,515.35 thousand. ČD, a.s. fully rejects to pay the determined amount of the subsidised discrepancy within the period stated by the Regional Council Authorities. ČD, a.s. disagrees with the audit conclusions and is pursuing the relevant procedural defence.

10. Dispute regarding the amount of payment for 'easements' relating to plots of land underneath the backbone optical network owned by ČD - Telematika a.s.

The year 2015 brought notable progress in resolving the long-term dispute regarding the amount of payment for 'easements' relating to plots of land underneath the backbone optical network owned by ČD - Telematika a.s. A trilateral agreement on an arbiter has been signed, in which the companies agreed on the framework in which it is possible to resolve the dispute relating to the payment for 2011. During 2015, the contractual parties filed a legal action with the arbiter appointed under the agreement. It can be anticipated that the outcome of the arbitration proceedings and hence the resolution of the dispute will be available during 2016. The Group believes that the accrual made for the payment for establishing the 'easements' represents the best possible estimate of the outcome of the dispute result.

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INFORMATION ABOUT

PERSONS RESPONSIBLE FOR THE ČD GROUP'S ANNUAL REPORT

Responsibility for the 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 consolidation group for the year ended 31 December 2015, and of the prospects of the future development of the financial position, business activities and operational results of the Company and its consolidation group, and no facts that could change its meaning have been concealed in this report.

In Prague on 20 April 2016

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

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

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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 2015

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 2015 to 31 December 2015.

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 also 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

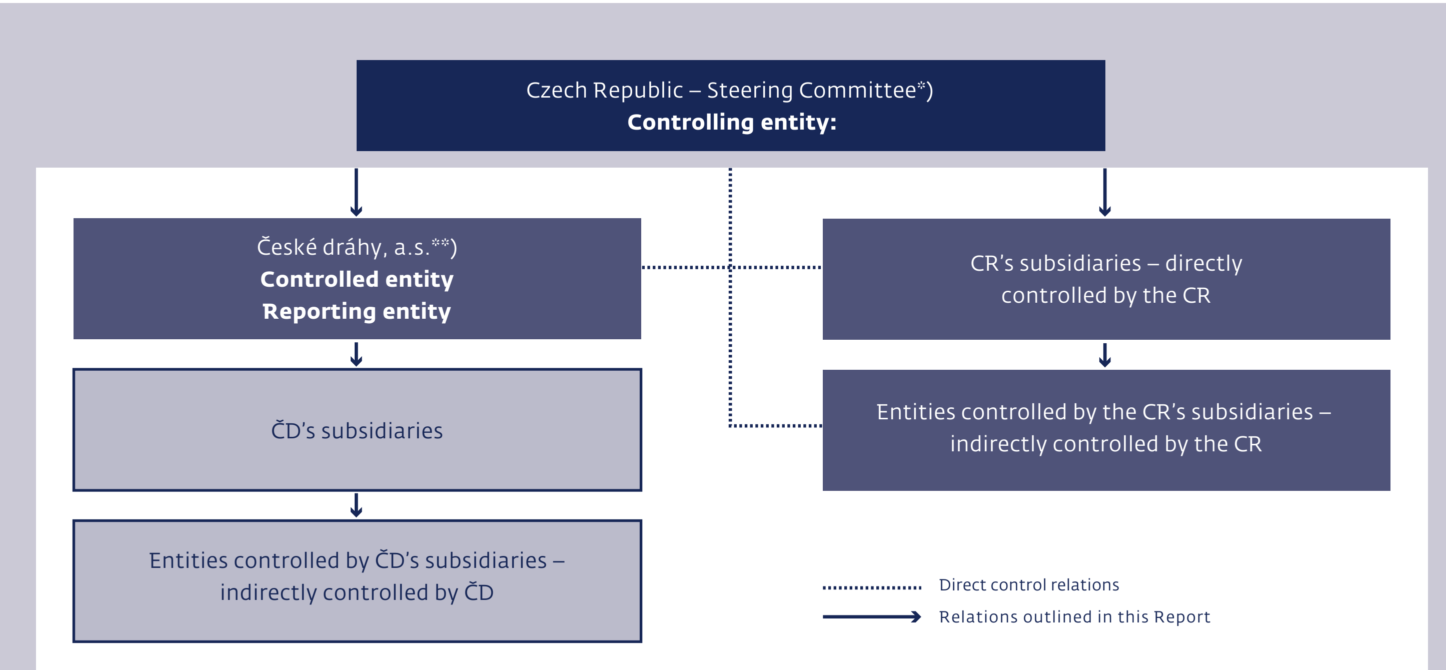
1) A directly controlled related party is a business corporation in which the State has a share of voting rights of at least 40% of all the votes in the given business corporation, unless another entity or entities acting in concert have the same or a higher share of voting rights in the given business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

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 and with which the Company in the respective reporting period established relations that are described in this Report.

