Annual Report of the České dráhy Group

2020

Translation note

The Annual Report, the Report on Relations, the Consolidated Financial Statements and the Separate Financial Statements have been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version takes precedence over the English version.

CONTENT of the Annual Report

Foreword of the Chairman OF THE BOARD OF DIRECTORS

Dear Ladies and Gentlemen,

year 2020 was extremely challenging for railway transportation. Measures against the spread of covid-19 have reduced interest in travelling by passenger trains and, also, volume of freight transportation has dropped. Both of our main business segments have lost a substantial part of sales practically overnight. In passenger transportation, the situation was even worse due to the fact that in order to maintain the basic transportation services of the state, most of the trains continued to run, however with a low occupancy rate. This generated expenses that were not covered by ticket sales. According to the International Financial Reporting Standards (IFRS), the České dráhy Group's operation ended in 2020 with a loss over CZK 4 billion.

In response to the decrease in revenues, we have reduced expenditures and, also, used the Antivirus program in which we drew at least partial state support in the area of labour costs. The savings in passenger transportation reached approximately CZK 1 billion thanks to all taken measures and partial reduction of connections. Savings were achieved also at ČD Cargo and other subsidiaries. These savings, however, did not cover the drop in sales and extraordinary expenditures connected with the provision of protective gears and disinfection of cars. We purchased a lot of face masks for employees and our passengers, respirators, cleaning products and, also, ozone-generating devices for disinfection of cars. As a national carrier, we feel a social responsibility to ensure that, even in these difficult times for all, passengers get where they need to, and that railway freight transport is able to provide shipping services necessary for industrial production and trade.

Unfortunately, the fight against the coronavirus pandemic continues in 2021 and we expect our sales to return to normal level slowly. The business plan, which was unanimously approved by ČD, a.s.'s Supervisory Board, therefore envisages significant cost savings. The goal is, despite the continuing negative development, to get the České dráhy Group back into the positive results and to ensure all the necessary operations in a way that after return to a standard condition, our business can develop successfully.

Finally, let me remind you of another important event in 2020. Although it is not directly related to the operations, it is crucial for all workers in the railway sector. Last summer, the companies ČD, a.s. and ČD Cargo, a.s. established Nadační fond Skupiny ČD – ŽELEZNICE SRDCEM (ČD Group Endowment Fund – THE RAILWAY WITH THE HEART). I'm glad that I was at its formation and that we are giving a helping hand to the railway workers who found themselves in a difficult life situation and we can also help their families.

Ivan Bednárik
Chairman of the Board of Directors
České dráhy, a.s.

OUR VISION

To be a leader
in national mobility in the long-distance and regional transportation.

To be the first choice
of the customer/passenger in terms of comfort, safety and reliability.

To emphasise interoperability,
intermodality and foreign expansion in the freight transportation.

Digitise
the Group's distribution channels and internal processes.

To be an environmentally
friendly company with the lowest carbon footprint in the Czech transport sector.

To provide high
added value services for other carriers in the market.

To be a financially
stable company with sufficient resources for further development.

To be one of the best
employers in the Czech Republic with a valuable social responsibility program.

MAIN INDICATORS FOR THE ČD GROUP

Key indicators	2020	2019	Difference	Index
Revenue	36,441	40,656	(4,215)	**89.6**
EBITDA from continued operations (CZK million)	5,106	9,728	(4,622)	**52.5**
EBIT from continued operations (CZK million)	(2,625)	2,537	(5,162)	**(103.5)**
Profit (loss) for the period from continued operations (CZK million)	(4,135)	1,315	(5,450)	**(314.4)**
Total assets (CZK million)	95,719	95,991	(272)	**99.7**
CAPEX (CZK million)	7,724	8,761	(1,037)	**88.2**
Depreciation and amortisation (CZK million)	7,731	7,191	540	**107.5**
Leverage – liabilities/total assets (%)	61.0	56.3	4.7	**108.3**
Debt / EBITDA - loans and borrowings / EBITDA	8.9	4.3	4.6	**207.0**
Current liquidity (%) – current assets / current liabilities	99.9	127.9	(28.0)	**78.1**
Average number of employees	23,138	23,529	(391)	**98.3**
Passenger transport				
Number of passengers (million)	117.7	182.1	(64.4)	**64.6**
Traffic performance (million person-kilometres)	5,127	8,685	(3,558)	**59.0**
Transport performance (million train-kilometres)	113.9	124.0	(10.1)	**91.9**
Average traffic distance (km)	43.5	47.7	(4.2)	**91.2**
Occupancy ratio (%)	20.8	31.2	(10.4)	**66.7**
Freight transport				
Traffic volume (million tones)	61	65	(4)	**93.8**
Traffic performance (million tariff ton-kilometres)	10,545	11,516	(971)	**91.6**
Transport performance (billion gross ton-kilometres)	20.7	23.0	(2.3)	**90.3**

Ivan Bednárik

Chairman of the Board of Directors and CEO

Ivan Bednárik graduated from the Grammar School in Zlaté Moravce. He studied at NSW Business College in Sydney, Australia. Since 1995, he has held managerial positions in several companies engaged in trade and freight forwarding; most recently outside the ČD Group as a member of the Board of Directors and Sales Director of Express Group, a.s. Since November 2014, he has held the position of Chairman of the Board of Directors of the subsidiary ČD Cargo, a.s. In 2017, he graduated from the Central European Management Institute (CEMI). Effective since 4 December 2020, he was elected as a Chairman of the Board of Directors and CEO of České dráhy, a.s.

Václav Nebeský

Vice Chairman of the Board of Directors

Václav Nebeský is a graduate of the Jan Perner Transport Faculty of the University of Pardubice. He started his career after studies in 1996 as a dispatcher at OPR Praha and subsequently as technologist at OPR Pardubice. Later, he found his place in the Department of Strategy and Technology in the General Directorate of ČD. In subsidiary ČD - Telematika, he worked as Project Manager and Senior Project Manager. In 2009, he held the position of Deputy Director in the company CDT International and after its transformation to RPP International, he performed the function of the Statutory Representative and Director. He also performed managerial functions in the company Uni Controls, VISEF or XT-Card. In 2015-2017 he worked externally for the Ministry of Regional Development as an advisor, where in December 2017 he became the Deputy Minister. He was a member of the Steering Committee of ČD and a member of the Government Council for Information Society. He has been a member of the Board of Directors since 1 October 2019. Since 4 December 2020, he has been the Deputy Chairman of the Board of Directors and the Deputy General Manager for Development and Digitization.

Michal Kraus

Member of the Board of Directors

Michal Kraus received pedagogical, legal and economic education. In the early 1990s, he worked for Czech Radio and later also for a private radio station. After 1993, he joined Škoda in Pilsen, where he held several positions, e.g. the Head of the Office of the General Director and the Human Resources Director. Since 2000, when the company was already operating on the market as Škoda Holding, he has become a member of the Board of Directors. In 2002, he started working for Czech Airlines in the position of Human Resources Vice President. From February 2004 to June 2019, he held the position of CEO of the Pilsen City Transport Companies (Plzeňské městské dopravní podniky, PMDP). Since 2015, he has led the Association of Transport Companies of the Czech Republic (Sdružení dopravních podniků ČR), and since 2014 he has also held the position of the Chairman of the Board of Directors of PMDP. He has been a member of the Company's Board of Directors and held the position of the Deputy General Manager for Operations since 14 October 2019.

As at
31 December
2020

STATUTORY BODIES OF THE COMPANY

Petr Pavelec

Member of the Board of Directors

Petr Pavelec has been the Deputy General Manager for Asset Management within the Board of Directors of České dráhy, a.s. since 1 February 2020. Prior to joining the Company, he held the position of a member of the Board of Directors at Prague Airport, where he was responsible for development, investment, legal support and central purchasing and logistics. He began his career in a law firm CMS Cameron McKenna and White & Case that he joined after international business law studies at the University of Warwick. He graduated from the Charles University in Prague.

Jiří Ješeta

Member of the Board of Directors

After graduating from the Secondary Industrial School of Transport in Strakonice in 1994, he started working for České dráhy as a dispatcher and continued his studies at Jan Perner Transport Faculty of the University of Pardubice, in the field of Technology and Traffic Management. In 2001, he joined the Control Department of the ČD General Directorate. He gradually held several managerial positions in the General Directorate of ČD, for example, he was the Director of the Office of the Deputy General Director for Trade and Marketing, the Director of the Passenger Transport Department or the Director of the Regional Transport Department. He was appointed as the Deputy General Manager of ČD for Trade and as a member of the Board of Directors of ČD in May 2020.

BLUE HEART AND BLOOD

In 2020, České dráhy hired 1,067 new employees thus maintaining the Company's long-standing position as one of the largest domestic employers. Last year, most joiners were to the train crew positions, where we welcomed more than 300 new colleagues. In 2020, a total of 3,798 train drivers worked for ČD, and more than 4,500 employees took care of safety, comfort and information of passengers in the positions of train guards, conductors, cashiers, informants and others. In 2020, 2,800 employees took care of technology, including 130 new mechanics and electrical engineers.


České dráhy
National Carrier

STYLISH IN BLUE

In terms of passenger numbers, 2020 was significantly affected by the covid-19 epidemic and related measures against the spread of the disease. Restrictions on movement of the population had a negative impact on the number of passengers and the transport performance. In 2020, České dráhy was used by 117.7 million people, which represents a year-on-year decrease of 35%. Compared to 2019, the average journey length has also decreased. While in 2019 each passenger travelled an average of 47.7 kilometres, in 2020 it was 43.5 kilometres. Epidemic prevention measures have hit hardest international traffic, which has been used by 66% fewer passengers than in 2019.


České dráhy
National Carrier
České dráhy

BLUE TRAINS

Investments, care for machines and modernisation of facilities did not stop even in 2020. Great attention was paid to the fight against the covid-19 disease: disinfection, ozonation and interior treatment by spraying with nanotechnology. The modernised washing line for cleaning train bodies was entered into service in the maintenance centre in Bohumín. Modernised railcars of the 811 series were used in the Moravian-Silesian Region. In 2020, tests of new electric units began for the Pilsen and Karlovy Vary regions, which will transport their first passengers in 2021. Also, 50 new long-distance cars have entered the final stage of testing.


České dráhy
National Carrier

SMART BLUE

The year 2020 was also important for České dráhy in terms of modern technologies. In addition to further improvement of the My Train (Můj vlak) customer application, an application to increase traffic safety on local tracks has been developed. The mobile application alerts train drivers on other train movements in the event of unauthorised departure from the station, and at the same time warns them of a danger of collision. Development of an automatic Crash Call safety system designed to quickly activate the components of the rescue system in the event of an accident has also been launched. České dráhy has been actively involved in the patient tracing system as part of the Smart Quarantine project in connection with the fight against covid-19.


ZAVER
ISOLIERUNG
ÜBERBELASTUNG
LAUF
České dráhy
National Carrier

ČD Cargo Freight Transport

GREEN BLUE

The companies of the ČD Cargo Group provide railway freight transportation in six European countries. In 2020, they carried 61 million tons of cargo. The share of transportation provided by the modern Innofreight technology is growing. One of the priorities was investment in the vehicle fleet, primarily purchase of new and modernisation of existing locomotives, rolling stock expansion, as well as equipment of locomotives with the ETCS. In 2020, ČD Cargo was the first of the Czech railway carriers to offer transportation using electricity produced from renewable sources.


České dráhy
National Carrier

BLUE HELPS

In 2020, Nadační fond Skupiny ČD – ŽELEZNICE SRDCEM (the ČD Group Endowment Fund - THE RAILWAY WITH THE HEART) was established. Its role is to support ČD Group employees who have suffered an accident while performing their profession or who, through no fault of their own, have found themselves or their families in difficult life situations. The fund also aimed to make life easier, at least partially, for former employees whose lives in the course of the railway profession have been irreversibly changed. It supports education and activities of children of railway workers in a difficult life situation associated with injury or serious illness. In 2020, the fund thus supported dozens of colleagues or their families with an amount of more than 3 million Czech crowns.


České dráhy
National Carrier

OVERVIEW OF THE IVESTMENT SHARES HELD BY THE ČD GROUP

AS AT 31 DECEMBER 2020

České dráhy
National carrier

Masaryk Station Development, a.s. (34 %)

CR-City a.s. (34 %)

Hit Rail BV (4 %)

BCC, s.c.r.l. (3,36 %)

EUROFIMA (1 %)

Intercontainer-Interfrigo, SA (0,43 %) – from 26. 11. 2010 in liquidation

ČD Cargo, a.s. (100 %)

DPOV, a.s. (100 %)

Výzkumný Ústav Železniční, a.s. (100 %)

ČD Reality a.s. (100 %)

ČD Restaurant, a.s. (100 %)

ČD - Informační Systémy, a.s. (100 %)

RailReal a.s. (66 %)

Žižkov Station Development, a.s. (51 %)

ČD - Telematika a.s. (70,96 %)

ČD travel, s.r.o. (51,72 %)

Smíchov Station Development, a.s. (51 %)

JLV, a.s. (38,79 %)

Dopravní vzdělávací institut, a.s. (100 %)

- CD CARGO GERMANY GMBH (100 %)
- CD Cargo Austria GmbH (100 %)
- CD Cargo Slovakia, s.r.o. (100 %)
- CD CARGO HUNGARY, KFT. (100 %)
- CD Cargo Poland sp. z.o.o. (100 %)
- Auto Terminal Nymburk, s.r.o. in liquidation (100%)
- ČD Cargo Logistics a.s. (100 %)
- Terminal Brno, a.s. (66,93 %)
- ČD-DUSS Terminál, a.s. (51 %)
- RAILLEX, a.s. (50 %)
- Ostravská dopravní společnost, a.s. (50 %)
- BOHEMIAKOMBI, spol. s r.o. (30 %)
- Ostravská dopr. společnost - Cargo, a.s. (20 %)

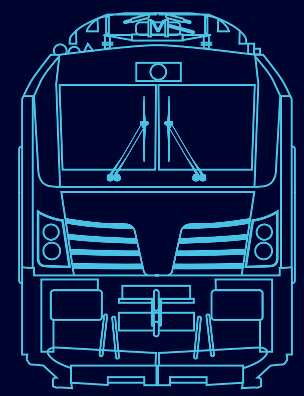
- ODP–software, spol. s r. o. (100 %)
- CHAPS spol. s r.o. (100 %)
- INPROP, s.r.o. (100 %)
- XT-Card a.s. (34 %)
- ČSAD SVT Praha, s.r.o. (100 %)
- SVT Slovakia s.r.o. (80 %)
- Smart Ticketing s.r.o. (100 %)
- Tramex Rail s.r.o. (100 %)

- ECHIS a.s. (100 %)

- ČD relax s.r.o. (100 %)

- CZ servis, s.r.o. (100 %)
- BK Team, a.s. (45 %)
- JPServis, a.s. (20,45 %)

20
20



CORPORATE GOVERNANCE

Legal Relations of the Company

The legal relations of the joint stock company České dráhy, a.s. (hereinafter "ČD" or the "Company") 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, as amended
- Act No. 90/2012 Coll., the Act on Business Corporations and Cooperatives, as amended.

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

Shareholders Structure and Bodies of the Company

The Czech Republic is the sole shareholder of ČD. The supreme body of the Company is the General Meeting. When 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 relations of the Company and the Articles of Association of the Company.

The Company did not acquire any own shares in 2020.

Steering Committee

The state exercises its sole shareholder rights in the Company through the Steering Committee. The Steering Committee is composed of three employees from the Czech Ministry of Transport (MT) and one employee from each of the following ministries: Finance (MF), Defence (MD), Industry and Trade (MIT), and Regional Development (MRD), who are appointed by the government. The decision-making procedure of the Steering Committee is governed by the legislation stipulating the legal relations of the Company, the Company's Articles of Association and the Steering Committee's Rules of Procedure. The business addresses of the members of the Steering Committee are located at the headquarters of the Company. As at the monitored date, the seats of the representatives of the Ministry of Defence and the Ministry of Regional Development were vacant.

The members of the Steering Committee as at 31 December 2020 were as follows:

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

Filip Říha and Łukasz Kryński resigned from the positions of members of the Steering Committee as of 20 February 2020 and as of 30 June 2020, respectively.

Government of the Czech Republic revoked the authorisation of activities in the Steering Committee of the joint-stock company České dráhy for Tomáš Čoček as of 30 November 2020 by the Resolution No. 1259. The Government entrusted the activities in the Steering Committee of the joint-stock company České dráhy, for Jakub Kopřiva, effective as of 1 December 2020. Jakub Kopřiva was appointed by the Government as the Chairman of Steering Committee of the joint-stock company České dráhy, effective as of 1 December 2020.

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 employees pursuant to the election procedure approved by the Company's 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 activities of the Board of Directors and the Company. Within its competence it particularly:

- reviews the report on the Company's business activity and assets, including a report on the settlement of funds from public budgets and submits its opinion to the General Meeting
- approves the annual business plan and the budget for operating the Company's railway transport
- grants prior consent for asset management, if such a procedure is required by the Company's Articles of Association
- examines regular, extraordinary or consolidated financial statements and, in cases where other legal regulations stipulate it, interim financial statements
- examines the proposal for the distribution of profit or other own resources or the proposal for allocation of losses and presents its opinion to the General Meeting.

The decision-making procedure of the Supervisory Board is governed by the legislation stipulating the legal relations of the Company, the Company's Articles of Association and the Supervisory Board's Rules of Procedure. The business addresses of the members of the Supervisory Board are located at the headquarters of the Company.

The members of the Supervisory Board as of 31 December 2020 were as follows:

Pavel Kysilka	Chairman
Vojtěch Kocourek	Member
Josef Kolář	Member
Antonín Leitgeb	Member
Tatiana Molková	Member
Jaroslav Pejša	Member
Libor Švadlenka	Member
Jan Vrátník	Member
Vladislav Vokoun	Member

The Supervisory Board within its competence set up the Real Estate Management Committee, Remuneration Committee and Rolling Stock Committee.

The Real Estate Management Committee discusses the proposals for the prior consent of the Supervisory Board to dispose the property in cases where such consent is required under the Company's Article of Association and when the discussion of the proposal in the Committee before submission to the Supervisory Board is required by internal regulation on the sale and lease of ČD's rea1 estate. The Committee members are appointed and dismissed by the Supervisory Board. The decision-making process is particularly maintained by the Company's Article of Association and, in detail, by the rules of procedure of the Committee, approved by the Supervisory Board.

The Remuneration Committee monitors the compliance with the rules for remuneration of members of the Board of Directors. According to these rules, remuneration of the members of the Board of Directors depends particularly on achievement of objectives. The Committee also reviews proposals for the remuneration and other benefits to members of the Board of Directors and submits to the Supervisory Board its opinion and recommendations on these proposals. The decision-making process is particularly maintained by the Company's Article of Association and, in detail, by the rules of procedure of the Committee, approved by the Supervisory Board.

The Rolling Stock Committee is an advisory body to the Supervisory Board, which discusses the ČD Board of Directors's proposals regarding the strategy and concept for the renewal of rolling stock. The decision-making process of the Committee is governed by the Company's Articles of Association.

Board of Directors

The Board of Directors is the statutory body of the Company. The Board of Directors is responsible for business management. The Board of Directors is composed of five members. Members of the Board of Directors are elected and dismissed by the Supervisory Board. The Board of Directors meets as needed, usually on a weekly basis but at least once every three months. Within its competence the Board of Directors particularly:

- decides on all the Company's affairs unless they are reserved based on relevant regulations, the Company's Articles of Association, to the competence of the Genera1 Meeting, the Supervisory Board or the Audit Committee
- approves, after consultation with trade unions operating within the Company, the Electoral Code, which determines the manner and conditions of appointing and dismissing the members of the Supervisory Board who are appointed and dismissed by the Company's employees
- decides on the Company's assets management.

The decision-making procedure of the Board of Directors is governed by the legislation stipulating the legal relations of the Company and by the Company's Articles of Association. The business addresses of the members of the Board of Directors are located at the headquarters of the Company.

Members of the Board of Directors as of 31 December 2020:

Ivan Bednárik	Chairman
Václav Nebeský	Vice-Chairman
Michal Kraus	Member
Petr Pavelec	Member
Jiří Ješeta	Member

At the regular meeting of the Supervisory Board held on 16 January 2020, Petr Pavelec was elected as Member of the Supervisory Board, effective as of 1 February 2020.