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 Company and the State and the Parties Controlled by the State



*) 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 2015.

ČEPRO, a.s.

Contract	Description
E012-14R/13956/012/005/PK	SMN30 mixed diesel fuel supplies
E296-DS-0091/07-A	Water and sewage fees
E900-14C/08221/008/003/TA	Light fuel oil supplies (TOEL)
2927202209	Siding mechanism
2937706306	Plot of land no. 855/20
2967271207	Siding – plot of land no.12, Nová Víska cadastral territory
2977408603	Plot of land
2977735207	Plot of land no. 3203/22, cadastral territory no. 722120

ČEZ, a. s.

Contract	Description
2937105107	Plot of land under the siding, no. 2864/610
2937302207	Plot of land under the siding, no. 4177/23
2947000311	Placement of a security mechanism case 0P01
2947007207	Plot of land no. 311/21, Dvůr Kr./L. siding
2947007307	Plot of land no. 1529, Poříčí u Trut. siding
2967106911	Siding Trmice, plot of land no. 1493/1
2977100708	Plot of land under the siding
E296-DS-0223/08-A	Water and sewage fees

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
E293-ELEKTŘINA83	Leština u Světlé
E293-ELEKTŘINA87	Electricity – Okrouhlice

E296-DS-0014/11-G	Electricity
E297-14_NN_1005938456	CONNECTION OF AN OFFTAKE DEVICE Vejprnice
E297-14_NN_1006295562	CONNECTION OF AN OFFTAKE DEVICE
E297-14_NN_1006403996	Contract on the connection of an electric device
E297-14_NN_1006532097	Electricity connection Kozolupy 69
E297-14_NN_11005805508	Contract on connection and electricity
E297-14_SOP_02_4120993152	Contract of an offtake device in the place of offtake
E297-14_SOP_03_4120993125	Contract of an offtake device in the place of offtake
E408-03186059	Electricity Borová
2927402414	1S44 wiring
2927801211	Plot of land – construction (subjugation)
2927852807	Plot of land
2947003102	Plot of land
2947004110	Plot of land no. 1921/1
2947012007	Plot of land no. 441/4, Všestary siding
2947104514	Plot of land no. 2798/36, Pardubice railway station
2957019705	Svojšovice cadastral territory, plot of land no. 161

ČEZ Prodej, s.r.o.

Contract	**Description**
E297-10_NN_1_02438410	Contract on the connection of an offtake device
2015295517764	ČEZ, Contract on electricity supplies, PRM
2016405518111	Electricity, flat in Ústí n. L.
E002-13R-03526-SLU-001-TA	Electricity supplies in 2014
E002-14R/09556/SLU/002/PK	Supplies of traction electricity for the years 2015-2016
E008-23/2012-O8	Contract on electricity supplies, traction
E166-SML_D-EE-0577130	Contract on joint services of electricity supplies
E166-SML_D-EE-1074230	Electricity supplies - Hlinsko, Nádražní 545,
E292-S-00142/15	Contract on electricity supplies Frýdek Místek
E293-ELEKTŘINA71	Okrouhlice
E296-DS-0105/10-G	Electricity
E296-DS-0106/10-G	Electricity

E297-11_NN_1_03104725	Electricity connection Pavlovice
E297-13_CEZDI_05702646	Electricity services Nýřany 84 - Vladař

ČEZ Teplárenská, a.s.

Contract	Description
E166-SML_D-EN-T-007TRU	Heat supplies to PJ TRU
E294-T/0003/2009	Contract on the provisions of heat supplies no. 6990
E296-DS-0018/10-C	Gas
E296-DS-0197/07-C	Heat supplies
1668000510	0P01

EVČ s.r.o.

Contract	Description
2010295506412	EVČ, heat in the NBK administrative building
2937705510	Room no. 1S16
E293-T18	Heat – H. Brod

MARTIA a.s.