At the regular meeting of the Supervisory Board held on 12 March 2020, Radek Dvořák ceased to be a Vice-Chairman of the Board of Directors by his resignation, effective as of 31 March 2020.

České dráhy, as the sole shareholder exercising the powers of the General Meeting of ČD Cargo, a.s. decided on election of Radek Dvořák as a member of the Board of Directors of ČD Cargo, a.s., effective as of 1 April 2020.

At the regular meeting of the Supervisory Board held on 21 May 2020, Michal Kraus was appointed as Vice-Chairman of Board of Directors and Jiří Ješeta was appointed as member of Board of Directors, effective as of 21 May 2020.

At the regular meeting of the Supervisory Board held on 3 December 2020, the resignation of Patrik Horný from the position of a member of the Board of Directors was accepted and the date of 3 December 2020 was approved as the moment of the termination of a member of the Board of Directors' function. Furthermore, the resignation of Václav Nebeský from the position of the Chairman of the Board of Directors was accepted and the Company's Supervisory Board approved the date of 3 December 2020 as the moment of the termination of the Chairman of the Board of Directors' function. At the same time, on 3 December 2020, the Supervisory Board recalled from the position of Vice-Chairman of the Board of Directors Michal Kraus, effective as of 3 December 2020, and appointed him to the position of a member of the Board of Directors of the ccompany České dráhy, effective as of 4 December 2020.

Supervisory Board, at its regular meeting held on 3 December 2020, appointed Ivan Bednárik as the Chairman of the Board of Directors and Václav Nebeský as the Vice-Chairman of the Board of Directors, both effective as of 4 December 2020.

Audit Committee

The members of the Audit Committee are appointed and dismissed by the sole shareholder through the Steering Committee. The Audit Committee has three members. The term of office of a 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 Audit Committee in its competence particularly:

- monitors the procedure of preparing the financial statements and the consolidated financial statements,
- monitors the effectiveness of internal control and of the risk management system,
- monitors the effectiveness of internal audit and ensureses its functional independence,
- monitors the process of the mandatory audit of the financial statements and the consolidated financial statements,
- recommends the auditor to the supervisory body, duly substantiating this recommendation
- discusses with the auditor information, statements and communications in accordance with the law
- assesses the independence of a statutory auditor and an audit firm and provision of non-audit services by a statutory auditor and an audit firm.

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

The members of the Audit Committee as of 31 December 2020 were as follows:

Tomáš Vyhnánek	Chairman (the term of office till 12 November 2020 and further from 11 January 2021)
Otakar Hora	Vice-Chairman
Lenka Hlubučková	Member

On 12 November 2020, the term of office of Tomáš Vyhnánek has expired.

On the proposal of the Chairman of the Company's Steering Committee, the decision of the Steering Committee was taken outside the meeting (per rollam), in which Tomáš Vyhnánek was re-elected as a member of the Company's Audit Committee, effective as of 11 January 2021.

Internal Audit

Internal audit function is in the competence of the Internal Audit and Control department, which reports to the Board of Directors. The Audit Committee oversees the independence and effectiveness of Internal Audit.

The Internal Audit of ČD is based on the principles of the International Standards for the Professional Practice of Internal Auditing. In 2020, in accordance with the standards, it was subject to an independent external assessment thanks to which the quality of the internal audit services is ensured and undergoes constant improvement. The activities and operation of the ČD's Internal Audit have been assessed as compliant with international professional standards. The Internal Audit of ČD fulfils the role of an independent "third line of defence" of the conceptual layout of internal controls within the framework of the "three lines of defence" principle of the organization.

The Internal Audit also communicates and cooperates with external control bodies, the external auditor and criminal law authorities and secures the agenda related to the notification, registration and investigation of fraud and unfair conduct in ČD (whistleblowing).

Compliance

The goal of the Compliance function is to monitor the conduct of the Company and to ensure that the conduct of the Company, its employees and the management was in accordance with legal regulations and internal Company's guidelines, with an emphasis on compliance with corporate ethics, e.g. Code of Conduct.

The Company has implemented a decentralized compliance model.

The Legal, Security, Internal Audit and Control and Human Resources departments play a specific role in compliance. The Legal department coordinates and oversees the compliance function. The Internal Audit and Control department carries out activities in the area of fraud and unfair conduct investigation, proposes a risk management system strategy, monitors individual risks and maintains a system of risk monitoring and evaluation. The Human Resources department is a unit that creates and fulfils the concept of employee education.

In the area of personal data protection, the compliance officer appointed for this purpose is responsible for the personal data protection.

Risk Management and ISO Management Systems

The key objective of the implemented risk management system in the ČD Group is to continuously limit the adverse impact of risks on the financial results of the entire Group, i.e. to eliminate the risks of revenue decrease or costs increase at its maximum. The risk management system in ČD's conditions is based on the corporate governance rules framework and is part of the "second line of defence" of the conceptual framework of internal controls within the framework of "three lines of defence" principle of the organization.

A significant role in the risk management system is played by the Risk Management Committee of ČD which fulfils a function of a permanent advisory body of the Board of Directors and meets at least four times a year.

A unified system for recording and evaluating risks is used within the entire ČD Group including the same way of risk quantification and categorization, which allows providing comparable data, especially when compiling the current overall risk position. Continuous monitoring of risk development and regular risk evaluation, which is linked to respective approved limits, ensure that the Group management keeps being regularly informed about the current risk position.

As a substantial part of the "second line of defence" there are also management systems implemented in line with the requirements of international ISO norms. Selected standards are binding for ČD due to the fulfilment of the legislation requirements or based on the commitment of the ČD's Board of Directors in the area of quality of offered services or emphasise the area of safety and health protection of employees.

Currently, the main activity of České dráhy, i.e. passenger transportation, including the operation and maintenance of rolling stock, is certified according to ISO 9001 and ISO 45001. The Company is also certified in the field of energy management according to ISO 50001.

The goals and methods of the Company's financial risk management are described in detail in the separate financial statements for the year 2020 in Notes 33.6 – 33.11. The goals and methods of the Group's financial risk management are described in detail in the consolidated financial statements for the year 2020 in Notes 36.4 – 36.9.

Information on Corporate Governance Codes

ČD has implemented and applies the Code of Ethics of České dráhy, a.s. and the Code of Ethics of a trading partner of České dráhy, a.s.

Human Rights

ČD strives for a safe and healthy working environment and its continuous improvement, provides equal opportunities to all, and does not allow discrimination, even in its hidden form. ČD provides equal opportunities to all people regardless of race, colour, gender, nationality, religion, ethnicity or any characteristics, does not permit or tolerate any form of harassment, intimidation or forced or illegal work.

ČD respects the privacy of its employees. The relationship between ČD and its employees is based on mutual trust, respect and dignity. ČD does not allow any form of discrimination against employees.

At the same time, ČD makes sure that employees pay maximum attention to and respect the personality and privacy of their colleagues.

Whistleblowing has long been set up as one of the tools to ensure the above, which serves, among other things, to report or warn of violations of standards, policies, rules, illegal, corrupt or unethical behaviour in the workplace or in the surrounding social environment.

REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD

OF ČESKÉ DRÁHY, A.S. FOR THE YEAR ENDED 31 DECEMBER 2020

In 2020, the Supervisory Board held nine ordinary, one extraordinary and three per rollam meetings in the registered office of České dráhy, a.s. and the Supervisory Board always had a quorum. The Chairman of the Board of Directors regularly participated in the meetings of the Supervisory Board. As needed, these were also attended by other members of the Board of Directors.

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

As part of its oversight 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 ČD Cargo, a. s.

At the meetings of the Supervisory Board, requested documentation and applications of the Company's Board of Directors were presented to the Supervisory Board to obtain its prior consent to specific legal acts. The Supervisory Board duly discussed and assessed all the applications. The Supervisory Board entrusted the Board of Directors with examining the need for and the extent of investment projects in order to optimise the company's expenditures. As part of its activities, the Supervisory Board particularly monitored achievement of economic goals that were determined in the Company's annual business plan and required reasoning behind the Company's economic development.

The Supervisory Board states that in 2020 the Company's Board of Directors provided the Supervisory Board with all the required or requested information as well as 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 Company's Articles of Association, the Company's internal 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 all conditions necessary for the due performance of its activities have been created.

Prague, 18 February 2021

Pavel Kysilka
Chairman of the Supervisory Board of České dráhy, a.s.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In 2020, the activities of České dráhy in the field of CSR were affected by several railway accidents and the covid-19 pandemic. The importance of our work in the social field all the more has grown, especially in relation to our former and current employees. Undoubtedly, the most significant achievement in this area was the establishment of the **Nadační fond Skupiny ČD – ŽELEZNICE SRDCEM (ČD Group Endowment Fund – THE RAILWAY WITH THE HEART)**. Its initiators were the parent company ČD and its largest subsidiary ČD Cargo. The aim of the endowment fund is to help people who are currently working on the railway or have previously worked on the railway and their families in difficult life situations caused mainly by serious illnesses, serious injuries (including injuries resulting in death), natural disasters or other external interventions which affects life, family or family background.

Nadační fond Skupiny ČD – ŽELEZNICE SRDCEM was established on 9 June 2020 and by the end of the year had helped a total of 19 people, to whom it provided a total amount of CZK 3,290,000. In some cases, assistance is spread over several years, particularly for children after deceased employees. Both founding companies contribute to the **Nadační fond Skupiny ČD – ŽELEZNICE SRDCEM** but other subsidiaries of the ČD Group (VUZ, ČD-IS, DPOV, DVI) have also joined. We highly value the personal commitment and financial support of our employees and, also, the general public.

What we did together in 2020

- **CZK 21,220,000** – the total amount collected on the transparent account
- **CZK 2,090,000** – total volume of paid endowment funds (excluding future contributions, e.g. for the education of orphaned children)
- **CZK 19,130,000** – balance on the transparent account as at 31 December 2020

The amount of CZK 2,090,000 was distributed among the following railway colleagues and their families:

1.	**A widow and two half-orphaned children after a train driver who lost his life in a railway accident.**	**CZK 275,000** paid in 2020. The total assistance is CZK 575,000, spread over annual instalments until 2024. To support families and children in their education and leisure activities.
2.	**A train driver who suffered serious injuries in the form of multiple fractures, bruises in a railway accident and had to undergo several operations.**	**CZK 250,000** total aid disbursed. To support the family and reimburse medical expenses.
3.	**A train guard who suffered moderate injuries in a railway accident.**	**CZK 70,000** total aid disbursed. To support the family and reimburse medical expenses.
4.	**A train guard involved in a serious railway accident that suffered a severe psychological shock.**	**CZK 70,000** total aid disbursed. To support the family and reimburse medical expenses.
5.	**A train guard whose lower limb was amputated after a serious railway accident.**	**CZK 300,000** total aid disbursed. To support the family, reimburse medical expenses and needs to improve the quality of life.
6.	**A shunting crew who suffered serious injuries during an emergency on the railway, including amputation of the upper limb.**	**CZK 200,000** total aid disbursed. To support the family, reimburse medical expenses and needs to improve the quality of life.
7.	**A train driver who had both lower limbs amputated after a serious railway accident.**	**CZK 400,000** total aid disbursed. To support the family, reimburse medical expenses and need to improve the quality of life.
8.	**A shunting leader, which suffered serious injuries during an emergency on the railway.**	**CZK 100,000** total aid disbursed. To reimburse medical expenses and to support children in their education and leisure activities.
9.	**A widow and two half-orphaned children after a shunting leader who lost his life in a tragic railway accident.**	**CZK 75,000** paid in 2020. The total assistance is CZK 375,000, spread over annual instalments until 2024. To support children in their education and leisure activities.
10.	**A widow and three half-orphaned children after a locksmith of rolling stock who lost his life in a tragic event while working.**	**CZK 100,000** paid in 2020. The total assistance is CZK 500,000, spread over annual instalments until 2024. To support children in their education and leisure activities.
11.	**A freight train crew member, who lost his lower limb as a result of an emergency on the railway.**	**CZK 200,000** total aid disbursed. To reimburse medical expenses and needs to improve the quality of life.
12.	**A daughter of a shunting crew who has been suffering from cerebral palsy since birth.**	**CZK 500,000** paid in 2020. The total assistance is CZK 250,000, spread over annual instalments until 2024. To reimburse medical expenses and needs to improve the quality of life.

Unfortunately, there are moments in life when it may seem that the fate has placed an insurmountable obstacle in the path of your life. Nadační fond Skupiny ČD – ŽELEZNICE SRDCEM will help you overcome life's difficulties. The above examples are proof of it, at least as we firmly believe. Our blue hearts beat for everyone in need and will not stop in 2021.

Barrier-free Travel

In 2020, České dráhy also removed travel barriers and opened up free travel for people with disabilities. As a result of epidemic measures, fewer of them travelled with us than in previous years, yet 4,584 customers have ordered transportation from us. Since the start of the operation of the on-line ordering system for passengers with disabilities, we have carried more than 41,000 clients in this way. The offer of regular barrier-free connections increases every year, in the last year's timetable it was almost 5,000 a day, mainly thanks to buying new vehicles.

Education, Awareness and Security

In 2020, the ČéDés Scholarship Program has continued. It is intended for pupils of partner secondary schools studying graduation subjects with a transport and technical focus. The intention of the ČD Group is to support the education and employment of young people in technical studies and to acquire new promising employees of the Company in the operating professions, i.e. customer staff and train drivers.

ČD Nostalgia – Preservation of Cultural and Technical Heritage

České dráhy takes care of an extensive collection of unique vehicles, which even years have not detracted from their beauty and attractiveness. We admire some of them because of their technical solution, others thanks to perfectly elaborated interior details or, on the contrary, an elegant body-work. The national carrier owns several hundred of these historic rolling stocks and many of them are still in working order.

The ČD Nostalgia project preserves the cultural and technical heritage not only as static specimens, but also ensures their live operation and presentation of the technical level of past generations to young people. In doing so, it seeks, among others, to create a positive attitude towards national heritage and technical studies, which have always been decisive for the economy development in Bohemia, Moravia and Silesia.

Strict epidemic measures in 2020 led to a reduction in the number of nostalgic journeys. At that time, the ČD Museum in Lužná u Rakovníka was available for the public. Maintenance and repair of historic vehicles has continued. The repair of the steam locomotive 475.101 from 1947 was completed, for which a completely new tender was produced using the original parts. Thanks to the repair, it was possible to hand over the locomotive to the depot in Brno at the beginning of 2021 for nostalgic operation. The 498.112 machine from 1955 with the Albatros nickname was transported to the operating workplace in Česká Lípa, where its renovation began. It is the largest and fastest type of steam express locomotive in operation of the former Československé státní dráhy (Czechoslovak State Railways or ČSD).

REPORT OF THE BOARD OF DIRECTORS

ON THE COMPANY'S BUSINESS ACTIVITIES AND ASSETS

Economic results

[CZK mil.]		Passenger transport	Freight transport	Asset management	Other	Elimination	Total
Revenue	2020	21,805	12,266	356	5,575	(3,561)	36,441
	2019	25,095	13,037	351	5,637	(3,464)	40,656
Purchased consumables and services	2020	(9,300)	(5,558)	(341)	(3,452)	3,046	(15,605)
	2019	(9,979)	(5,711)	(303)	(3,445)	3,079	(16,359)
Staff costs	2020	(9,343)	(4,517)	(179)	(1,400)	397	(15,042)
	2019	(9,581)	(4,563)	(205)	(1,337)	398	(15,288)
EBITDA from continued operations	2020	2,491	1,978	(97)	1,105	(371)	5,106
	2019	5,669	2,843	338	1,066	(188)	9,728
Depreciation/amortisation	2020	(5,259)	(2,056)	(85)	(413)	82	(7,731)
	2019	(4,853)	(1,855)	(170)	(413)	100	(7,191)
EBIT from continued operations	2020	(2,768)	(78)	(182)	692	(289)	(2,625)
	2019	816	988	168	653	(88)	2,537
Profit/ (loss) from continued operations for the period	2020	(3,967)	(248)	(186)	576	(310)	(4,135)
	2019	58	608	188	527	(66)	1,315

The above table has been prepared based on the Segment Information section of the consolidated financial statements.

Passenger Transport

The year 2020 was strongly characterised by the effects associated with the spread of covid-19, during which there was a significant decrease in the number of passengers, sales and performance regarding government measures taken in the individual waves of the pandemic. Nevertheless, even at the time of the most significant reduction in mobility of the population, ČD continued to provide basic services in regional and long-distance transportation to ensure commuting to and from work and other necessary journeys. Apart from the state borders closure period in the spring, international passenger transport also operated throughout the year.

The basic goal of the strategy for long-distance and regional passenger transportation for 2021 will be particularly to maintain the existing services, to ensure transportation services in the scope and quality corresponding to the requirements of orderers. However, as in 2020, the upward trend in passenger numbers and revenue growth from previous years will be affected by the ongoing covid-19 pandemic and related government measures. In case of positive development and the return of life in the Czech Republic to the state before the pandemic outbreak, the ČD's goal in 2021 will be to gradually increase the number of passengers and sales to the level before 2020.

Long-distance Transport

In 2020, ČD concluded one new contract with the Ministry of Transport of the Czech Republic, the orderer of long-distance transportation, for the provision of services performed under a public service obligation, namely a contract for the R27 Ostrava - Krnov - Olomouc route with performance from December 2020 for a period of two years. So far, this line has been contractually included in the so-called "big" ten-year contract concluded for the period since December 2019.

In December 2020, the operation of the Pardubice - Liberec and Liberec - Ústí nad Labem routes was also terminated, the routes were merged into one route and assigned by the Ministry of Transport of the Czech Republic to a competing carrier on the basis of a direct assignment.

Together with previously concluded contracts, in 2021 ČD will operate a total of 21 long-distance transport routes based on five concluded contracts. However, already in December 2021, the contracts for the operation of the R9 Prague - Havlíčkův Brod - Brno, R10 Prague - Hradec Králové - Trutnov / Letohrad and R23 Kolín - Ústí nad Labem routes will expire. The Ministry of Transport of the Czech Republic notified these routes for direct assignment for a period of 3 to 8 years. ČD is applying for the operation of all these routes. On the R9 and R10 routes, it is the only bidder who has shown interest in these routes; more carriers are applying for the R23 route. Nevertheless, ČD is ready to continue operating all these long-distance transport routes.

In the area of long-distance transportation, improving the quality of travel and adaptation of the portfolio of offered services offered to customers' needs will continue. In 2021, 10 completely new five-car sets will be delivered and gradually deployed on the R15 and Ex6 routes, which will significantly contribute to quality and attractiveness of railway transportation on the given routes. Improving quality of rolling stock and increasing the offer of additional services for passengers, both on board trains and at stations, is one of the main prerequisites for achieving ČD's goals in this segment.

Regional Transport

The covid-19 pandemic also affected the regional transportation in 2020 that was was reduced during the year in some regions and negotiations were held with the regions on reimbursement of such services and further on potential sharing of the decline in passenger revenues with the regions that had the contracts in so-called net regime (risk of sales is borne by the carrier) in 2020. Further negotiations with the regions on mitigating the negative effects of the covid-19 pandemic on ČD will continue in 2021.

In 2021, ČD will operate roughly the same range of services in regional transportation as in 2020. We recently managed to negotiate and conclude a ten-year contract with the Olomouc Region for the Electric Network - Central and New Infrastructure operating set with compensation of approximately CZK 10 billion for the entire period of fulfilling a contract (2023 to 2032). The part of this contract is ČD's commitment to purchase 27 new EMU240 electrical units worth CZK 4.3 billion.

Currently, ČD is also negotiating a new ten-year agreement with the Hradec Králové Region, where, after evaluating the input bids, the region is negotiating exclusively with ČD to secure four out of five operating sets, which would practically mean maintaining ČD's existing performance in the region.

ČD also participates in all other tenders and market consultations announced by the regions, which currently applies to the Pilsen, Ústí nad Labem and Liberec regions.

Supplementary Services

The reduction in passenger mobility due to covid-19 in 2020 also affected the provision of most supplementary services.

In February, as part of the **ČD Snack** product, snack vending machines were installed in the InterPanter units with new control panels that enable payment by a contactless payment card.