Contract	Description
E028-SOPS-M-UK05055	Operation of the Bilina heat device
E028-SOPS-M-UK05059	Operation of the Chomutov heat device
E028-SOPS-M-UK05067	Operation of the Usti st. 5 heat device
E028-SOPS-M-UK05071	Operation of the Uporiny heat device
E028-SOPS-M-UK05075	Provision of the Usti dilny heat device
E296-O-0176/15	Order
2967347907	Heat production
2967348107	0P13 heat production
2967348207	0P01 heat production
2967348507	Heat production
2967348607	0P08 – boiler room

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

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

Ministerstvo dopravy

Contract	Description
E-004-MD-31/2015-420-SML	Settlement agreement
E-004-MD/2014	Contract on the lease of non-residential premises
E060-57808/2014	Czech Ministry of Transport – public service commitment – Pardubice-Liberec JR 2014-15
E060-58526/2014	Czech Ministry of Transport – public service commitment – Plzeň-Most JR 2014-15
E016-16/2009-190-EKO/1	Contract on public transport commitment in railway passenger transport

Elektrárna Počerady, a.s.

Contract	Description
2967362307	Počerady siding, plot of land no. 310/14

SD - Kolejová doprava, a.s.

Contract	Description
2957008912	0P14+0P15 Hostivice
2967105113	0P02
2967346907	Chotějovice siding, plot of land no. 224/6

Severočeské doly a.s.

Contract	Description
2667100215	Bílina siding, plot of land no. 2251/1

V. Other Relations

In the year ended 31 December 2015, 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.

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 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 2016

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 2015 to 31 December 2015 with which relations as described in this Report were established in the respective reporting period

Related Entity	Corporate ID	Share of the State	Means of Control
ČEPRO, a.s.	60193531	100.00%	Related entity directly controlled by the State.
ČEZ Distribuce, a. s.	24729035	0.00%	Related entity indirectly controlled by the State through ČEZ, a. s., which has a 100% share in this entity.
ČEZ Prodej, s.r.o.	27232433	0.00%	Related entity indirectly controlled by the State through ČEZ, a. s., which has a 100% share in this entity.
ČEZ Teplárenská, a.s.	27309941	0.00%	Related entity indirectly controlled by the State through ČEZ, a. s., which has a 100% share in this entity.
ČEZ, a. s.	45274649	69.78%	Related entity directly controlled by the State.
Elektrárna Počerady, a.s.	24288110	0.00%	Related entity indirectly controlled by the State through ČEZ, a. s., which has a 100% share in this entity.
EVČ s.r.o.	13582275	0.00%	Related entity indirectly controlled by the State through ČEZ ESCO, a.s., which has a 75% share in this entity.
MARTIA a.s.	25006754	0.00%	Related entity indirectly controlled by the State through ČEZ Teplárenská, a.s., which has a 100% share in this entity.
SD - Kolejová doprava, a.s.	25438107	0.00%	Related entity indirectly controlled by the State through Severočeské doly a.s., which has a 100% share in this entity.
Severočeské doly a.s.	49901982	0.00%	Related entity indirectly controlled by the State through ČEZ, a. s., which has a 100% share in this entity.
Tepelné hospodářství města Ústí nad Labem s.r.o.	49101684	0.00%	Related entity indirectly controlled by the State through ČEZ Teplárenská, a.s., which has a 55.83% share in this entity.

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QUALITY STANDARD

ASSESSMENT FOR 2015

Introduction
The quality of service provided to the travelling public forms a substantial part of České dráhy's image as it is visible and monitored by the general public, mass media, competitive carriers and passenger transport orderer in the regional and long-distance transport. 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 and the new ČSN EN ISO 50001 norm.

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.

Quality Standard Assessment for 2015
Compliance with the required quality standards is very good; although partial standards are not met the compliance level is higher than 90 %. In 2015, the rising trend of meeting individual quality standard indicators continued, except for the failures to comply in the following areas:

- Providing information at railway stations and information systems at railway stations;
- Accuracy of compliance with the timetable in long-distance and regional transport; and
- Assistance provided to disabled people and persons with reduced mobility and orientation.

The failure to meet certain individual indicators is not material in the context of substantially increased closures and operating extraordinary events. This situation resulted in the increase in a number of complaints from the travelling public in the affected areas.

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.

Conclusions of inspection activities for 2015 comply with the outcome of the quality standard assessment. In 2015, a total of 130,433 inspections were made, of which 17,856 inspections were carried out at stations and 112,577 on trains. Inspection activities in 2016 will focus on the verification of effectiveness of the measures adopted to meet the quality standards.