A uniform price for bicycle rental in all ČD rental shops was set for **ČD Bike** bicycle rentals, which reached the age of majority in 2020, and the administration of bicycle rental was simplified for employees thanks to the new ČD Bike module in UNIPOK. At the same time, the module newly allows you to pay back the deposit on the card in case of deposit payment for the bike by a payment card. In 2020, interest in e-bike rentals increased significantly. In the whole Czech Republic 75 new ČD Bike rental shops were opened in 2020. In all rental shops, quality branded bikes were prepared for those interested – a total of 669 trekking and mountain bikes, 57 e-bikes and 62 scooters. In selected rental shops, it was possible to rent children's bicycles and children's bicycle seats. In 21 rental shops it was possible to rent e-bikes and in 19 also scooters. During the only four-month season, great emphasis was placed on hygiene measures and all equipment was thoroughly disinfected upon return.

ČD also supports projects connected with the first and the last mile linked to railway transportation to promote ecological travelling. These include cooperation with **Biketower** parking cycle operators near railway stations. Thanks to this cooperation, customers with a valid customer application on the In Card can store their bicycle (including e-bike) for the first 24 hours free of charge. In 2020, cycle towers were newly opened in Jaroměř, Beroun, Šumperk and a second cycle tower was opened in Lysá nad Labem. In total, bicycle towers already operated in 16 cities in the Czech Republic, in 15 of which the ČD In Card could be used.

In the second quarter, hundreds of SIM cards were exchanged in all trains due to the conclusion of new contracts with mobile operators for the provision of data services. This resulted in revision of functionality, re-installation of SIM and increase of reliability of the **ČD WiFi** service. This was also one of the reasons why in 2020 we decided to cancel the distribution of free daily newspapers as part of premium and bonus services.

The **ČD Minibar** service was provided on long-distance trains on 8 lines (Ex1, Ex6, R9, R10, R11A, R11B, R15, R18). In line with the planned development, the goal to improve ČD's services and contractual obligations towards the orderer of long-distance transportation, the sales portfolio on the R18 line was expanded with a possibility to purchase hot snacks, thanks to the deployment of modernised Bmz224 cars with a dedicated special minibar section. Based on development of passenger demand, the sales portfolio was changing and quality products at affordable prices were available to all categories of passengers. Operations and further development of the ČD Minibar service in 2020 was also affected by government measures related to the covid-19 disease. Provision of the ČD Minibar service was suspended in mid-March and the service gradually re-launched in mid-June. Subsequently, the service was reduced due to the second wave of the pandemic at the end of October and had not been resumed by the end of the year.

The **ČD Restaurant** service, thanks to which full-value catering services are provided to passengers on ČD's long-distance trains, underwent qualitative changes in 2020 as a result of completion of conversions of restaurant cars to combined first class cars and bistros. The kitchen facilities received new modern equipment enabling to unify the preparation standards and meal quality, and, also, a significant increase in a number of meals prepared in a shorter time, i.e. more served customers. Furthermore, it was linked to the traditional seasonal offers, which complement and make the permanent offer more attractive. However, development of this service was limited by the start of the pandemic and subsequent repeating closure of restaurants, including those on-board trains, and other operating restrictions related to the pandemic.

In long-distance trains, we offer **ČD Kino** for the youngest passengers, where the composition of movies and fairy tales has been changed four times during the year. The service is provided in SC Pendolino units (lines Ex1, Ex6) and ČD railjet (line Ex3) and in classic cars of the Bmz229 series (lines Ex6, R15). In accordance with the improvement of supplementary services for passengers, new orders for the purchase of new vehicles for long-distance transportation also count with the children's cinema.

In connection with restrictions in air transportation, Dopravní podnik hl. m. Prahy (Transport company of the Capital City of Prague) cancelled the **Airport Express** bus line on 17 March until the further notice. It represented a fast and comfortable connection between the main railway station in Prague and Václav Havel Airport.

As part of improving customer service, the additional assortment, which is offered for sale in **ČD Centres**, has been expanded. ČD makes an effort to offer products primarily of Czech production. The assortment has been expanded with products that are used in leisure activities and at the same time with products that fall into the category of protective equipment. Among the products that can be newly purchased in ČD Centres are both products that will make, for example, the way to work easier, but also make it more pleasant for children to travel on our trains.

Within the **ČD Ski** project, ČD supports connections to partner ski resorts in Bohemia and Moravia. The cooperation offers a 20% discount on the daily ski passes in 6 domestic centres. Abroad, namely in 2 Slovakian ski resorts and one in Switzerland, partner ski resorts offer discounts on 2-day or 3-day ski passes as a support for travel by night trains with ČD to Slovakia and on the Prague – Zurich train, and by SuperCity Pendolino Košičan train to the High Tatras. In the winter season of 2020, the operation of ski resorts was prematurely terminated due to the spread of the covid-19 pandemic in mid-March.

ČD Autovlak connects Prague with Poprad, Košice, and Humenné in Slovakia. Up to 5 wagons run daily to transport cars and motorcycles on night connections between the Czech Republic and Slovakia. In 2020, an assistance service during unloading, accelerating descent of vehicles from car trucks was introduced to car train customers in Prague.

As part of the Company's social responsibility and participation in the **#dostbyloplastu (#enoughplastic)** project, the use of plastics in the hygiene packages in sleeping cars and in catering services is further reduced. This applies particularly to the use of ecological packaging and other materials.

When it comes to the **ČD Lounge** waiting rooms, there was a substantial change in the Brno hl. n. station, where in February 2020 the waiting room was relocated after the reconstruction of the dispatch building to new premises and showcases with additional goods for sale were newly placed in the waiting room.

The offer of discounted or free parking within the **ČD Parking** service was expanded in December to include the Chrudim railway station.

The **ČD Taxi** service was operated without changes throughout the year.

Trading Activity

Government restrictions and repeated state of emergency have also affected business activities aimed primarily at B2B customers, special trains or group transportation. Nevertheless, we managed to maintain the sales volume of selected products at the level of 2019.

To support the B2B segment, only advertising within ČD periodicals and contractual partners was used. In particular, the following products were offered:

- In Cards with the In Business application – year-on-year sales decreased by less than 5% to CZK 7.2 million.
- Corporate ČD e-shop – there was a year-on-year decrease in purchases of more than 60% caused mainly by the decline in purchases by travel agencies registered in the Firma program, whose purchases decreased to almost nil amount.
- Excursion train – here sales decreased by 60%. The cancellation of all cultural events eliminated a number of contracted transports. The transport of sports clubs has been preserved, for which travel by trains is still the first choice.
- Special trains – the consequences of the covid-19 pandemic also occurred here. With a few exceptions, passenger trains were cancelled and only trains for testing and measuring and carriages for repairs remained. Sales decreased by 50% compared to 2019. However, we managed to succeed in the tender for measuring rides for TÚDC.
- Sales via API – ticket sales are successfully carried out via ČSAD SVT Prague.
- Sales of In Cards to company employees based on contractual relations – here was a decrease in sales of less than 10%.

During 2020, contracts were concluded with several external sellers focused on the sale of tickets to foreign customers via API. We have started the modification of the ČD corporate e-shop with functions for travel agencies to make registration and sales set up easier for them. For 2021, we are preparing a new wagons catalogue in cooperation with the Communication Department, which will also include special construction wagons. We are also preparing, for example, the modification of the website for special trains.

Twelve partners were again provided for regular rewards for the purchase of tickets at the ČD e-shop. These rewards have a positive response from passengers and discounts with partners are used. The offer of rewards in the ČD Body loyalty program was also expanded to include other partners, such as the National Theatre and the National Gallery. Unfortunately, the use of these offers was minimal due to government measures but offers of the shared car rental Autonapůl or Philips company were used. The program offers 37 benefits from 24 partners, including ČD products. Despite restrictions on travel, the number of registered users increased by 10% year-on-year.

Marketing

Despite the coronavirus crisis last year, the timely introduction of measures against the spread of covid-19 in operation and their targeted communication to the public resulted in achieving a very good result in the perception of České dráhy as a responsible carrier.

Regular brand survey showed that all the monitored attributes of the ČD brand have changed positively again, even in a completely extraordinary situation, and the public perceives ČD as the railway carrier that have dealt best with the pandemic. In addition, the ČD brand became the Most Trusted Brand among carriers last year in an independent survey organised by the AC Nielsen agency. This also confirms the correct communication measures and their significant influence on the public relationship with the society.

Last year, the ongoing optimisation of communication in connection with the current situation helped us not only to use effectively the funds spent on product and brand marketing, but also to return, even if temporarily, customers to the trains between the two waves of the pandemic. According to analytical tools, last year the interest in searching products of all railway passenger carriers in the Czech Republic decreased significantly, but in case of ČD the decrease was lower than in others.

We activated the support of domestic travel with campaigns on television and other media particularly in online environment, where we focused on supporting ticket sales and thus the direct impact on revenues.

During the pandemic, we also increased our activity on social media, where the public spent more time than usual, so we effectively reached out to the general population. On Facebook, we approached the number of 100,000 fans. During the year, we were ahead of competitors, making our profile the largest traffic profile on Facebook. Last but not least, we focus on other social media, particularly to ČD's profiles on Instagram, Twitter and LinkedIn. Last year, we published 781 tweets on the Company's Twitter profile, which were viewed by over 3 million people.

Due to necessary savings, we significantly reduced investments in marketing communication for 2021. If the expected release of measures against the spread of covid-19 occurs, the main task will be to return passengers to the trains. The goal of all our activities will therefore be to maintain the image of a reliable carrier and thus prevent the risk that some of our customers will not return to trains due to persistent fears of covid-19. It will also be necessary to re-convince the public of the undeniable benefits of railway transportation, as many customers have developed new travel habits during the pandemic and will not want to change them.

Operating indicators

Number of trains dispatched in 2020*:	
Long distance passenger transportation	174,859
Regional passenger transportation	2,247,249
Total	**2,422,108**

*These values are related to the number of trains in their entire public routes (departure station, destination station and arrival and departure waypoints)

Performance of the timetable (performance in the entire public route)	
Long distance passenger transportation	75.6 %
Regional passenger transportation	88.8 %
Total	**87.7 %**

Performance of the timetable (performance at the departure and destination stations)	
Long distance passenger transportation	80.6 %
Regional passenger transportation	91.3 %
Total	**90.5 %**

Performance of the timetable (performance at the destination stations)	
Long distance passenger transportation	71.6 %
Regional passenger transportation	89.0 %
Total	**87.7 %**

Performance of the timetable with deduction of causes for delay outside the carrier (performance in the entire public route)	
Long distance passenger transportation	96.9 %
Regional passenger transportation	99.0 %
Total	**98.8 %**

Performance of the timetable with deduction of causes for delay outside the carrier (performance at the departure and destination stations)	
Long distance passenger transportation	97.3 %
Regional passenger transportation	99.3 %
Total	**99.1 %**

Performance of the timetable with deduction of causes for delay outside the carrier (performance at the destination stations)	
Long distance passenger transportation	96.1 %
Regional passenger transportation	99.1 %
Total	**98.9 %**

ČD's responsibility for train delays (performance in the entire public route)	
Long distance passenger transportation	15.2 %
Regional passenger transportation	10.6 %
Total	**11.8 %**

ČD's responsibility for train delays (performance at the departure and destination stations)	
Long distance passenger transportation	9.6 %
Regional passenger transportation	11.4 %
Total	**11.0 %**

ČD's responsibility for train delays (performance at the destination stations)	
Long distance passenger transportation	15.8 %
Regional passenger transportation	11.4 %
Total	**12.5 %**

Train delays are (similarly to previous years) mainly caused by the reasons on the side of the railway operator. The share of causes attributable to locks-out, construction reasons, defects in railway infrastructure, etc. increased by 7.2 percentage points year-on-year and thus accounts for **62.8%** of all primary timetable disturbances. **28.9%** of primary timetable disturbances are attributable to the carrier (in particular, increased passenger frequency, carrier layout and train composition) and **8.3%** are attributable to external influences (in particular, train delays from foreign railways and impact of emergencies).

Force major events were one of the reasons for non-performance. The number of emergencies and incidents on the Railway Administration infrastructure with a shutdown of operations which was followed in the MIMO system, was **6,100 cases** in 2020.

Emergencies and incidents in operation usually require adoption of operational measures in passenger transportation. Except for changes in staff turnover, locomotives and trains, it means the introduction of replacement transport and, if necessary, the cancellation of trains without compensation (no spare transport capacities are available, roads are not viable, track is expected to become operational earlier than possible arrival of substitution transport, a train is replaced by other later one, with extended stopping, etc.).

In 2020, we evidence the following data on operational arrangements for emergencies:

Number of trains with operational replacement transport	
- long-distance transportation	828
- regional transportation	10,794
Total	**11,622**
- due to the carrier	1,116
- of which due to defects in traction vehicles	860
- due to other than carrier	10,506
Total	**11,622**
Extent of operational replacement transport	
- long-distance transportation [train kilometres]	25,522.7
- regional transportation [train kilometres]	163,129.3
Total [train kilometres]	**188,652.0**

Number of trains partially or totally cancelled without compensation	
- long-distance transportation	31,109
- regional transportation	112,376
Total	**143,485**
- due to the carrier	3,128
- of which due to defects in traction vehicle	2,844
- due to other than carrier	140,357
Total	**143,485**
Extent of operative renunciation of trains	
- long-distance transportation [train kilometres]	4,652,756.8
- regional transportation [train kilometres]	2,241,586.8
Total [train kilometres]	**6,894,343.6**
Share of trains that have been operationally cancelled on the total planned number of trains	**5.59 %**

Quality Standard Assessment for 2020

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 orderers of regional and long--distance passenger transportation. 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 is applied in České dráhy in the scope of all requirements of the ČSN EN ISO 9001, ČSN EN ISO 45001 and ČSN EN ISO 50001 standards.

Measurement of compliance with quality standards utilising inputs from internal controls, outputs of inspections by customers, received complaints and suggestions is complemented by the measurement of customer satisfaction in the form of a questionnaire survey, mystery shopping and specific researches.

In 2020, the quality of services provided to the traveling public was affected by the covid-19 pandemic. Despite this, České dráhy tried to maintain the level according to individual standards.

Where the level of compliance of individual standards for a defined period has been lower than the set minimum value, individual business units are required to review the reasons, take remedial action and implement them immediately.

The conclusions of the audit activities for 2020 are in line with the requirements of the quality standards. In 2020, a total of 92,547 inspections were carried out, 10,147 of which were at stations and 82,400 on trains. The control activity in 2021 will be focused on verifying effectiveness of the measures taken to meet requirements of the quality standards.

The card of the standard		Required measure	2020	Meeting standards
1.	**Information and tickets**			
1.1.	**Sale and inspection of tickets and trains**			
	Providing ticket sales (except for railway replacement bus service)	99%	99.19%	met
	Quality of work of train personnel when selling tickets	99%	99.96%	met
1.2.	**Providing information on trains**			
	Providing information on trains (except for railway replacement bus service)	99%	99.85%	met
	Quality of work of train personnel	99%	99.99%	met
1.3.	**Sale of tickets at railway stations**			
	Sale of tickets in every staffed railway station or stop	99%	98.97%	not met
	Alternative ticket sale	99%	99.99%	met
1.4.	**Providing information to passengers at railway stations**			
	Providing information to passengers in a staffed railway station/stop	90%	97.95%	met
	Quality of work of railway station personnel	99%	99.97%	met
1.5.	**Behaviour of the train and railway station personnel**	99%	99.92%	met
1.6.	**Information systems in trains**			
	Functionality of providing information	99%	98.41%	not met
	Quality of work of train and wagon personnel	99%	99.94%	met
1.7.	**Information systems at railway stations**			
	Functionality of providing information	99%	98.86%	not met
	Quality of work of railway station personnel	99%	99.98 %	met
2.	**Accuracy of train connections and the general principle for the procedures in operational extraordinary events**			
2.1.	**Operational extraordinary events in railway transport**			
	Reliability of the timetable	98%	99.00%	met
	Quality of solutions for extraordinary events	75%	88.70%	met

The card of the standard		Required measure	2020	Meeting standards
2.2.	**Compliance with planned requirements and planned train capacity**	95%	93.15%	not met
2.3	**Accuracy of compliance with timetable for long-distance and regional transportation**			
	Long-distance transportation			
	Trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation	min 78%	75.70%	not met
	Trains arriving within the tolerance limit of 6 - 60 minutes for accurate transportation	max 20%	23.70%	not met
	Trains arriving within the tolerance limit over 60 minutes for accurate transportation	max 2%	0.60%	met
	Long-distance transportation – responsibility of the carrier			
	Trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation	min 94%	97.20%	met
	Trains arriving within the tolerance limit of 6 - 60 minutes for accurate transportation	max 5.5%	2.80%	met
	Trains arriving within the tolerance limit over 60 minutes for accurate transportation	max 0.5%	0.00%	met
	Regional transportation			
	Trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation	min 91%	90.10%	not met
	Trains arriving within the tolerance limit of 6 - 60 minutes for accurate transportation	max 8%	9.90%	not met
	Trains arriving within the tolerance limit over 60 minutes for accurate transportation	max 1%	0.00%	met
	Regional transportation – responsibility of the carrier			
	Trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation	min 97%	99.20%	met
	Trains arriving within the tolerance limit of 6 - 60 minutes for accurate transportation	max 2.5%	0.70%	met
	Trains arriving within the tolerance limit over 60 minutes for accurate transportation	max 0.5%	0.10%	met
2.4.	**Connection trains**			
	Compliance with border of connections planning	95%	96.06%	met
	Compliance with procedure to ensure connecting links	99%	99.97%	met
3.	**Compliance with the contracted scope of transport and cancellation of transport connections**			
	Compliance with the contractual scope of transport	99%	99.90%	met
	Cancellation of transport connections	1%	0.10%	met

The card of the standard		Required measure	2020	Meeting standards
4.	**Cleanliness of trains and railway station facilities**			
4.1.	**Cleanliness of train stations and operational facilities/ availability of restrooms**	99%	100%	met
4.2.	**Cleanliness of trains**	95%	96.58%	met
5.	**Customers satisfaction survey**	100%	0%	not 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
	Filling coefficient per 100 thousand transported passengers	7	6.30	met
	Justified filling coefficient per 100 thousand transported passengers	4	1.07	met
	Average time for handling a complaint	30 days	12.3 days	met
6.2.	**Exercising the right arising from transportation contracts and refunds to passengers**	100%	100%	met
	Unjustified requests 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	10-28 days	met
7.	**Assistance provided to disabled people with reduced mobility and orientation**			
	Satisfying a customer's order or requirement	99%	99.50%	met
	Sorting requirements by orders	99%	99.41%	met
	Functionality and technical capacity of mobile platforms	99%	99.56%	met

Comment on non-compliance with some standards or their sub-areas:

Sale of tickets at stations/Sale of tickets at each occupied station or stop.
As a result of the covid-19 pandemic, operational changes in the staffing of sales counters took place since March to the end of 2020; it was not always possible to ensure full operation. As part of measures to prevent the uncontrollable spread of the covid-19 virus, there was a substantial reduction in train connections and, consequently, a reduction in operation of sales counters.

Information systems in vehicles/Functionality of providing information.
Problems with adhering to the planned unit compositions persist for a long time, when other types of cars without information systems are operationally composed. As part of a long-term measure to increase safety, priority was given to train personnel to focus on safe performance of tasks related to train departure, which resulted in a reduction of time capacity for informing the passengers (observable particularly for trains with higher stop frequency). The fulfilment of indicator was also affected by the restriction of traffic in connection with the covid-19 and the associated changes in the unit composition. Persistent problems in 2020 were the replacement of InterPanter units with cars of the classic set on the R19 line (replacement sets without an electronic marking system with reservation).

Information systems in stations/Functionality of providing information.
The information systems in the stations are operated by the Railway Infrastructure Administration state organisation, the performance is evaluated as a system subcontracting. Problematic disclosure of platform change information still persists (information is published only at the time of train arrival, repeatedly changes which results in repeated transfers of passengers between platforms). There is still inappropriate approach to non--uniform information on train delays at trackside stations (total expected delay versus gradual increase of delay in the interval of 10 min). Insufficient or delayed information on disconnections relating covid-19, traffic restrictions change depending on the current epidemic situation is a new aspect. Detected defects are discussed with the railway operator. Vandalism also plays a substantial role in the incomplete disclosure of information to the traveling public, particularly in publishing printed information on emergencies and lock-out activities. Unfortunately, during 2020, due to the epidemic situation, sales counters were often operatively closed at stations as well, and the disclosure of operational information thus did not correspond to the current state of operating hours.

Compliance with planned requirements and planned train capacity.
Worsened compliance with the standard caused mainly by a reduced number of trains as a result of measures taken in passenger transportation in connection with the covid-19 pandemic. Another relatively significant influence was the fact that due to signing of "new" contracts from the 2019/2020 timetable on fulfilment of the public service obligation with the Ministry of Transport of the Czech Republic, the conditions in the so-called "commercial substitutability" of individual vehicle series significantly tightened.

Timetable accuracy in long-distance and regional transportation/ Trains arriving within the tolerance limit of 0 - 5 minutes for accurate transportation / arriving within the tolerance limit of 6 - 60 minutes for accurate transportation.
The total fulfilment of the ČD passenger transportation timetable increased by 2.4 percentage points year-on-year (85.3% vs. 87.7%).

Regarding the causes of delays, we can state that improved fulfilment of the timetable was particularly driven by a reduced number of trains as a result of measures in passenger transportation in connection with the covid-19 pandemic and for the same reasons a reduced number of trains from abroad (thus there was no such transmission of delays between trains and transmission of delays from abroad as in other years).

The decisive share of delays falls on locks-out and other construction reasons on the side of the Railway Administration state organisation (29.3%) and secondary delays arising from these reasons (in particular, train sequence and crossing, rotation of trains, locomotives and ČD personnel). The share of ČD's fault in the causes of delays for all passenger trains is 11.8%.

It is similar in the long-distance and regional transportation segments, where the delays were mainly caused by the reasons on the side of the railway operator and the transmission of delays between trains as a result of these events.

The share of ČD's own fault is 15.2% in long-distance transportation and 10.6% in regional transportation.

Customer satisfaction survey.
The customer satisfaction survey, which was prepared in accordance with quality standards and EU legislation and was due to take place in November 2020, failed to be conducted. It was cancelled just before the start due to circumstances that made the survey impossible (government regulations in connection with the pandemic) and was postponed for a time when it is possible to conduct. The survey is planned for 2021.

Repairs and Maintenance of Rolling Stock in Passenger Transport

Maintenance and repairs of rolling stock for passenger transportation are provided in the ČD Group mainly by our own capacities in the Regional Maintenance Centres throughout the Czech Republic, and, also, by the subsidiary DPOV, a. s. ("DPOV"). This is mainly about the scope of operational maintenance and routine repairs, the scope of DPOV is to perform periodic repairs of a higher degree, modernisation and reconstruction. Part of the periodic repairs of railway rolling stock is provided based on contractual relations with external repairers.

In connection with the Implementing Regulation of the EU Commission no. 2019/779 (ECM), steps to meet the legislative requirements by 16 June 2022 have been initiated, when the standard becomes fully effective. In the first necessary step, the ČD V25 regulation was amended as of 1 June 2020, which organises the process of maintenance and repairs of railway rolling stock.

The renewal of rolling stock for passenger transportation took place in 2020 in accordance with the economic and investment plans. Unsetting vehicles during reduction of a train numbers during the covid-19 pandemic was also utilised, both for elimination of some minor defects and preventive inspections focused on the condition of air conditioning, heating and the functionality of basic vehicle systems. Some of the vehicles were prepared to the periodic renewal of a higher degree with a slight lead.

During 2020, the modernisation of the first four diesel railcars of the 811 series and their trailers was completed at DPOV. The diesel railcar of the 810 series underwent a complete modernisation of the interior with the installation of air conditioning in the passenger compartment and the train driver's station. Included in modernisation of the vehicle is also the replacement of the internal combustion engine with a more powerful and more environmentally friendly one in terms of emission. The total number of 14 diesel railcars of the 811 series and 10 trailers will be completed in 2021. The operational deployment will be within the Moravian-Silesian Region.

According to the individual assignments of the regions, changes to the approved condition were implemented for regional vehicles, which bring benefits for passengers. Examples are WLAN devices for the possibility of internet connection on-the-go, plugs for powering small electronic devices or passenger information systems. At the same time, all traction vehicles are equipped with GPS units.

At the end of the year, the ČD fleet was expanded by 22 used Stadler RegioShuttle RS1 engine units and further by a Vectron-type locomotive, which will also be used in cooperation with VÚŽ for performance on the test circuit in Velim. The locomotive is equipped with the ETCS system, is four-system and is capable of a speed of 210 km/h.

During 2020, the installation of equipment for measuring electricity consumption on electric locomotives and units continued. In total, over 270 vehicles are already fully functional or ready to fit measuring boxes. In the next years, the project is expected to continue with the use of subsidies.

During the year, the prototype installation of the ETCS system for the locomotives of 362/362 WTB series was completed. Serial installations in other locomotives of the given series are planned for 2021. In connection with conversion of the traction voltage system AC/DC, the first unit of the 440 series was brought for reconstruction, when a total of 12 vehicles will be modified to the 640 series.

Significant projects related to passenger wagons include continuous modernisation of wagons purchased from ÖBB in recent years, that is taking place at DPOV. Furthermore, there is ongoing conversion of restaurant wagons of WRmee series into bistro cars with a first-class section, modernisation of older bistro cars of ARmpee series and modernisation of cars of Bdmtee series with a complete interior change. Other passenger cars, in which WLAN devices for the possibility of internet connection were installed, were not left aside. Furthermore, we completed the technical assignment for the planned purchase of passenger pressure-tight cars for long-distance international transportation with a maximum speed of 230 km/h.

Freight Transport

Mission, Vision and Goals of the Company

ČD Cargo, a.s. (hereinafter "ČD Cargo") is a modern, dynamic company that builds its future on four pillars. We are aware that this is not possible without modern vehicles, which is why interoperability is one of the pillars. A sufficient number of interoperable locomotives is a necessary condition for fulfilling the goals of the next pillar, which is expansion abroad. We hold all the necessary authorisations to operate railway freight transport in several countries – in Austria and Germany through our branches, in Poland, Slovakia and Hungary through our subsidiaries. The third pillar of our long-term strategy is intermodality. We are partners of all major combined transport operators. We consider the ownership share in two terminals – in Lovosice and in Brno – to be a great competitive advantage. For 15 years we have been offering our customers transportation using modern Innofreight technology. We are socially responsible and consider CSR to be the fourth pillar of our business.

Freight Transport

In 2020, ČD Cargo transported 59.042 million tons of cargo on the domestic market, which is approximately 8% less than was transported in the same period of 2019. The performance and results of ČD Cargo in 2020 were negatively affected by the covid-19 pandemic. Revenues from freight transportation reached CZK 10.185 billion in 2020, which is CZK 756 million less than in 2019. The negative development in the transportation of solid fuel and other commodities was partially mitigated by a year-on--year increase in sales in wood and paper products, construction materials and in the transport of food and agricultural products. The ČD Cargo Group then transported a total of 60.967 million tons of cargo in 2020, which means a 4 million ton decrease compared to 2019 (these statistics represent a consolidated view of the transport volume, i.e. the tonne realised by the companies within the Group on interstate routes is counted only once).

The ongoing recession in European metallurgy at the beginning of the year, as well as the decrease in metallurgical production (e.g. automotive steel sheets) as a result of covid-19, had a major impact on results in the iron and engineering product commodities. In construction commodities, the demand for desulphurisation limestones decreased due to reduction in electricity production. However, infrastructure constructions remained mainly unlimited and ČD Cargo provided both hauling and unloading of gravel and removal of waste soil throughout the Czech Republic. The global trend of reducing emission has also affected Czech customers in brown and black coal commodities. A further decrease in interest in this fuel occurred with the decrease in industrial production (covid-19), which closely relates to decrease in electricity production. Covid-19 had also impact on the results in chemical products and liquid fuel commodities. Due to lower fuel prices, it had a positive effect on increase in fuel import, in particular from Germany to the Czech Republic, and the pandemic had a negative effect on the supply of aviation fuel to Prague Airport and decline in production volume in a number of companies. Transportation of wood and paper products was stable almost all year round. The result of the pandemic was a lack of manpower for felling wood and, also, landfill overflow at recipients. We managed to acquire new markets in Poland, Hungary and Romania. In food and agricultural product commodities, the plan for 2020 was exceeded. The grain shipments ran smoothly and without significant difficulties throughout the year, and we managed to obtain additional spot shipments in Hungary – Slovakia – Germany transit. The covid-19 pandemic also had a negative effect on other commodities. Taken epidemiological measures affected the possibility to held planned military exercises, and practically the only major military transport was the transport of soldiers and equipment for the rapid reaction force to Lithuania and back. Combined transportation is one of the commodities that have been hit hard by the covid-19 pandemic. Maritime transportation from China was particularly affected, as well as related domestic connections. The closure of car production also resulted in decline in a number of trains with car trailers, transport of disassembled cars in containers was not carried out either. In addition to the usual transportation, 3 trains with medical aids from China to Pardubice were carried out, transportation of timber in containers from various terminals in the Czech Republic to China was evolving successfully. Probably the most affected was the automotive commodity, where shipments fell to almost nil in the spring due to closure of production in all car manufacturers which ČD Cargo cooperates with. The gradual increase in shipments did not occur until June, when production and shipping were fully resumed in all car manufacturers. In the autumn, we managed to successfully start and carry out diversionary transportation from Devínská Nová Ves to Falkenberg via Austria and Germany (cooperation with branches) for the customer BLG.

Fleet Management

To ensure the operation of freight trains, ČD Cargo evidenced 767 traction locomotives as at 31 December 2020, of which 42 locomotives acquired under financial lease. 657 locomotives were used for transport operations. As at 31 December 2020, the freight wagon fleet consisted of almost 20,697 thousand freight wagons of various types. Depending on the needs, the fleet was expanded by leased wagons in average number of 3,200. Out of the total fleet, approximately 18.5 thousand vehicles were in operating mode.

During 2020, 106 wagons were scrapped due to physical wear and tear, moral obsolescence and poor technical condition. 148 Eas wagons, 69 Falls wagons and 206 Faccs wagons were sold for subsequent rebuilding and upgrading. These upgraded wagons are leased back by our company to provide services to customers. At the end of 2020, 885 wagons were leased back in this way. For 2021, another 1,193 obsolete and technically worn freight wagons are planned to be scrapped. During 2020, 1 locomotive was physically scrapped and about 8 machines were sold to those driven by nostalgy and interested in further use. Suitable parts from disposed vehicles have been recovered for repair purposes of other vehicles.

Maintenance and repairs of railway rolling stock were carried out mainly in our own rolling stock repair shops, also at České dráhy, DPOV Přerov and in external contractual capacities. During 2020, 2,718 wagons underwent periodical maintenance.

ČD Cargo's freight vehicle repair centres participated in the installation of fuel measurement equipment for diesel locomotives, measurement of power in electric locomotives, radio-station installations (GSM-R) and occupational health and safety operations on traction locomotives. For Eas freight wagons used to transport timber, scrap, or coal, this was a continuous reconstruction of the combined wooden floor with a full metal one. 1,233 ATEX2 monitoring units were installed in the selected wagons series.

In 2020, 14 modernised locomotives of 742.71x series were delivered (modernisation of the 742 series locomotive, 15 pieces in total), further the last 5 supplied diesel locomotives for light route service and the shift of the 744 series and three 753.6 series locomotives for line service were delivered. This series is operated by ČD Cargo in a total of 4 pieces. Furthermore, trial operation of two 388 series locomotives (from the current delivery of a total of 10 locomotives) from Bombardier Transportation started, which were "lent" to ČD Cargo for this purpose.

In 2020, the serial implementation of ETCS on 163 and 363 series locomotives also started.

Furthermore, the adaptation of the railway freight car fleet continued to meet the needs of the transportation market with the aim to increase the operability of wagons in international traffic. A further 40 eight-axle 80 ft Sggrrs wagons were purchased to the ČD Cargo freight wagons fleet, which are primarily intended for transportation of containers and superstructures from Innofreight company. The wagons are used in combination with SteelPallets for transportation of cast-iron and slabs, in combination with WoodTainers and MonTainers for transportation of brown coal and wood chips for various customers who adapt the unloading to the new technology. In 2020, the group of 20 INNO wagons of the Sggrrs series was equipped with the so-called "ballast", so that they could also be used for container transportation. In total, ČD Cargo operated more than 450 vehicles with INNO technology as of 31 December 2020.

In addition, 247 new Eanos high-sided wagons and 20 new Zacns tank wagons were acquired in 2020. In order to comply with European legislation in the area of use of so-called "silent wagons", ČD Cargo has started retrofitting own wagons with LL brake blocks. The obligation to put "silent wagons" into transportation came into force for Germany on 13 December 2020. The ban on use of noisy wagons in Switzerland has been in force since 1 January 2020. By the end of 2020, the company already had 5,555 of its own wagons retrofitted and still continues retrofitting. At the end of 2020, ČD Cargo had a total of 8,504 wagons suitable for "silent operation", of which 6,780 vehicles with LL blocks.

In the area of freight wagons management in 2020 and in the following years great attention will be paid to the planning and utilization of vehicle capacity. The aim of this effort is to minimize inefficiencies in transportation and vehicle management.

Regular evaluation of utilization of vehicle capacity is conducted within the company's reporting, including identification of key issues by individual business groups of freight wagons. Possible excess fleet capacity is used in other business activities for lease purposes, so that the management of the available freight wagons is as efficient as possible and provides additional resources to ensure its operability.

Railway Rolling Stock Lease

One of the important business activities within other business is long-term and short-term lease of railway rolling stock. Traction vehicles adapted to operate in a particular country outside the Czech Republic are leased to our partners in a form of long-term lease. In case of short-term locomotive lease, it is about the deployment of locomotives for specific partial performances according to the business case and it primarily relates to the interoperable locomotives.

In the area of railway rolling stock lease, we offer our customers both long-term and short-term or repeated lease of vehicles for spot and one--off operations. For these needs, vehicles released from its total unbound capacity are used. We offer the lease of majority of the wagon ranges, including tank wagons, and we put an effort to cooperate on projects to use non-operating vehicles. These are various forms to secure decommissioned wagons to become operational and their subsequent operation.

Free capacities of rolling stock are being used more and more frequently in execution of business cases in cooperation with subsidiaries and branches within expansion on foreign markets.

Expected Development, Goals and Targets

ČD Cargo expects a gradual stabilisation of transport performance, despite unclear development of the economy as a result of the covid-19 pandemic and constant pressure from other railway carriers. As part of the so-called Green Deal, we expect a significant decrease in the transport of solid fuel, but this opens up opportunities to ensure the transportation logistics of wood chips, waste for incineration, etc. Transportation losses will also be compensated by increasing the performance of ČD Cargo abroad.

The Company will continue to implement measures to increase eeffectiveness of internal processes and use of its capacities and assets. In the area of investments, ČD Cargo will proceed with modernization and renewal of the locomotive and wagon fleet. In the latter case, the Company will focus mainly on vehicles for commodity transportation where recession is not expected (intermodal transport, fuel). Replacement of brake blocks and implementation of mobile ETCS parts will continue as well.

The Company's economic goals include, in particular, maintaining a stable level of cash-flow, outcoming from ensuring the planned level of revenues from its own transportation on one hand, and on the other hand from the effective use of expenditures and ensuring sufficient liquidity in medium and long term. The long-term goal is to stabilize the profitability of the core and other businesses.

Asset Management

Number of all buildings owned by ČD as at 1 January 2020	3,778
- of which entered into the Land Register	*3,110*
Number of all buildings owned by ČD as at 31 December 2020	3,630
- of which entered into the Land Register	*3,015*
The number of land plots owned by ČD as at 1 January 2020	15,745
The number of land plots owned by ČD as at 31 December 2020	15,782
The area of land plots owned by ČD (m²) as t 1 January 2020	61,700,076
The area of land plots owned by ČD (m²) as at 31 December 2020	61,411,522

Increase of number of land plots registered in the Land Register is due to running ÚMVŽST project with SŽ, when the existing plots of ČD are divided. Redundant assets continue to be sold during this process.

The total number of ČD buildings entered in Land Register decreased from 3,110 to 3,015, meaning a decrease by 95 buildings. Number of buildings entered in Land Register decreased by approximately 3%.

Number of apartments in buildings owned by ČD as at 1 January 2020	617
- of those rented out	*370*
Number of apartments in buildings owned by ČD as at 31 December 2020	602
- of those rented out	*358*
Number of external rental contracts for premises and land owned by ČD	7,939
- of those number of rental objects in ČD records	*18,265*
Number of internal rental contracts for premises and land owned by ČD	421
- of those number of rental objects in ČD records	*3,233*
Income from external lease contracts for buildings, land and apartments (CZK mil.)	268
Income from internal lease contracts for buildings, land and apartments (CZK mil.)	19
Total external income from building rental and operation (CZK mil.)	311
Income from the sale of property (CZK mil.)	169

In 2020 the most significant **sales of assets** took place in the Prague districts of Smíchov (the set of land plots) and Nové Město (the set of real estate), further in the cities of Úvaly, Brno, Valašské Meziříčí and Kroměříž (the sets of real estate).

In 2020, **repairs and investments** continued to improve the working environment both in the premises used by ČD's employees and in the premises that are leased to external entities. Investment costs were incurred on reconstruction and modification of administrative buildings in Karlovy Vary, Břeclav, Liberec, Ústí nad Labem and Prague, where extensive repair/reconstruction of administrative building in Prague Masarykově nádraží – building B started and will continue in 2021. Reconstruction of the administrative building in Hradec Králové, Olomouc, Brno and Bohumín will also begin. After completion of reconstructions in the buildings in Prague, Liberec and Hradec Králové, the organisational units of České dráhy will be dislocated in these buildings.

We continued preparation and finalisation of the list of assets under the railway transportation route intended for transfer to SŽ and negotiations on a form and financial parameters of the transaction. During 2020, we developed methodology for the expert valuation of the transaction subject and its possible interest bearing that was submitted for assessment to the ÚOHS and the MDČR before the start of the pre-notification procedure with the European Commission.

In 2020, ČD continued to co-operate with the developer in the preparation of the next stages of the real estate project in the Smíchov railway station locality.

In 2020, Žižkov freight station (NNŽ) continued intensive cooperation with the City of Prague, the Ministry of Culture and other entities involved in the Commission of the Council of the Capital City of Prague for the use of NNŽ in the preparation for the sale of a heritage protected building and related land. These activities will continue in 2021.

Information and Communication Technology Services

The ČD Group ensures its needs in the area of ICT through both its professional IT departments and through its subsidiaries **ČD – Informační systémy, a.s.** ("ČD-IS") and **ČD – Telematika a.s.** ("ČD-T").

In 2020, the second stage was completed and the third stage of the strategic project of the ČD Group for ICT – **modernisation of passenger transport information systems (so-called MISOP)** was launched. It will continue throughout 2021, and in 2020 the preparation of the final fourth stage began.

Another significant project of the Group in the area of passenger transportation was the successful implementation of the Single Tariff System (the "SJT" or "OneTicket") into all existing sales and handling systems of the ČD Group.

2020 brought also other projects that were successfully implemented particularly in the information and cyber security and data protection areas. A set of security elements in the cyber security area was implemented, ensuring increased protection of the Company's assets, personal data and equipment.

The ČD Group has also implemented changes related to new technical and business parameters of contracts with the orderers of public services to almost all passenger transportation systems.

In the area of support systems, the last stage of implementation of Automated Processing of Supplier Invoices projects (the "VIM") and the pilot stage of the Electronic Document Approval project (the "SED") project also took place in 2020.

The basic vision of **ČD-IS** is to provide comprehensive IT/ICT services for the ČD Group, to expand professional competencies in the modern technology field both in development and operation of complex information systems and to expand competencies in the security field. An additional goal is to minimise the dependence of the ČD Group on external suppliers.

ČD-IS also offers and provides IT services outside the ČD Group: to the transportation service organizers, cities and other transportation partners. The changes expected in the public transportation sector that will be gradually implemented are a great challenge for ČD-IS. Long-term ambition of ČD-IS is to satisfy all the needs and wishes of customers regarding delivery and implementation of new systems and applications, including their integration into an existing environment, to ensure their smooth and secure operation - with the aim to **achieve and maintain the position of the main supplier and guarantor of ICT solutions throughout the transportation sector**.

As part of ČD-IS's acquisition activities, the portfolio of services provided in the area of vehicle systems and specialised transport hardware was extended.