Sheet of standards		Level of requirements	2015	Meeting standards
1.	**Information and tickets**			
1.1.	**Sale and inspection of tickets on trains**			
	Sale of tickets (except freight transportation)	99%	99%	Met
	Quality of work of train personnel when selling tickets	95%	99%	Met
1.2.	**Providing information on trains**			
	Providing information on trains (except train transportation)	99%	99%	Met
	Quality of work of train personnel	95%	99%	Met
1.3.	**Sale of tickets at railway stations**			
	Sale of tickets in every staffed railway station or stop	99%	99%	Met
	Alternative ticket sale	99%	99%	Met
1.4.	**Providing information at railway stations**			
	Providing information to passengers in a staffed railway station/stop	99%	99%	Met
	Providing information by SŽDC	99%	99%	Met
	Quality of work of railway station personnel	95%	92%	Not met
1.5.	**Behaviour of the train and railway station personnel**	98%	97%	Not met
1.6.	**Information systems in trains**			
	Functionality of providing information	99%	99%	Met
	Quality of work of train and vehicle personnel	99%	99%	Met

Sheet of standards		Level of requirements	2015	Meeting standards
1.7.	**Information systems at railway stations**			
	Functionality of providing information	99%	99%	Met
	Quality of work of railway station personnel	99%	97%	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%	72%	Not met
	Trains arriving within the tolerance limit (6 - 60 minutes) for accurate transportation	20%	29%	Not 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%	88%	Not met
	Trains arriving within the tolerance limit (6 - 60 minutes) for accurate transportation	8%	12%	Not met
	Trains arriving within the tolerance limit exceeding 60 minutes for accurate transportation	1%	0,1%	Met
2.4.	**Connecting trains**	90%	95%	Met
3.	**Compliance with the contracted scope of transport and cancellation of transport connections**	99%	99%	Met

Sheet of standards		Level of requirements	2015	Meeting standards
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%	97%	Met
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	7	Met
	Justified filing coefficient per 100 thousand transported passengers	4	2	Met
	Average time for handling a complaint	30 days	11 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**			
	Satisfying a customer's order or requirement	99%	93%	Not met
	Sorting requirements by orders	99%	99%	Met
	Functionality and technical capacity of mobile platform	99%	99%	Met

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LIST OF USED ABBREVIATIONS

Abbreviation	Description
AO	Audit body
APA	Analysis of the Application Portfolio
CAPEX	Capital expenditures
CER	Community of European Railways
CSM	Security method for evaluating and assessing risks
ČD	České dráhy, a.s.
ČD-IS	ČD – Informační systémy, a.s.
ČDC	ČD Cargo, a.s.
ČDT	ČD – Telematika a.s.
CFaR	Cash Flow at Risk
ČSN	Czech technical norm
ČSN EN	European norm
ČR	Czech Republic
DB	Deutsche Bahn AG
DISOD	Dispatcher Information System for Passenger Transport
DMS	Document Management Systém
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
FISAIC	International Union of the Artistic and Intellectual Societies of the Railroad Employees
GPS	Global Positioning System
IAS	International Accounting Standard
IC	Passenger train category of higher quality (InterCity)
ICT	Information and communication technology
IDS	Integrated transport system
IFRS	International Financial Reporting Standards
IRRB	International Railway Research Board
IS	Information system
IS NORMIS	Internal Regulations Database
ISIC	International Student Identity Card
ISO	International Organisation for Standardisation
IT	Information technologies

Abbreviation	Description
JLV	Jídelní a lůžkové vozy, a.s.
JŘ	Train timetable
KAC	Control and Analytical Centre for Transport Management
KASO	Comprehensive train timetables preparation application
KJŘ	Printed timetable
KS	Collective agreement (kolektivní smlouva)
KSM	Master list of materials
MAP	Multi-application platform (Production automation protocol)
MF	The Ministry of Finance of the Czech Republic
NOVIBRAIL	Noise emissions and vibration in the railway system project
OPPI	Operational Programme “Enterprise and Innovation”
OSŽ	Railway Workers Union
OSŽD	Organisation for Railway Cooperation
PARIS	Sale and Reservation Information System
RSM	Regional Asset Management
ROCE	Return on capital employed
ROP	EU Regional Operational Programme
ROPID	Regional Organiser of Prague Integrated Transport
Rx	Higher-quality express train (train category)
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
ÚOHS	Anti-Monopoly Office
ÚRR	Regional Council Authorities
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
ZSSK	Slovak Railway Company
ZVS	Public service commitment (závazek veřejné služby)
ŽKV	Railway vehicle
ŽST	Railway station

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IDENTIFICATION

AND CONTACT INFORMATION

Name of the company: České dráhy, a.s.

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Corporate ID: 70994226

Tax ID: CZ70994226

Registration court: Prague

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České dráhy
National carrier