In 2020, ČD-IS successfully completed the delivery of the **reservation system for Austrian Railways (ÖBB)**, continues to develop further this system for Austrian Railways and prepares the next stage, the main goal of which is to prepare the reservation system together with other Austrian Railways systems for cloud operation.

Core assignments for ČD-IS in 2021 include, in addition to the MISOP project mentioned above, completing the modernisation of the railway passenger check-in system (project phases from 3rd to 5th), further development and optimization of the search engine, the development of systems for commercial and operational activities in the railway freight sector, other development projects in the field of railroad management and check-in of bus passengers, including cooperation with IDS and transportation companies.

Due to the covid-19 pandemic, the company ČD-IS recorded an increase in operational and maintenance activities related mainly to the service and operation of terminal equipment for customers from the ČD Group.

ČD-T is an important provider of wholesale internet, data and voice services and a supplier of services in the field of management, maintenance and construction of optical infrastructures. It owns and operates the second largest optical network in the Czech Republic, which is part of the key infrastructure of the state. In the railway transportation area, ČD-T is a leader in the implementation of the mobile part of the ETCS system, where it cooperates with the technology company ALSTOM. It also focuses its activities on expanding construction activities and servicing and operating large telecommunications units. As part of road telematics, ČD-T carries out, for example, tunnel service or smart parking. ČD-T provides its services to demanding clients from the state administration, the railway transportation segment, further to large companies and local internet connectivity providers.

In 2020, ČD-T continued its GSM-R construction projects and, also, its engagement in the system integration of a new technological infrastructure passport (TPI) and the supply of new telephone exchanges for the customer SŽ. The core project and competence area of ČD-T is the delivery of the mobile part of the European train protection system ETCS for České dráhy (series 362, 362 WTB and 162 WTB) and ČD Cargo (series 163 and 363). During 2020, both prototypes of traction vehicles were already successfully completed for the ČD Cargo's order, and the installation of series is gradually beginning. Completion of both orders is planned for 2023.

ČD-T together with the ČEZ Group and Severočeská vodárenská společnost (North Bohemian Water Company) became a founding member of the Association of Critical Infrastructure of the Czech Republic. One of the main goals of the new association is to create optimal conditions for the operation and protection of critical infrastructure in the Czech Republic.

The company's strategy for the next period is development of business opportunities in the ČD Group, in particular, implementation of new ETCS competitions for electrical series, strengthening the strategic partnership with SŽ, creation of new products and services with higher added value and own in-house competencies and the growth in revenues outside the railway infrastructure and transportation sector. ČD-T remains ready to support growth in the area of investments in the development of its optical network and related telecommunication services by strengthening capacities via using the most innovative technologies available in this market, such as the terabit connection between cities in the Czech Republic.

ČD-T will continue strengthening partnerships with companies that provide ICT services to end-customers in business and government segments and offering joint solutions using its own unique infrastructure and know-how.

Research and Development

The company ČD, a.s. does not carry out any research and development activity. For this purpose, the subsidiary Výzkumný Ústav Železniční, a. s. is utilised.

The subsidiary Výzkumný Ústav Železniční, a. s. (Railway Research Institute, "VUZ") became involved in innovation and research activities in 2020, when the most important topic for VUZ was hydrogen and its possible use in railway transportation in the Czech Republic.

VUZ reacted to this newly set development direction and, in cooperation with ÚJV Řež, a.s., the University of Chemical Technology in Prague, the Czech Hydrogen Technology Platform and the company SINTEF AS, participated in the **1st Public Competition of the KAPPA Program – CZ RESEARCH Program Funds of EEA and Norway 2014-2021**. The submitted research project **Regional Hydrogen Trains on Czech railways** was selected by TAČR for support and the Agreement on providing the support has been concluded. The aim of the project is to analyse the Czech railway routes and locate the areas where hydrogen trains would be a technical, economic and environmental solution compared to other technologies.

A large part of VUZ's research capacities in 2020 was occupied by the launched international project **CARBODIN Car Body Shells, Doors and Interiors** supported by Shift2Rail. This project has started in December 2019 and is planned till the end of 2021. The project focuses on implementation of composite material in railway vehicles. Its output will combine different production technologies, automation concepts, introducing co-cured and co-bonded composite parts.

In 2020, VUZ was intensively solving an ongoing innovative project developing GNNS technology: **TIRSMD707– "Suggestion and verification of conditions for deploying train locators based on GNSS systems on the Czech railway network"**. This project is supported by the Technology Agency of the Czech Republic - BETA2 program. In 2020, VUZ created, as part of the above project, Methodology: Preparation and implementation of measurements at ZZO Velim and experiments with the influence of illegal GNSS signal interference.

Another big topic of VUZ's research efforts in 2020 is noise and vibration on the railway. VUZ has been dedicated to this topic for a long time. In 2019, a two-year international research project supported by Shift2Rail INNOWAG - Innovative Monitoring and Predictive Maintenance Solutions on Lightweight Wagon was completed. VUZ tried to continue in this area and participated in the preparation of another international project **VIBRALIS – New technologies for auralisation and visualisation of noise and vibration**. Unfortunately, this project has not been selected for funding by the European Commission under Shift2Rail.

Last but not least, the introduction of the ETCS system on Czech railways continued to be an important topic for 2020 as well. In connection with the introduction of ETCS on Czech railways, it appears that in some cases there may be a significant reduction in route capacity. In particular, it is a problematic commuting to the end of authorisation to run, when the ETCS braking curves appear to be very restrictive. Intensive innovation activities have been underway since 2018, with the aim to find solutions to these problems. The aim of the **Optimization of ETCS properties in the conditions of the Czech railways** project, of which VUZ was a co-investigator, is therefore to contribute to solving the situation by a theoretical analysis of possible corrective measures.

Employment Policy

The past year was a great test for us that we were able to pass mainly thanks to our greatest support – our employees. Many of them played a key role in maintaining the stability and credit of society, changing their current habits and practices on a daily basis, learning new things, accepting frequent changes and taking on completely new roles. Given the assumption that the effects of the pandemic will continue in the next year, we consider it very important to continue focusing on promoting corporate culture, strengthening belonging, mutual communication, personal responsibility and proactivity.

Another of our main goals is the transformation of the Company in the area of organisational division, digitisation and setting up unified processes to ensure greater continuity within the entire Group. We also intend to continue strengthening our role as a partner, to provide internal clients with the needed service and meaningful solutions, and to support all departments and organisational units in all areas of our operations. Last year, we managed to successfully implement the roles of HR business partners, to centralise part of the payroll and personnel agenda and recruitment activities, and to set up several processes leading to effective management of the entrusted areas.

Last year, together with the trade unions we focused on strengthening mutual relations and cooperation. Thanks to constructive negotiations, the Collective Agreement for 2021 was amended and approved, considering, among others, the necessary measures of economic nature. This year, we intend to focus again on meeting the goals leading to the overall stabilisation of the Company.

In the area of building the employer's brand, we managed to establish cooperation with further educational institutions, to implement some educational projects and to set up a partnership plan for the current year. In the prestigious employers' competition organised by the Employers' Club, we received the third and the second place in Prague and nationwide, thanks to which we obtained the right to use the Employer of the Year designation. In the upcoming year, we plan to continue implementing activities for building an employer brand and recruitment, in which we want to focus mainly on the long-term shortage of candidates for technical professions for regional maintenance and IT centres – not only through the development of cooperation with selected schools and students, but also through targeted recruitment advertising and promotion.

In the field of education, we will continue this year the trend of introducing online learning platforms and implementing online training. In cooperation with the Dopravní vzdělávací institut (Transport Education Institute, "DVI"), which is our subsidiary, we plan to train the train drivers on the best railway simulators and to train operational employees of integrated transportation systems of individual regions. DVI holds accreditations for the training of key professions in the field of railway transportation and the performance of psychological examinations. It has a wide network of classrooms, a team of experts in the subject fields of education, provides languages courses and training in the field of soft skills and thus is our important partner for the continuous deepening of our employees' qualification.

We intend to offer again, as widely as possible, the healing and relaxation stays, which are provided for us, as part of employee care, by the subsidiaries ČD travel, s.r.o. and ČD relax s.r.o. in line with relaxing of measures during 2021. Our goal will be to meet the reconditioning needs of our employees in key operating positions so that they can do their work as best as they can. In cases stipulated by the collective agreement, a contribution from the social fund can be drawn for these services.

International Relations

ČD is gradually changing its approach in the field of international activities and strives to play a more active role in Europe. An internal review of ČD's activities abroad took place and important international initiatives, working groups and other bodies were identified, whose meetings are important to participate beyond the current approach.

Unlike in previous years when ČD rather passively adopted and adapted to legislation coming from the EU institutions, or tried to minimise negative impacts, ČD has begun to be actively involved in the legislative process from the very beginning. We plan to gradually expand this activity in the upcoming years.

An important step, in order for ČD to gain access to important EU institutions, was ČD registration in the EU Transparency Register. It is a database of entities influencing the legislative process. Registration is required if the entity wishes to attend, for example, meetings on policy making and implementation in the EU, to negotiate with the commissioner or directors-general of individual Commission's directorates-general, to speak during a public hearing in the European Parliament's committees, etc.

Furthermore, the Company's Board of Directors has established a position of a permanent representative, who will defend the interests and needs of ČD directly in Brussels and communicate with important partners. A representative will be sent as soon as the situation caused by the SARS-CoV-2 global pandemic allows.

One of the further tools, through which ČD began to participate in the EU legislative process, is public consultations. During 2020, several public consultations were completed and sent, which directly or indirectly concern railway transportation and impact on the railway sector as a whole.

ČD welcomed the initiatives of the European Commission, such as the Green Deal (agreement on environmental protection and sustainable development), the Strategy for Sustainable and Intelligent Mobility and, also, Shift2Rail (a platform coordinating research activities and innovations). ČD has expressed interest in joining the latter initiative and is currently working on an ideal form of involvement. The main goals of Shift2Rail are to reduce the life cycle costs of railway transportation (costs of construction, operation, maintenance, renewal and disassembly of infrastructure and rolling stock), doubling capacity and increasing reliability and accuracy of railway transport.

ČD continues to be actively involved in activities of the most important international platforms and organisations, such as UIC, CER, CIT and OSŽD. It was decided to have a more active staffing of CER working groups by ČD, so that it would be possible to further promote ČD's positions and interests within the entire sector.

ČD does not have any foreign establishment. The overview of the ČD Group's ownership interests is presented in the chapter Organisational structure of ČD Group.

Environmental Protection

During 2020, with regard to the emergence of the covid-19 pandemic, ČD immediately adopted procedures and measures to limit the spread of the disease, in accordance with the recommendations of the Ministry of Health and the Regional Hygiene Station, thus ensuring the operability of the railways. The established measures and procedures are applicable not only to employees, but also to passengers and railway rolling stock. These measures focus mainly on prevention of disease transmission, disinfection and subsequently on management of generated waste, including its disposal.

ČD is a socially responsible company and places great emphasis on environmental protection and minimises the negative impact of day-to-day operations on the environment. ČD ensures environmental protection activities in the following areas:

- **Waste management** – disposal of hazardous and other waste is carried out in accordance with applicable legislation. Waste is always handed over to a person authorised to take it over. Production of individual types of waste is continuously monitored. Products in take-back mode are returned to a supplier.

- **Water management** – monitoring of drinking water and water for disposal ensures the legislative commitments, control of compliance with the conditions of decisions issued by water authorities, including records of the permitted volume of taken and discharged water. Emergency plans are updated in locations where hazardous substances are handled.

- **Air protection** – measurement of emission, boiler efficiency, cleaning and control of flue gas paths is carried out according to valid legislation. With regard to ensuring the effectiveness of thermal energy production and the ever-tightening pollution limits, ČD is continuously modernising stationary heat sources.

- **Protection of nature and landscapes** – on the ČD's land plots, maintenance of the accompanying greenery is ensured in accordance with legislation so as to guarantee the safety and fluidity of railway traffic. Organisational units ensure periodic inventory of trees and monitoring of their operational safety.

- **Chemical substances and chemical mixtures** – the handling and storage of these substances is always carried out in accordance with the conditions specified in the safety data sheets and the applicable legislation.

- **Leakage of harmful substances** – in the event of leakage of hazardous substances into the environment, the organisational unit of ČD, in cooperation with the crash officer of the DG of the Rolling Stock Department, takes care of elimination of initial consequences and possible subsequent measures with the participation of state administration bodies. Decisions of state administration bodies are always binding.

- **Soil and groundwater remediation** – the actual implementation of remediation works always takes place according to the project approved by the state administration bodies so that the imposed corrective measures are fulfilled. The scope and progress of further work is always discussed on regular semi-annual inspection days. The implementation of remediation works is controlled by state administration bodies.

Subsequent Events

In 2021, the impact of measures due to the covid-19 pandemic continues, and a significant reduction in population mobility has had an impact on the reduction in passenger transportation revenues at the beginning of 2021. The Company has implemented a plan to reduce the impact of the covid-19 pandemic in terms of operating and personnel costs, which it has already begun to implement. In addition, the Company also received subsidies from the Antivirus program and subsidies for protective equipment. In March and April 2021, in order to secure resources for implementation of planned investments, the Company entered into agreements for long-term bank credit facilities of up to CZK 8.5 billion. None of these credit facilities has been used as of the date of the Annual Report. After the balance sheet date, no other events occurred that would significantly impact this Annual Report as at 31 December 2020.

Independent auditor’s report

To the shareholder of České dráhy, a.s.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the consolidated financial position of České dráhy, a.s., with its registered office at Nábřeží L. Svobody 1222, Praha 1 (the “Company”) and its subsidiaries (together the “Group”) as at 31 December 2020, of the Group’s consolidated financial performance and consolidated cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2020, of the Company’s separate financial performance and separate cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit and loss for the year ended 31 December 2020;
- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated statement of changes in equity for the year ended 31 December 2020;
- the consolidated cash flow statement for the year ended 31 December 2020; and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2020;
- the separate statement of profit and loss for the year ended 31 December 2020;
- the separate statement of comprehensive income for the year ended 31 December 2020;
- the separate statement of changes in equity for the year ended 31 December 2020;
- the separate cash flow statement for the year ended 31 December 2020; and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council (the "EU Regulation") and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

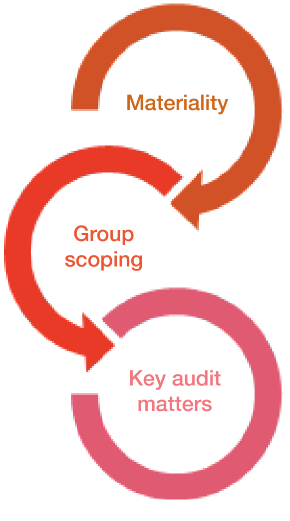
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic, with the Act on Auditors and with the EU Regulation. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, Act on Auditors and EU Regulation.

Our audit approach

Overview



Overall materiality for the Group: CZK 364 million

Overall materiality for the Company: CZK 220 million

We have identified seven entities and one subgroup which were subject to our audit based on their size or level of risk. Within the audit procedures described above we have cooperated with component auditors from Slovakia, Poland and Germany. All component auditors belong to PwC network. The entities, for which we performed the above procedures, represent 99% of Group revenues. The scope of the audit provides us sufficient and suitable basis for our opinion on the separate and consolidated financial statements.

Methods, significant assumptions and data used to estimate the provision for legal disputes related to regulation of market competition.

As part of designing our audit, we determined the materiality and assessed the risks of material misstatement in the consolidated and separate financial statements (together the "financial statements"). In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for each set of financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on each set of financial statements as a whole.

Overall Group materiality: CZK 364 million (CZK 337 million for the previous period)

Overall materiality for the Company standing alone: CZK 220 million (CZK 266 million for the previous period)

How we determined it: Materiality for the Group and the Company was determined as 1% of total revenues

Rationale for the materiality benchmark applied: Materiality was calculated based on total revenues from operating activities. At first, we considered the result before tax as the basis for materiality calculation, however due to its high year-on-year fluctuation, we decided to use revenues, which is a more stable indicator.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of each set of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Methods, significant assumptions and data used to estimate the provision for legal disputes related to regulation of market competition

In November 2016, proceedings were initiated by the European Commission (hereinafter the "EC") regarding a possible violation of Article 102 of the Treaty on the Functioning of the European Union on alleged abuse of the Company's dominant position on the Prague-Ostrava route in a way of disproportionately low (so called predatory) prices as a response to the entry of a new competing rail carrier. In 2020, the EC issued a statement of objections to the disadvantage of the Company. The Company's management has assessed the provision for legal disputes, including the assessment of the probable outcome, which is based on a number of estimates and assumptions as at the date of preparation of the financial statements and is therefore subject to considerable uncertainty. Based on the amount of revenues to which the potential infringement relates, the estimated duration of the potential infringement and the opinion of external advisors on the estimated percentage applied to the relevant revenues in the range of 5 – 10%, a provision of CZK 700 million was recognized, which represents the estimated cost to settle the fine for the alleged infringement and related expenses.

For further information on the provision for legal disputes, see Note 25.1 of the separate financial statements and Note 27.1 of the consolidated financial statements.

How our audit addressed the key audit matter

In connection with the verification of the provision for legal disputes, we performed the following procedures:

We assessed the appropriateness of reporting in the financial statements as of 31 December 2020 to ensure that the accounting treatment complied with the requirements of IAS 37.

We have received confirmation letters from law firms. We held discussions with the legal department and external legal advisors.

We have verified the assumptions used to estimate the provision for legal disputes.

We tested the accuracy and completeness of the input data used to calculate the provision.

We tested the mathematical accuracy of the provided provision calculation.

We have assessed the disclosures in the financial statements relating to the provision for legal disputes to determine whether they meet the disclosure requirements in IAS 37 and IAS 1.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on each set of financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the share of individual subsidiaries on the Group financial position and performance and specifics of the industry in which the Group and the Company operate.

The Group operates mainly in railway transportation of passengers and cargo and in providing the related services in the Czech Republic and Central Europe. The consolidated financial statements include companies listed in the notes to the consolidated financial statements including ČD Cargo subgroup. The Company alone together with ČD Cargo a.s. are the largest entities.

In our audit we determined the scope of work, which was considered necessary for individual components and the subgroup. As a suitable scope of work, we defined an audit of seven entities and one subgroup. The criteria for determining the scope of work on individual entities were particularly their size, complexity and level of risk from the perspective of audit procedures.

Audit procedures related to the entities registered in the Czech Republic were performed by the group audit team, the procedures related to foreign subsidiaries were performed by component auditors from the PwC network on the basis of the instructions provided by the ČD Cargo subgroup audit team. We have established an adequate level of communication with the component auditors, which provided us adequate basis for our opinion. This communication included, particularly, the regular exchange of information obtained during the audit and discussions of the key audit and accounting procedures.

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

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

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the Annual Report but does not include both of the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Group and the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors, supervisory board and audit committee of the Company for the financial statements

The board of directors is responsible for the preparation of the financial statements that give true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

The audit committee of the Company is responsible for monitoring of the financial statements' preparation process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company’s internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- conclude on the appropriateness of the board of directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors, supervisory board and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement showing that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on other legal and regulatory requirements

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the audit committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the audit committee of the Company, which we issued today in accordance with Article 11 of the EU Regulation.

Appointment of auditor and period of engagement

We were appointed as the auditors of the Group and the Company for years 2019-2022 by the general meeting of shareholders of the Company on 27 March 2019. Our uninterrupted engagement as auditors of the Group and the Company has lasted for 5 years.

Provided non-audit services

To the best of our knowledge and belief, we declare that PwC Network has not provided to the Company and its subsidiaries non-audit services that are prohibited under Article 5 (1) of the EU Regulation, as amended by the Czech law following Article 5 (3) of the EU Regulation.

The non-audit services we have provided to the Company and its subsidiaries in the period from 1 January 2020 to 31 December 2020 are disclosed in Note 8 of the notes to the consolidated financial statements.

13 April 2021

PricewaterhouseCoopers Audit, s.r.o.

represented by

Ing. Václav Prýmek

Ing. Milan Zelený

Statutory Auditor, Licence No. 2319

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR 2020 PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EU

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

Components of Consolidated Financial Statements prepared for the year 2020 under IFRS as adopted by the EU:
Consolidated Statement of Profit and Loss
Consolidated Statement of Comprehensive Income
Consolidated Statement of Financial position
Consolidated Statement of Changes in Equity
Consolidated Cash Flow Statement
Notes to the Consolidated Financial Statements

Consolidated Financial Statements were prepared on 13 April 2021.
Statutory Body of the Entity

Ivan Bednárik
Chairman of the Board of Directors
České dráhy, a.s.

Václav Nebeský
Vice-Chairman of the Board of Directors
České dráhy, a.s.

Consolidated Statement of Profit and Loss for the Year Ended 31 December 2020

		Year ended 31 Dec 2020 CZK million	Year ended 31 Dec 2019 CZK million
CONTINUING OPERATIONS			
Revenue	6	36,441	40,656
Other operating income	7	1,280	1,480
Cost of services, raw materials and energy	8	(15,605)	(16,359)
Employee benefit costs	9	(15,042)	(15,288)
Depreciation and amortisation	10	(7,731)	(7,191)
Other operating costs	11	(1,968)	(761)
Profit/(Loss) from operating activities		**(2,625)**	**2,537**
Financial expense	12	(2,044)	(1,588)
Financial income	13	586	599
Share in the profit of associates and joint ventures	20	7	36
Profit/(Loss) before tax		**(4,076)**	**1,584**
Income tax expense	14	(59)	(269)
Profit/(Loss) for the period		**(4,135)**	**1,315**
Attributable to equity holders of the parent company		(4,154)	1,295
Attributable to non-controlling interests		19	20

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

		Year ended 31 Dec 2020 CZK million	Year ended 31 Dec 2019 CZK million
Profit/(Loss) for the period		**(4,135)**	**1,315**
Actuarial gains on employee benefit liabilities		17	6
Revaluation reserve at fair value through other comprehensive income		(14)	12
Other comprehensive income/(loss) for the period (items that are not subsequently reclassified to profit or loss)		**3**	**18**
Exchange differences from foreign units translation		(17)	(1)
Cash flow hedges	25.2.2	(487)	543
Hedge accounting expenses		21	49
Related income tax		13	(10)
Other comprehensive income/(loss) for the period (items that may be reclassified to profit or loss)		**(470)**	**581**
Other comprehensive income/(loss) for the period after tax		**(467)**	**599**
Total of comprehensive income/(loss) for the period		**(4,602)**	**1,914**
Attributable to equity holders of the parent company		**(4,621)**	**1,894**
Attributable to non-controlling interests		19	20

Consolidated Statement of Financial Position as at 31 December 2020

		31 Dec 2020 CZK million	31 Dec 2019 CZK million
Property, plant and equipment	15	74,775	72,941
Investment property	16	621	606
Goodwill	17	141	141
Intangible assets	17	1,100	1,094
Right-of-use assets	18	4,480	3,964
Investments in joint ventures and associates	20	200	199
Deferred tax asset	14	12	18
Other financial assets	23	1,211	846
Other assets	24	8	5
Total non-current assets		**82,548**	**79,814**
Inventories	21	2,221	1,923
Trade receivables	22	3,167	3,340
Prepaid income tax		15	13
Other financial assets	23	522	437
Other assets	24	1,495	2,028
Cash and cash equivalents	32	5,751	8,436
Total current assets		**13,171**	**16,177**
TOTAL ASSETS		**95,719**	**95,991**
Share capital	25	20,000	20,000
Capital contributions	25	17,454	17,889
Retained earnings/ (Accumulated losses)		(757)	3,429
Equity attributable to the equity holders of the company		**36,697**	**41,318**
Non-controlling interests	19	628	621
Total equity		**37,325**	**41,939**
Loans, borrowings and lease liabilities	26	42,850	38,990
Deferred tax liability	14	1,688	1,748
Provisions	27	255	274
Other financial liabilities	28	192	184
Other liabilities	29	231	203
Total non-current liabilities		**45,216**	**41,399**
Trade payables		4,761	5,647
Loans, borrowings and lease liabilities	26	2,698	2,847
Income tax liabilities		49	94
Provisions	27	2,134	372
Other financial liabilities	28	410	449
Other liabilities and contract liabilities	29	3,126	3,244
Total current liabilities		**13,178**	**12,653**
TOTAL LIABILITIES		**95,719**	**95,991**

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital in CZK million	**Share premium** in CZK million	**Cash flow hedge reserve** in CZK million	**Reserve and other funds *)** in CZK million	**Retained earnings/ (Accumulated losses)** in CZK million	**Equity attributable to equity holders of the company** in CZK million	**Non-controlling interests** in CZK million	**Total equity** in CZK million
Balance as at 1 January 2019	**20,000**	**16,440**	**493**	**308**	**2,183**	**39,424**	**613**	**40,037**
Comprehensive income/(loss)								
Profit for the period	-	-	-	-	1,295	1,295	20	1,315
Other comprehensive income/(loss) for the period	-	-	533	60	6	599	-	599
Comprehensive income/(loss) for the period - total	**-**	**-**	**533**	**60**	**1,301**	**1,894**	**20**	**1,914**
Transactions with owners								
Allocation to the reserve fund	-	-	-	55	(55)	-	-	-
Dividends paid	-	-	-	-	-	-	(12)	(12)
Transactions with owners for the period - total	**-**	**-**	**-**	**55**	**(55)**	**-**	**(12)**	**(12)**
Balance as at 31 December 2019	**20,000**	**16,440**	**1,026**	**423**	**3,429**	**41,318**	**621**	**41,939**
Comprehensive income/(loss)								
Profit for the period	-	-	-	-	(4,154)	(4,154)	19	(4,135)
Other comprehensive income/(loss) for the period	-	-	(474)	(6)	13	(467)	-	(467)
Comprehensive income/(loss) for the period - total	**-**	**-**	**(474)**	**(6)**	**(4,141)**	**(4,621)**	**19**	**(4,602)**
Transactions with owners								
Allocation to the reserve fund	-	-	-	45	(45)	-	-	-
Dividends paid	-	-	-	-	-	-	(12)	(12)
Transactions with owners for the period - total	**-**	**-**	**-**	**45**	**(45)**	**-**	**(12)**	**(12)**
Balance as at 31 December 2020	**20,000**	**16,440**	**552**	**462**	**(757)**	**36,697**	**628**	**37,325**

*) Reserve and other funds are described in Note 25.2.

Consolidated Cash Flow Statement for the Year Ended 31 December 2020

		Year ended 31 Dec 2020 CZK million	Year ended 31 Dec 2019 CZK million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year		**(4,135)**	**1,315**
Income tax	14	59	269
Dividend income	7	(3)	(2)
Financial expenses - interest	12	1,091	1,186
Gain on the sale and disposal of non-current assets	7	(170)	(584)
Depreciation and amortisation of non-current assets	10	7,731	7,191
Impairment/ (Reversal of impairment)	11	46	37
Change in provisions	27	1,743	(403)
Foreign exchange losses/(gains)		376	(76)
Share of the profit of joint ventures and associates	20	(7)	(36)
Other		63	(166)
Cash flows from operating activities before changes in working capital		**6,794**	**8,731**
Decrease/(increase) in trade receivables	22	53	195
Decrease/(increase) in inventories	21	(337)	(270)
Decrease/(increase) in other assets	23, 24	(502)	393
Increase/(decrease) in trade payables		(971)	(272)
Increase/(decrease) in other payables and contract liabilities	28, 29	(180)	(9)
Total changes in working capital		**(1,937)**	**37**
Cash flows from operating activities		**4,857**	**8,768**
Interest paid	12	(1,065)	(1,053)
Income tax paid	14	(135)	(142)
Dividends received	7	8	25
Net cash flows from operating activities		**3,665**	**7,598**

Consolidated Cash Flow Statement for the Year Ended 31 December 2020

		Year ended 31 Dec 2020 CZK million	Year ended 31 Dec 2019 CZK million
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment	15	(7,476)	(8,413)
Proceeds from disposal of property, plant and equipment	7	240	673
Payments for investment property	16	(5)	(11)
Payments for intangible assets	17	(243)	(332)
Acquisition of subsidiaries and joint ventures, net of purchased cash		-	(5)
Received interest	13	71	84
Net cash flows used in investment activities		**(7,413)**	**(8,004)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	30	3,899	15,085
Repayments of loans and borrowings	30	(1,176)	(7,672)
Payment of leasing instalments	30	(1,660)	(1,997)
Dividends paid		(12)	(12)
Net cash flows from financing activities		**1,051**	**5,404**
Net increase/(decrease) in cash and cash equivalents		**(2,697)**	**4,998**
Cash and cash equivalents at the beginning of the period		8,436	3,438
Effects of changes in foreign exchange rates		12	-
Cash and cash equivalents at the end of the period	**32**	**5,751**	**8,436**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. General Information

1.1. General information

České dráhy, a.s. (hereinafter „the Company" or „ČD") was established on 31 March 2002 under Act No. 77/2002 Coll. on the joint stock company České dráhy, the state organisation Správa železniční dopravní cesty (Railway Route Administration) and the Changes to Railways Act 266/1994 Coll., as amended, and the State Enterprise Act 77/1997 Coll. On 1 January 2003, the state organisation České dráhy discontinued its activities and operations and ČD and the state organisation Správa železniční dopravní cesty were formed as its legal successors. As at that date, the Company was recorded in the Commercial Register. Subsequently, on 1 January 2020, the amendment to the Railways Act changed the name of Správa železniční dopravní cesty (SŽDC) to Správa železnic, státní organizace (Railway Administration, the state organization, "SŽ").

The Company is the Parent Company of the České dráhy Group. The České dráhy Group (hereinafter "the Group") consists of České dráhy a.s. ("the Parent Company") and subsidiaries listed in Note 1.3. The consolidated financial statements have been prepared as at and for the year ended 31 December 2020. The reporting period is the calendar year, i.e. from 1 January 2020 to 31 December 2020.

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

1.2. Principal activity

The Group's main business activity is operating railway transportation. Other Group activities includes mainly the administration of immovable assets. In addition, the Group is engaged in other activities relating to its principal business activities.

The assets comprising the railway infrastructure are in the ownership of the state, not in the ownership of the Group. The right to manage the state assets is exercised by SŽ. SŽ secures the operability and servicing of the railway infrastructure.

1.3. Definition of the consolidation group

1.3.1. Entities included in the consolidation

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	70.96	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 8, Prvního pluku 621/8a	27378225	100	Control
ČD travel, s.r.o.	Prague 1, 28. října 372/5	27364976	51.72	Control
CD Cargo Germany GmbH	Germany – Frankfurt am Main, Niddastrasse 98-102	HRB 73576	100	Control
CD Cargo Austria GmbH	Austria – Wien, Rotenturmstraße 22/24	FN 291407s	100	Control
CD Cargo Poland Sp. z o.o.	Poland – Warsaw, Grzybowska 4/3	140769114	100	Control
ČD Cargo Slovakia, s.r.o.	Slovakia – Bratislava, Seberíniho 1	44349793	100	Control
CD Cargo Hungary Korlátolt Felelősségű Társaság	Hungary - 4150 Püspökladány, Keleti sor utca 26-4	09-09-031990	100	Control
Auto Terminal Nymburk, s.r.o. v likvidaci	Prague 7, Jankovcova 1569/2c	24234656	100	Control
ČD Cargo Logistics, a.s.	Prague 1, Opletalova 1284/37	27906931	100	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
ODP-software, spol.s r.o.	Prague 3, Pernerova 2819/2a	61683809	100	Control
ČD relax s.r.o.	Prague 1, 28. října 372/5	05783623	51.72	Control
CHAPS spol. s r.o.	Brno, Bráfova 1617/21	47547022	100	Control
ČSAD SVT Praha, s.r.o.	Prague 8, Křižíkova 4-6	45805202	100	Control
SVT Slovakia s.r.o.	Banská Bystrica, Partizánska cesta 97	36620602	80	Control
INPROP, s.r.o.	Žilina, Rosinská cesta 12	31609066	100	Control
Smart Ticketing s.r.o.	Prague 3, Pernerova 2819/2a	02033011	100	Control
Tramex Rail s.r.o.	Blansko, Brněnská 1748/21b	26246422	100	Control

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

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

Name of the entity	Registered office	Corporate ID	Ownership percentage	Degree of influence
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
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 2, Americká 525/23	27560589	50	Joint control
BOHEMIAKOMBI, spol. s r.o.	Prague 1, Opletalova 921/6	45270589	30	Significant
Ostravská dopravní společnost, a.s.	Ostrava, U Tiskárny 616/9	60793171	50	Joint control
Ostravská dopravní společnost - Cargo, a.s.	Ostrava, U Tiskárny 616/9	05663041	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 the unanimous consent of the parties that share the control.

The following table shows the main activities of the companies included in the consolidation.

Name of the entity	Principal activity
ČD - Telematika a.s.	Provision of telecommunication services, software and advisory services.
Výzkumný Ústav Železniční, a.s.	Research, development and testing of rail vehicles and infrastructure facilities
DPOV, a.s.	Inspections, repairs, modernisation and renovation of railway vehicles
ČD Cargo, a.s.	Brokerage of services in freight transportation and shipping
ČD - Informační Systémy, a.s.	Provision of telecommunication services, software and advisory services
Dopravní vzdělávací institut, a.s.	Organisation of professional courses, training and other educational events, language courses
ČD travel, s.r.o.	Travel agency and provision of travel services
CD Cargo Germany GmbH	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping
CD Cargo Austria GmbH	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping
CD Cargo Poland Sp. z o.o.	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping
ČD Cargo Slovakia, s.r.o.	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping
CD Cargo Hungary Korlátolt Felelősségű Társaság	Rail freight transport, wholesale of raw materials and fuels, storage and other
ČD Cargo Logistics, a.s.	Shipping
Terminal Brno, a.s.	Operations of the combined transport terminal in Brno
ČD-DUSS Terminál, a.s.	Operations of the container terminal in Lovosice
Auto Terminal Nymburk, s.r.o. v likvidaci	Shipping and technical services in transportation
Smíchov Station Development, a. s.	Design, renovations, modernisation and development of the Smíchov railway station
Žižkov Station Development, a. s.	Design, renovations, modernisation and development of the Žižkov railway station
Masaryk Station Development, a. s.	Development of the Masaryk railway station
JLV, a.s.	Provision of accommodation and catering services
RAILLEX, a.s.	Handling of cargo and technical services in transportation, shipping
BOHEMIAKOMBI, spol. s r.o.	Brokerage of services in transportation except for transportation by own vehicles
Ostravská dopravní společnost, a.s.	Operation of railway transportation and lease of railway vehicles and railway wagons
ODP-software, spol.s r.o.	Development and support of mobile POS systems for trains passengers service and systems with contactless cards
ČD relax s.r.o.	Travel agency activity with a specific focus only on fitness and recovery stays for employees of ČD Group
Ostravská dopravní společnost - Cargo, a.s.	Operation of rail transport and rental of railway traction vehicles and railway wagons
CHAPS spol. s r.o.	Development, maintenance and operation of IT applications and systems
ČSAD SVT Praha , s.r.o.	Development and operation of information systems for transport
SVT Slovakia s.r.o.	Development and operation of information systems for transport
INPROP, s.r.o.	Plans and solutions of information system for inventory management
Smart Ticketing s.r.o.	Activities related to Information technology
Tramex Rail s.r.o.	Development, production, installation and servicing of electronic equipment and components for railway applications in the area of rail vehicles

The consolidation group is hereinafter referred to as the “Group”.

The Group includes the ČD Cargo Group, which consists of ČD Cargo, a.s. and its subsidiaries.

1.3.2. Changes in the composition of the Group

On 1 April 2020, UniControls-Tramex s.r.o. change the name to Tramex Rail s.r.o.

On 4 May 2020, a subsidiary of ČD Cargo, a.s. – ČD Cargo Slovakia, s.r.o. acquired 100% share in CD Cargo Hungary, Kft. The acquisition price was EUR 30,000.

Auto Terminal Nymburk, s.r.o. entered into liquidation on 1 October 2020.

1.4. Impact Of Covid-19 In The Financial Statements For The Year Ended 31 December 2020

The existence of the novel coronavirus causing the Covid-19 disease was confirmed in early 2020 and has spread globally. The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected the whole Group's operations in the year ending 31 December 2020.

The first half of 2020 was characterized by the Covid-19 pandemic. As a result of this pandemic, countries around the world have imposed restrictions on leaving homes, ordered business to shut down and imposed entry bans. The measures placed severe restrictions on public life, and travel restrictions meant a sharp decline in passenger numbers since March 2020. In addition, the threat of unemployment and the expected decline in income caused households to reduce their spending. Demand was rising again since May 2020, however, began to decline in the last quarter of 2020 due to the deteriorating epidemiological situation.

Revenues from passenger transportation decreased by approximately CZK 4.5 billion due to a fall in demand from passengers. In the area of regional transportation, steps and measures have been taken promptly, which partially helped reducing economic losses caused mainly by the decline in passenger numbers. Due to the fact that contracts concluded for 2020 (totally, partially or during the year) with some regions (Olomouc, South Moravian, Ústí nad Labem, Zlín, Liberec and Pilsen Regions) were in the gross regime, where the risk of sales is borne by the region, the economic effects of the drop in revenues from passengers on ČD were eliminated in these regions. However, it must be noted that regional transportation is significantly less dependent on revenues from passengers than long-distance transportation, and conversely – is significantly more dependent on payments from ordering parties, so compared to its magnitude, the impact of the decline in passenger revenues on this passenger transportation segment was not so critical, as in case with long-distance transportation.

The freight transport was also negatively impacted by Covid-19 pandemic. It faced not only a decline in demand but also complications in international transportation including numerous safety and hygienic measures. Decrease of performance in most transported commodities of ČD Cargo was fully in line with industry economic development and with restrictions of the flow of goods from / to China and throughout Europe. Loss of revenues from freight transportation was approximately 1,1 billion CZK and was partially eliminated by expansion of ČD Cargo brand abroad. Negative impact of lost revenues was reduced as well by a number of austerity measures aiming primarily at more effective use of operational capacities and labour productivity boost. In the financial statements for year 2020 the provision of 72 million CZK was created to finalize the process of human resource optimization.

Following the expected impact of the Covid-19 pandemic, the Parent Company created a provision for onerous contracts in the amount of CZK 291 million in 2020. The provision was created for the otherwise uncompensated impact of the Covid-19 pandemic in 2021, therefore exclusively for contracts in regional transportation concluded in the net regime (the risk of revenues is borne by the carrier).

In addition, the Group has adopted and implemented cost-saving measures to mitigate the effects of the crisis caused by the COVID-19 disease. Since the end of April 2020 in connection with the cutting personnel costs, the Group introduced a partial unemployment scheme for selected employees according to the Section 209 of the Labour Code and concluded an agreement with the state to receive a contribution to cover partially personnel costs paid by the Company under the partial unemployment scheme (Antivirus program) in the amount of CZK 173 million.

The Parent Company quickly and in a structured manner implemented the requirements of the authorities for both customers and employees and developed effective hygiene and safety plans, all while ensuring the continuous railway operations. The Group's employees are obliged to use respiratory protection and to actively inform passengers about this requirement. The health of the employees and passengers is a top priority.

Restrictions on economic activity and the development of the Covid-19 pandemic in the Czech Republic weakened the Czech crown exchange rate, which resulted in increase of financial exchange losses, primarily due to the revaluation of euro bonds. Most of the Company's liabilities in foreign currency are hedged against exchange rate fluctuations through appropriate derivatives. Impact of revaluation of unsecured part of bonds to the net financial exchange losses was CZK 337 million in 2020.

Impairment test is usually performed on annual basis. As at 31 December 2020, the Group reviewed whether there were any new impairment indicators present due to the uncertainty caused by Covid-19. No further significant adjustment to the Company's accounting estimates has been deemed necessary. Possible future impacts on the valuation of individual assets and liabilities are analysed on an ongoing basis.

2. Significant Accounting Policies

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

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

The accounting policies used in the preparation of these financial statements are presented below. Accounting policies are consistent in the reporting period with the accounting policies used in previous periods, if not stated otherwise.

The preparation of consolidated financial statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying accounting policies. Areas with a high degree of judgment or complexity, or areas with assumptions or estimates significant for these financial statements are described in the Note 4.

The going concern basis of the entity
At the time of approval of the financial statements, the Group's management has a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. Therefore, these financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classifications of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

2.3. Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Parent Company and entities it controls (its subsidiaries). Control is achieved when the Group has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

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

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

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

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

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

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies 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 the owners of the Company.

2.4. Business combinations
Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values at the acquisition date of assets transferred by the Group, the Group's liabilities arising against the former owners of the acquiree and the shares issued by the Group in exchange for control in the acquiree. Acquisition-related costs are recognized in profit or loss when incurred.

Identifiable assets acquired and liabilities assumed are recognised at their fair value, with the following exceptions:

- deferred tax assets or liabilities, and assets and liabilities related to arrangements of the employee benefits are recognized and measured in accordance with IAS 12 Income Taxes, or IAS 19 Employee Benefits, respectively,
- liabilities or equity instruments related to share-based payments agreements in the acquiree, or agreements on share-based payments of the Group replacing the share-based payment arrangements in the acquiree are measured at the acquisition date in accordance with IFRS 2 Share-based Payment.

Goodwill is measured as the excess of the consideration transfer of the amount of any non-controlling interests in the acquiree and the fair value of any Group's previously held equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed, measured at the date of acquisition. If, after reassessment, the share of the fair value of the identifiable net assets of the acquiree exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any Group's previously held equity interest in the acquiree, the amount of surplus is immediately recognized in profit or loss as a bargain purchase gain.

Non-controlling interests, which represent current ownership interests of third parties and entitle the holders to the proportionate share of the acquiree's net assets in case of liquidation may be initially measured at fair value or at proportionate share of non-controlling interest on the recognized identifiable net assets acquired. The measurement basis can be selected individually for each specific acquisition. Other types of non-controlling interests are measured at fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and becomes part of the consideration transferred in a business combination. Changes in fair value of contingent consideration classified as changes within the "measurement period" shall be made retrospectively with a corresponding adjustment to goodwill. Changes within the "measurement period", are changes that arise from additional information obtained during the "measurement period" (which may not exceed one year from the acquisition date) about facts and circumstances that existed as at the acquisition date.

Subsequent accounting for changes in the fair value of contingent consideration, that cannot be considered as changes within the measurement period, depend on the classification of contingent consideration. Contingent consideration that is classified as equity is not remeasured at the date of the subsequent financial statements and its subsequent payment is charged to equity. Contingent consideration classified as an asset or liability is revalued at the date of the subsequent financial statements in accordance with relevant standards IFRS 9 Financial Instruments or IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Related gains or losses are recognized in profit or loss.

If the business combination is achieved in stages, the shares in the acquired entity, previously owned by the Group, are revalued to fair value at the acquisition date (i.e. the date when the Group acquires control) and any resulting gain or loss is recognized in profit or loss. Amounts related to holding shares in the acquiree before the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, if such an approach was appropriate in the event of the sale of these shares.

If the initial accounting for a business combination is not finalised by the end of the reporting period in which the combination took place, the Group presents the outstanding item at their provisional amounts. Provisional amounts are adjusted during the "measurement period" (see above) or additional assets and liabilities are captured, in order to reflect new information obtained about new facts and circumstances that existed at the acquisition date and which, if it were known, affected the amounts provided at that date.

2.5. Revenue recognition

2.5.1. Revenue from contracts with customers

In the first phase, all contracts with customers are analysed in order to identify obligations towards the customer. Subsequently, the transaction price is determined and, in case of several identified performance obligations, is allocated according to their relative standalone selling prices. Consequently, revenue is recognised at the appropriate amount for each performance obligation at a certain point in time or over time of the contract term (it may be recognised over several reporting periods). Revenues are reported net of value added tax and are further reduced by expected returns from customers, rebates and other similar discounts.

Revenue from the sale of services is recognised at the time when the service was provided, or on linear basis throughout the period of time, if the services are provided by an undetermined number of actions during the determined period. The received payment is initially recognised as a contract liability that is subsequently released to revenue as a service is provided to a customer.

Revenue related to transportation services is recognised in the period in which services are provided taking into account a stage of completion of the service contract (e.g. validity period of long-term travel documents).

In contrast to domestic one, international transportation also includes the settlement process of receivables and payables to foreign carriers and sellers of international tickets. In some cases, such settlements may be delayed by a few months. For this reason, the revenue is accrued for as at the time the service is provided based on the information available to the Group.

In addition to selling tickets and similar documents, a significant part of revenue from transportation includes revenue from the usage of passenger cars in the RIC mode („Regolamento Internazionale delle Carrozze", based on the Convention for the Reciprocal Use of Wagons in International Traffic), with the settlement once a year. Therefore, in this case revenue is also recognised based on the estimate.

Revenues from ordering parties such as the Ministry of Transport and regions are key revenues and are included in the passenger transportation segment. These revenues are accounted monthly in accordance with annually approved orders and volume of services provided.

Revenue from the sale of goods or inventories is recognized when goods or inventories are transferred to a customer, who obtains control of an asset, i.e. when goods or inventories are delivered and received by a customer.

Revenue from domestic and international freight transportation is recognised when the service is rendered taking into account the stage of completion of an individual transaction determined by the actual number of days/kilometres of transportation spent/covered in the reporting period relative to the total number days/kilometres of transportation. Transaction price has a fixed and variable considerations. The fixed part represents the transaction price without consideration of fees and penalties. The variable component exists in the form of fees and penalties associated with the failure of the Group to fulfil the contractual obligation in relation to customers i.e. breach of timetable, damages to the transported goods, etc. In case of the variable component, the revenue is recognised to the extent to which it is highly probable that the revenue will not be subject to reversal in future.

2.5.2. Other income

Dividend income is recognized when there is a right to receive payment and the receipt of such payment is probable.

Interest income is recognised when it is probable that the economic benefits will flow into the Group and the amount of income could be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

2.6. Lease

2.6.1. The Group as a lessee

At the commencement of a contract, the Company assesses whether it is a lease contract or contains a lease. The Company recognises the right-of-use asset and a corresponding lease liability in respect of all lease contracts in which the Company is a lessee, except of short-term leases (with a lease term of 12 months or less and containing no purchase options) and low-value asset lease (such as laptops and personal computers, small items of office furniture and phones). For these leases, the Group recognizes lease payments as operating expenses on a straight-line basis over the term of a lease, unless there is no other systematic basis that better reflects the timing of consumption of a leased asset.

At the commencement date, the lease liability is initially measured at the present value of lease payments to be made over the lease term that are not yet paid at that date. The lease payments shall be discounted using the interest rate implicit in a lease or, if this rate is not available, incremental borrowing rate should be used.

Lease payments included in the measurement of a lease liability includes the following:

- fixed lease payments less any receivables from lease incentives;
- variable lease payment that are based on an index or a rate, initially measured using an index or rate as at the commencement date;
- amounts expected to be payable by the Company as guaranteed residual value;
- exercise price of a purchase option if the lessee is reasonably certain that the option will be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising this option.

Leases liabilities are presented within the statement of financial position in line of Loans, borrowings and lease liabilities.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and reducing the carrying amount to reflect the lease payments made.

The lease liability must be remeasured (and the related right-of-use asset must be adjusted accordingly), if:

- there is a change in a lease term or if there is a material event or change in circumstances that led to a change in the assessment of an option to purchase the underlying asset. In such a case, the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.
- there is a change in lease payments resulting from a change in an index or a rate or change in the amounts expected to be payable under guaranteed residual value. In this case, the lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate.
- a lease contract is modified, and the modification is considered to be a separate lease. In this case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using the revised discount rate as at on the effective date of the modification.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date after deduction of any lease incentives received and also includes initial direct costs. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

The right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease, or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation begins at the commencement of the lease (at the date the asset is available for use by the Group).

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group uses IAS 36 to determine whether the right-of-use assets is impaired and accounts for any identified impairment losses as described in the policy 2.12 Property, plant and equipment policy.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of--use assets. Related payments are recognized as expenses in the period in which the event or condition that gives rise to those payments occurs and are presented in Other operating expenses in the statement of profit or loss.

As a practical expedient, IFRS 16 allows a lessee not to separate non--lease components from lease components and instead to account for each leasing component and any associated non-lease components as a single arrangement. The Group did not use this practical expedient. For contract that contains a lease component and one or more other lease or non-lease components, the Group allocates the contract consideration to each lease and non-lease component based on the relative stand-alone price of a given component.

2.6.2. The Group as a lessor

Leases in which the Company is a lessor are classified as finance or operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset to lessees are classified as finance leases. All other leases are classified as operating leases.

If the Group is the intermediate lessor, it accounts for the main lease and the sublease as two separate contracts. Subleases are classified as finance leases or operating leases by reference to the right-of-use asset arising from the principal lease.

In an operating lease, income is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and concluding an operating lease are included in the carrying amount of the leased asset and are expensed on a straight-line basis over the term of the lease.

Amounts due from lessees under finance leases are recognised as receivables in the amount of the Group's net investment in the leases.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment.

After initial measurement, the Group regularly assesses the estimated unguaranteed residual value and applies impairment conditions in accordance with IFRS 9. In case of impairment indicators, the Group recognizes a provision for expected credit losses from lease receivables.

Income from financial leasing is calculated based on the gross value of lease receivables, except for credit financial assets, for which interest income is calculated on the basis of their accrued value, i.e. after deducting the loss provision.

2.6.3. Sale and leaseback

A sale and leaseback transaction includes the sale of an asset and subsequent lease-back of the same asset. Lease payments and the sale prices are usually interdependent because they are negotiated in the same transaction. The accounting treatment of a sale and leaseback transaction depends on the type of leasing, which is part of this transaction.

If the leaseback is a finance lease, the lessor provides the lessee with cash and the leased asset as a security of the loan. For this reason, the proceeds from a sale exceeding the asset's carrying amount is not considered as income. The Group recognises proceeds as a financial liability (debt), which, together with interest, is amortised by lease payments.

According to IFRS 16, the Group does not reassess sale and leaseback transactions entered before the date of initial application to determine whether the transfer of the underlying asset met the criteria of IFRS 15 in order to be accounted for as a sale.

2.7. Foreign currencies

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. Given the economic substance of transactions and the environment in which the Group operates, the presentation currency used in the consolidated financial statements is the Czech crown (CZK). The Czech crown is also the functional currency of the Parent Company.

Transactions denominated in foreign currencies are recorded at the fixed exchange rate announced by the Czech National Bank. If the current exchange rate does not change significantly over time, the Group uses the exchange rate announced on the first day of the period for a longer period of time– usually one month. At the date of the consolidated financial statements, monetary items denominated in foreign currencies are translated to Czech crowns at the Czech National Bank exchange rate as at that date. Non-monetary items that are measured at historical cost in a foreign currency are not translated.

Exchange differences are recognised in profit or loss, except for exchange differences on transactions entered into in order to hedge certain foreign currency risks. Such foreign exchange rate differences are recognised directly in other comprehensive income and reclassified to profit or loss when the hedged underlying item is settled.

For the purposes of presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries and associates are denominated in CZK using exchange rates prevailing at the date of preparation of the consolidated financial statements. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in the consolidated statement of comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.8. Borrowing costs

Borrowing costs directly attributable to 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 the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9. Government grants

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

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

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

2.10. Employee benefit costs

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

Employee benefit liabilities and provisions reported in the consolidated statements of the financial position represent their present value. Additions to these liabilities and provisions are expensed after the services, which entitle the employee to such benefits, have been provided.

The provision for long-term employee benefits is recognised in the present value of the future cash outflows used to settle those obligations. The discount rate used is a market rate of return on government bonds at the balance sheet date, as there is no developed market for high quality corporate bonds denominated in Czech crowns. The currency and terms of these bonds are consistent with the currency and terms of the corresponding other long-term benefits. The value of this provision is determined annually based on reports prepared by independent qualified actuaries. Gains or losses arising from changes in actuarial assumptions for post-employment benefits at retirement are included in other comprehensive income: changes in the provision for other benefits are recognised in profit or loss.

2.11. Taxation

The income tax includes current tax and deferred tax.

2.11.1. Current tax

Current tax calculation is based on taxable profit for the year. The taxable profit differs from the profit reported in the consolidated statements of profit or loss as it does not include 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 is calculated using tax rates that have been enacted by law or announced by the end of the reporting period.

2.11.2. Deferred tax

Deferred tax is recognised based on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used to calculate taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

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

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

2.11.3. Current tax payables and deferred tax for the period

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

2.12. Property, plant and equipment

Property, plant and equipment are carried at cost less impairment and by accumulated depreciation in case of property and equipment. Freehold land is not depreciated.

Assets 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 recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, applying the straight-line method. Freight rolling stock is depreciated using the component depreciation. Freight wagons and traction vehicles without components are depreciated to the estimated residual value. Components of these freight railway vehicles are depreciated based on their performance, according to the actual kilometres ran. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

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 passenger 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 the type of components (periodical repairs – major, significant and overhaul). The average period of depreciation is six years.

2.13. Investment property

Investment property, namely property held to earn rental income and/or for capital appreciation (including property under construction for future use as investment property), is initially measured at cost, including transaction costs associated with its acquisition. Subsequent to initial recognition, the Group measures its investment property using the cost model; the carrying amounts are decreased by accumulated depreciation and impairment.

2.14. Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives of assets. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

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

2.15. Goodwill

Goodwill is initially measured at the amount corresponding to the difference between the consideration increased by value of any non-controlling interest and fair value of any previously held interest and net amount of identifiable assets acquired and the liabilities assumed. Goodwill arising on the acquisition of subsidiaries is included in intangible assets. After initial recognition, goodwill is stated at cost less accumulated impairment losses. Recognised goodwill is tested for impairment. This test is performed at least once a year or more often if there are indicators of a possible impairment of goodwill. At the acquisition date, goodwill is allocated to those cash-generating units that are expected to benefit from the synergies resulting from the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are substantially independent of cash inflows from other assets. The impairment of goodwill is set by determining the recoverable amount of those cash-generating units to which goodwill has been allocated. If the recoverable amount of such cash-generating unit is lower than its carrying amount, an impairment is recognised. Recognised goodwill impairment losses cannot be reversed later. In case of a partial sale of a cash-generating unit to which goodwill has been allocated, the carrying amount of goodwill related to the sold part of the cash-generating unit is included in profit or loss on disposal. The amount of derecognised goodwill is determined based on the relative values of the sold part of the cash-generating unit in comparison with the part that remains in the Group's ownership.

2.16. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated in order to determine the amount of possible impairment. When it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are also allocated to individual cash-generating units, if reasonable and consistent basis of allocation can be determined. Otherwise, corporate assets are allocated to the smallest group of cash-generating units for which it is possible to determine a reasonable and consistent basis for allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least once a year and when there is any indication that the asset might be potentially impaired.

The recoverable amount is equal to the higher of fair value less cost to sell and value in use. When assessing value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which have not been adjusted with estimates of future cash flows.

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

If the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated of its recoverable amount while ensuring that the increased carrying amount does not exceed the carrying amount that would have been determined in previous years if no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

2.17. Investments in joint ventures and associates

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

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the decisions relating to relevant activities of the entity into which the investment was made, but it is not control or joint control over such entity. In this case, the Group ordinarily controls 20-50% of voting rights.

The economic results, assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements by using the equity method. Under the equity method, investments in joint ventures and associates on initial recognition are carried at cost in the consolidated statement of financial position and are subsequently adjusted for the Group's share of profit or loss and other comprehensive income of the associate or joint venture. If the Group's share of losses of the associate or joint venture exceeds the Group's investment in the associate or joint venture, the Group will stop to show its share of further losses. Additional losses are recognised only when the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group will stop using the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held-for-sale. If the Group retains an interest in the former associates and joint ventures and the retained share is a financial asset, the Group recognises all the retained interest at fair value at that date and the fair value is considered fair value on initial recognition for a financial asset in accordance with IFRS 9. The difference between the carrying amount of the former associate or joint venture at the date of termination of use of the equity method and the fair value of the retained interest in the former associate or joint venture is included when determining the gain or loss on the sale of associate or joint venture. The Group also accounts for all amounts recognised in other comprehensive income in relation to that former associate or joint venture in the same way as if the associate or joint venture directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by an associate or a joint venture have been reclassified to profit or loss upon 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 it terminates the use of the equity method for that investment.

The Group continues to apply the equity method when the investment in an associate becomes an investment in a joint venture or if an investment in a joint venture becomes an investment in an associate. These changes in ownership do not trigger revaluation to fair value. If the Group reduces its ownership interest in an associate or joint venture, but continues to use the equity method, then the previously recognised portion of the gain or loss in other comprehensive income is reclassified to the profit or loss, should the gain or loss be reclassified into profit or loss at the sale of the related assets or liabilities.

If the Group's entities trade with a joint venture or an associate of the Group, profits or losses arising from those transactions with joint venture or associate are recognised in the consolidated financial statements of the Group to the extent of interest in a joint venture or an associate that does not belong to the Group.

2.18. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. The net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Inventory is mainly held for own use rather than for re-sale.

2.19. Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

In cases when some or all of the expenditure required to settle a provision are expected to be reimbursed by another party, an asset is recognized when it is certain that the reimbursement will be received by the Group and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised valid expectations in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures triggered by the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

A provision can be used only for expenditures for which the provision was originally recognised. Change in a provision is recognised in profit or loss for a specific expense category; the unused portion of the provision is recognised in Other operating income.

Current liabilities arising from onerous contracts are recognized and measured as provisions. Onerous contract is understood as a Group's contract under which the unavoidable costs of meeting obligations under the contract exceed the envisaged economic benefits expected to be received under such a contract. The costs of fulfilling the contract include both the incremental costs of fulfilling the contract and the allocation of other costs that are directly related to fulfilling a contract.

2.20. Financial instruments

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities other than those measured at fair value through profit or loss are added upon initial recognition to the fair value of financial assets or deducted from the fair value of financial liabilities, respectively. The exceptions are transaction costs that are directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss which are recognised immediately in profit or loss.

Financial assets are classified into the following three categories: financial assets at amortised cost, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. The classification depends on the Group's financial assets management and the nature of the contractual cash flows of the particular financial asset.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or as financial liabilities measured at amortised cost.

2.20.1. Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts expected future cash inflow/outflow (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) with the exception for expected credit losses through the expected life of the debt instrument, to their gross amortised cost at initial recognition.

Income and expenses are recognised on an effective interest rate basis for debt instruments other than financial assets and liabilities classified as at fair value through profit or loss and financial assets at fair value through other comprehensive income.

2.20.2. Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include equity investments not held for trading. The Group holds equity investments that are not traded on an active market in these assets. Dividend income from equity investments is recognised in profit or loss when the Group's right to receive the dividends is established.

Dividends on equity instruments are recognised in profit or loss when the Group has a right to receive dividends.

2.20.3. Financial assets at amortised cost

Loans and receivables (including bank balances) are financial assets held within the business model whose objective is to collect contractual cash flows that are solely payments of the principal and interest on the outstanding principal. Hence, the Group measures these assets at amortised cost applying the effective interest method less any impairment. These assets are recognised when the cash, goods or services are provided directly to the debtor by the Group with no intention of trading the receivable.

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

2.20.4. Financial assets at fair value through profit or loss

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

The Group reports in this category financial derivatives presented under other financial assets.

Financial assets measured at fair value through profit or loss are at the end of each reporting period measured at fair value and all corresponding fair value gains or losses are recognized in profit or loss to the extent that they are not part of the hedging relationship (see the hedge accounting policy). The method of determining fair value is described in Note 36.3.

2.20.5. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for expected credit losses as at the asset recognition.

Full model (3 stage impairment model): the financial asset is initially categorised within Stage 1, where credit loss allowance is recognised at an amount equal to 12-month expected credit losses. During the useful life of an asset, the Group considers whether there is no significant increase in credit risk. If the increased risk is identified, the financial asset is reclassified to Stage 2, where the credit loss allowance is recognised at a lifetime expected credit loss. In the case of a counterparty default, such asset is reclassified to Stage 3, where interest income on financial assets is recognised at amortised cost less impairment, applying the initial effective interest rate.

For the purpose of determining expected credit losses, the Group applies the simplified approach in accordance with IFRS 9, which allows the assessment of the lifetime expected loss for all short-term trade receivables as well as short-term receivables from financial leases.

The simplified model is applied for current trade receivables not containing a significant financing component. The Group recognises the allowances for receivables assessed on a portfolio basis based on the impairment matrix including historical inputs reflecting future expectations.

For receivables assessed on an individual basis, the Group considers the following factors that affect the debtor's ability to meet its obligations:

- 30 and more days past due date
- Forward looking information
- Knowledge of a customer (e.g. advance payments)
- Payment habits.

The Group considers potential impairment of cash and cash equivalents to be immaterial due to high-quality credit-ratings of cooperating banks confirmed by the external investment rating.

Based on historic experience, the Group uses the following criteria for determining the credit default of the counterparty:

- If information gathered from external sources indicates that the debtor will not be able to pay its creditors in full (bankruptcy, insolvency proceedings)
- If the financial asset is more than 90 days past due and the Group has no evidence that the delay in payments is not sufficient criteria for default determination.

2.20.6. Derecognition of financial assets

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

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

Upon derecognition of an asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. Upon derecognition of an investment in an equity instrument, that the Group recognizes at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

2.20.7. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as financial liabilities at fair value through profit or loss when they are either available for sale or designated as measured at fair value through profit or loss.

This category includes financial derivative instruments recognised under other financial liabilities.

Financial liabilities at fair value through profit or loss are measured at fair value, with any resulting gain or loss on changes in fair value being recognized in profit or loss (unless they are part of a designated hedging relationship - see hedge accounting policies). The fair value is determined as described in Note 36.3.

2.20.8. Financial assets measured at amortised cost

Financial liabilities not classified as held-for-sale or designated as financial liabilities at fair value through profit or loss are subsequently measured at amortised cost applying the effective interest method.

2.20.9. Derecognition of financial liabilities

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

2.20.10. Derivative financial instruments

The Group enters into a variety of financial derivative contracts to manage its exposure to interest rate, currency and commodity risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

Derivatives that do not meet the criteria for hedging derivatives are recorded by the Group at fair value through profit or loss.

2.20.11. Hedge accounting

The Group designates certain hedging instruments as either fair value hedges, or cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Since the inception, the Group documents and monitors on an ongoing basis, whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. The Group monitors the hedge ratio, sources of ineffectiveness and credit risk impact. Hedge accounting corresponds to the Group's risk management strategy. Under IFRS 9, the Group recognises the time value of a commodity option separately from basis spreads from cross-currency interest rate swaps as hedge expenses.

If a hedging relationship ceases to meet the hedge effectiveness requirement associated with the hedging ratio, but the risk management objectives for that hedging relationship remain the same, the Group adjusts the hedging ratio for that hedging relationship (i.e. rebalances the hedging) to meet the required criteria.

2.20.12. Cash flow hedges

The effective part of changes in the fair value of financial derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedging reserve. Under IFRS 9, the Group recognises hedge accounting expenses separately, where the criteria of expenses recognition through other comprehensive income are met. The gain or loss relating to the ineffective part is recognised immediately in profit or loss.

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

Hedge accounting is discontinued only when the hedging relationship no longer qualifies for hedge accounting (fully or partially), after considering any rebalancing of the hedging relationship or when the hedging instrument expires or is sold, terminated, or exercised. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedging reserve at that time remains in equity and is remeasured through profit or loss when the forecast transaction is recognised.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedging reserve is remeasured immediately through profit or loss.

2.20.13. Financial derivatives held for trading

All derivative transactions that the Group concludes are acquired on economic terms for hedging purposes, but some of them are not classified as hedging instruments for formal reasons.

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

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

3. Adoption of New and Revised International Financial Reporting Standards

3.1. Standards and interpretations effective for the annual period ended 31 December 2020

During the year ended 31 December 2020, the following standards, amendments and interpretations became effective:

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 – Definition of a Business	1 January 2020
IAS 1, IAS 8 – Amendments to IAS 1 and IAS 8 – Definition of 'Material'	1 January 2020
IFRS 9, IFRS 7, IAS 39 – Amendments to IFRS 9, IFRS 7 and IAS 39 Interest Rate Benchmark Reform	1 January 2020
IFRS 16 – COVID-19 Related Rent Concessions	1 January 2020
Various IFRS - Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

The adoption of the abovementioned standards, amendments and interpretations during the period did not have a significant impact on the disclosures or amounts presented in these financial statements.

The amendment to IFRS 9, IFRS 7 and IAS 39 issued following the interest rate benchmark reforms concerns the hedge accounting requirements in the period before the reforms were enacted. It applies to all hedging relationships that are directly affected by the interest rate benchmark. The hedging relationship is directly affected, if the reform causes uncertainty about the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument. This amendment has no impact on the Group's financial statements. Although the Group has entered into interest rate hedging transactions with the PRIBOR rate hedged, all these transactions will be terminated during 2021 and as at 31 December 2020 the settlement rates are already fixed.

3.2. Standards and interpretations used prior to the effective date

The Group has applied the Amendment to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract before its effective date (effective for annual periods beginning on or after 1 January 2022) for the newly created provision for onerous contracts. The Amendment to IAS 37 specifies that the 'costs of fulfilling' a contract comprises the costs that relate directly to the contract. When creating a provision for onerous contracts, among these costs the Group includes incremental costs of fulfilling a contract (e.g. direct labour costs, material consumption) as well as the allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of depreciation charge for items used in fulfilling the contract). This early application of the Amendment to IAS 37 has no impact on the opening balances of equity as at 1 January 2020.

3.3. Standards and interpretations issued but not yet used

As at the date of the financial statements, the following standards and interpretations were published but were not yet effective or used by the Group before its effective date.

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 - Reference to the Conceptual Framework	1 January 2022*)
IFRS 4 - Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9	1 January 2021
IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	1 January 2021
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 17 - Amendments to IFRS 17 Insurance Contracts	1 January 2023*)
IAS 1 - Amendments to IAS1 - Classification of Liabilities as Current or Non-current	1 January 2023*)
IAS 16 - Amendments to IAS 16 - Proceeds before Intended Use	1 January 2022*)
Various standards - Annual Improvements to IFRS Standards 2018-2020	1 January 2022*)

*Standards, amendments and interpretations that were not yet approved for the use in the EU

The management of the Group expects that the adoption of these standards, amendments and interpretations will not have a significant impact on the Group in the following periods.

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, the 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 key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are given in the following notes.

4.1. Key sources of uncertainty

4.1.1. 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 with indefinite useful lives or 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 depending on the development of the current situation and the availability of information. Impairment of property, plant and equipment is disclosed in Note 15.1.

4.1.2. Provisions for legal disputes and business risks

The Group is involved in a number of regulatory, 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. Information regarding legal disputes is disclosed in Notes 27 and 35.1.

4.1.3. Leasing – discount rate and rental period

The Group measures the initial lease liability at the present value of the lease payments that should be discounted using the implicit interest rate. Since the Group is unable to determine this rate reliably, it uses its incremental borrowing rate as the discount rate. While determining it, the coverage of lease collateral and the length of the lease contracts were considered.

In addition, the Group uses an estimate to determine the lease term of contracts concluded for indefinite period. This estimate was made with respect of the period and circumstances of the termination of individual contracts. The Group has determined the estimated lease term of indefinite duration contracts at 5 years, due to following reasons:

- the Group operates under the medium-term plan for a period of 5 years,
- considering past experience, there is sufficient assurance that these leases will not be terminated by the Group.

In addition, each significant contract is also assessed separately based on the individual contract provisions, the economic situation on the market of the asset, as well as the past experience with the lessor, and thus the lease terms is adjusted accordingly.

Contracts with SŽ for the lease of premises at railway stations are concluded for individual areas (7 large framework contracts). When measuring individual leased premises under the same contract, the Group used aggregation into larger valuation units under the framework contracts because of the insignificance of these individual rental premises. Due to the fact that these contracts were concluded with SŽ for 50 years, they are considered in the same way as contracts for an indefinite period and the estimated lease term is therefore set at 5 years for the purposes of lease valuation.

4.2. Judgements

4.2.1. Payments from the public service orderers

The Group receives compensation from regional budgets and the Ministry of Transport's budget for railway transportation as the provision of public services. The Group also receives compensation from the budget of Ministry of Transport for the provision of transport services at discounted prices for selected groups (students, pensioners). The Group recognises the compensation as revenue from contracts with customers. In case of payments from the ordering party, the essence of the relation is the order of transport services in the given location. This service is provided by the Group regardless number of persons using the passenger transport service. The compensation is not a subsidy, because the contract for the provision of transport services is competed among a number of entities interested in providing that service. Only the company which wins the tender obtains the compensation. Another type transaction occurs in case of preferential prices for different categories of customers (students, pensioners), when the customer uses the service (passenger transportation) and pays only part of its price and the remaining part is paid by the third party (the state). It is not a subsidy, but rather a discount provided to the population groups and not an economic incentive to influence the behaviour of companies in a particular way.

5. Segment Information

5.1. Activities that generate revenue for reportable segments

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

- Passenger transportation – other information on rail passenger transportation is disclosed in Note 6;
- Freight transportation – other information on rail freight transportation is disclosed in Note 6;
- Property management – the segment provides the administration and operations of real estate owned by the Group, including internal and external leases.

5.2. Segment revenues and expenses

An analysis of the Group's results from continuing operations by reportable segments, in the format in which the report is presented to management of the Group, is presented below.

2020

(CZK million)	Passenger transport	Freight transport	Property management	Total of reportable segments	Others *)	Elimination **)	Total
Revenue							
Revenue from passenger transportation	5,907	-	-	5,907	-	(6)	5,901
Revenue from freight transportation	-	11,008	-	11,008	-	-	11,008
Revenue from the orderers	15,449	-	-	15,449	-	-	15,449
Revenue from the sale of products and other services	449	1,258	356	2,063	5,575	(3,555)	4,083
	21,805	**12,266**	**356**	**34,427**	**5,575**	**(3 561)**	**36,441**
out of which revenues from external customers outside the Group:							
Revenue from passenger transportation	5,901	-	-	5,901	-	-	5,901
Revenue from freight transportation	-	11,008	-	11,008	-	-	11,008
Revenue from the orderers	15,449	-	-	15,449	-	-	15,449
Revenue from the sale of products and other services	205	1,187	311	1,703	2,380	-	4,083
	21,555	**12,195**	**311**	**34,061**	**2,380**	**-**	**36,441**
Purchased consumables and services							
Traction costs	(2,472)	(1,169)	-	(3,641)	-	8	(3,633)
Payment for the use of the railway infrastructure	(1,612)	(883)	-	(2,495)	-	2	(2,493)
Consumption of material, energy and services	(5,216)	(3,506)	(341)	(9,063)	(3,452)	3,036	(9,479)
	(9,300)	**(5,558)**	**(341)**	**(15,199)**	**(3,452)**	**3,046**	**(15,605)**
Employee benefit costs							
Payroll costs	(6,812)	(3,248)	(124)	(10,184)	(1,018)	287	(10,915)
Social security and health insurance	(2,242)	(1,045)	(48)	(3,335)	(332)	92	(3,575)
Other social costs and employee benefit costs	(289)	(224)	(7)	(520)	(50)	18	(552)
	(9,343)	**(4,517)**	**(179)**	**(14,039)**	**(1,400)**	**397**	**(15,042)**
Depreciation and amortisation	(5,259)	(2,056)	(85)	(7,400)	(413)	82	(7,731)
Impairment ***)	139	(229)	29	(61)	16	(1)	(46)
Other operating income	411	636	106	1,153	454	(334)	1,273
Other operating expenses	(1221)	(620)	(68)	(1,909)	(88)	82	(1,915)
Profit/(Loss) on operating activities	**(2,768)**	**(78)**	**(182)**	**(3,028)**	**692**	**(289)**	**(2,625)**
Financial expense	(1,770)	(269)	(22)	(2,061)	(50)	67	(2,044)
Financial income	571	71	18	660	15	(82)	593
Profit/(Loss) before tax	**(3,967)**	**(276)**	**(186)**	**(4,429)**	**657**	**(304)**	**(4,076)**
Income tax expense	-	28	-	28	(81)	(6)	(59)
Profit/(Loss) for the period from continuing operations	**(3,967)**	**(248)**	**(186)**	**(4,401)**	**576**	**(310)**	**(4,135)**
Profit/(Loss) for the period	**(3,967)**	**(248)**	**(186)**	**(4,401)**	**576**	**(310)**	**(4,135)**

*) The 'Others' column includes income and expense of all subsidiaries apart from Group ČD Cargo, as well as income and expenses of parent company which do not belong to Passenger transportation and Property management segments.
**) The 'Elimination' column includes eliminations of intragroup relations.
***) Impairment includes losses from impairment of property, plant and equipment, investment property, assets held for sale and receivables, write-off of inventories to the net realizable value.

2019

(CZK million)	Passenger transport	Freight transport	Property management	Total of reportable segments	Others *)	Elimination **)	Total
Revenue							
Revenue from passenger transportation	10,398	-	-	10,398	-	(5)	10,393
Revenue from freight transportation	-	11,787	-	11,787	-	-	11,787
Revenue from the orderers	14,230	-	-	14,230	-	-	14,230
Revenue from the sale of products and other services	467	1,250	351	2,068	5,637	(3,459)	4,246
	25,095	**13,037**	**351**	**38,483**	**5,637**	**(3,464)**	**40,656**
out of which revenues from external customers outside the Group:							
Revenue from passenger transportation	10,393	-	-	10,393	-	-	10,393
Revenue from freight transportation	-	11,787	-	11,787	-	-	11,787
Revenue from the orderers	14,230	-	-	14,230	-	-	14,230
Revenue from the sale of products and other services	199	1,180	314	1,693	2,553	-	4,246
	24,822	**12,967**	**314**	**38,103**	**2,553**	**-**	**40,656**
Purchased consumables and services							
Traction costs	(2,886)	(1,276)	-	(4,162)	-	9	(4,153)
Payment for the use of the railway infrastructure	(1,820)	(1,006)	-	(2,826)	-	2	(2,824)
Consumption of material, energy and services	(5,273)	(3,429)	(303)	(9,005)	(3,445)	3,068	(9,382)
	(9,979)	**(5,711)**	**(303)**	**(15,993)**	**(3,445)**	**3,079**	**(16,359)**
Employee benefit costs							
Payroll costs	(6,977)	(3,277)	(149)	(10,403)	(966)	265	(11,104)
Social security and health insurance	(2,295)	(1,068)	(48)	(3,411)	(316)	90	(3,637)
Other social costs and employee benefit costs	(309)	(218)	(8)	(535)	(55)	43	(547)
	(9,581)	**(4,563)**	**(205)**	**(14,349)**	**(1,337)**	**398**	**(15,288)**
Depreciation and amortisation	(4,853)	(1,855)	(170)	(6,878)	(413)	100	(7,191)
Impairment ***)	(18)	77	(24)	35	1	1	37
Other operating income	490	339	538	1,367	299	(253)	1,413
Other operating expenses	(338)	(336)	(19)	(693)	(89)	51	(731)
Profit on operating activities	**816**	**988**	**168**	**1,972**	**653**	**(88)**	**2,537**
Financial expense	(1,255)	(315)	(8)	(1,578)	(59)	49	(1,588)
Financial income	497	118	28	643	14	(22)	635
Profit before tax	**58**	**791**	**188**	**1,037**	**608**	**(61)**	**1,584**
Income tax expense	-	(183)	-	(183)	(81)	(5)	(269)
Profit for the period from continuing operations	**58**	**608**	**188**	**854**	**527**	**(66)**	**1,315**
Profit for the period	**58**	**608**	**188**	**854**	**527**	**(66)**	**1,315**

*) The 'Others' column includes income and expense of all subsidiaries apart from Group ČD Cargo, as well as income and expenses of parent company which do not belong to Passenger transportation and Property management segment.
**) The 'Elimination' column includes eliminations of intragroup relations.
***) Impairment includes losses from impairment of property, plant and equipment, investment property, assets held for sale and receivables, write-off of inventories to the net realizable value.

6. Revenue

6.1. Breakdown of revenue

(CZK million)	2020	2019
Revenue from contracts with customers		
Revenue from passenger transport - fare	5,901	10,393
Domestic passenger transport	*4,509*	*7,509*
International passenger transport	*1,392*	*2,884*
Revenue from passenger transport - payments from public service orderers	15,449	14,230
Payment from the state budget	*4,272*	*4,266*
Payment from the regional budgets	*11,177*	*9,964*
Revenue from freight transport	11,008	11,787
Revenue from domestic freight transport	*3,964*	*4,217*
Revenue from foreign freight transport	*7,044*	*7,570*
Revenue from freight transport - Germany	*2,338*	*2,385*
Revenue from freight transport - Austria	*1,018*	*886*
Revenue from freight transport - Slovakia	*858*	*1,048*
Revenue from freight transport - Poland	*724*	*1,095*
Revenue from freight transport – other countries	*2,106*	*2,156*
Other revenue from freight transport *)	541	527
Other revenue from domestic freight transport	*411*	*352*
Other revenue from foreign freight transport	*130*	*175*
Other transportation related services	182	181
Sale of other services	2,571	2,755
Sale of other services recognised over time	*2,571*	*2,755*
Sales of telematics services	*1,472*	*1,539*
Sales of railway testing services	*546*	*569*
Sales of other own services	*553*	*647*
Commission for mediation of purchases of diesel and spare parts	25	8
Commission from ticket sales and other transactions at cash desks	2	6
Total revenue from contacts with customers	**35,679**	**39,887**
Rental income		
Rental income	762	769
Total revenue	**36,441**	**40,656**

*) Other revenue from freight transport include mainly revenues from services performed in railway stations, additional services and siding services.

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

The Group provides transport services in public railway transport for a stated (rectified) price and assures transport services in the specified categories of passenger trains on the railway network of the Czech Republic. The scope of these services and the compensation (revenue of the Group) are specified in contacts with the state and regional authorities. The payment from the ordering party - the state is limited by the volume of financial resources that were determined by the state budget to cover the provable losses in railway passenger transport.

In 2020, the Parent Company operated long-distance transport under public service contracts concluded with the Ministry of Transport of the Czech Republic. The decisive volume of services was provided under a newly concluded contracts valid from 15 December 2019 for a period of 10 years.

Since the 2020/21 timetable, the Company has operated a total of 22 long-distance transport lines on the basis of 5 public service contracts. On the contrary, one line (including the original two long-distance transport lines) from 13 December 2020 within the so-called 'split' was again acquired and operated by competing railway carriers. České dráhy, a.s. no longer provides these services.

In regional transportation, most contracts have been concluded and valid since 2020, in which it was therefore necessary to focus great attention on their proper performance. So far, 38 new contracts have been concluded with the regions. The vast majority of newly concluded contracts were implemented in the regime of so-called market consultation and subsequent direct assignment. An exception is the contract with the South Moravian Region, which was concluded within the standard tender procedure, and the contract with the Pilsen Region for the P2 operating set, which will, however, not be effective until December 2021.

Most of year 2020 is associated with the covid-19 pandemic and subsequent crisis measures. In the area of regional transportation, steps and measures were taken promptly, which partially helped reducing economic losses caused mainly by the decline in passenger numbers. Due to the fact that contracts concluded for 2020 (totally, partially or during the year) with some regions (Olomouc, South Moravian, Ústí nad Labem, Zlín, Liberec and Pilsen Regions) were in the gross regime, where the risk of sales is borne by the region, the economic effects of the drop in revenues from passengers on ČD were eliminated in these regions. However, it must be noted that regional transportation is significantly less dependent on revenues from passengers than long-distance transportation, and conversely – is significantly more dependent on payments from ordering parties, so compared to its magnitude, the impact of the decline in passenger revenues on this passenger transportation segment was not so critical, as in case with long-distance transportation.

Although the Parent Company has lost some operational units in regions since 2020, this year's transport performance for regions was higher by 0.27% compared to 2019. While in the past, most contracts with regions were concluded for ten years, now the situation in regions is different. In 2020, no contract concluded by Parent Company with regions was terminated.

Significant transactions with the main customers with state participation are stated in Note 31.6.

6.2. Contract liabilities and refund liabilities

The Group recognises the following contract liabilities and refund liabilities (see also Note 29) related to revenue from contracts with customers:

(CZK million)	31 Dec 2020	31 Dec 2019
Contract liabilities related to revenue from contracts with customers		
Prepaid products – i.e. kilometric bank, annual ticket	142	203
Prepayments received	85	61
Contract liabilities from telecommunication services	172	183
Other contract liabilities	38	44
Total contract liabilities	**437**	**491**

(CZK million)	31 Dec 2020	31 Dec 2019
Refund liabilities		
Liabilities from rebates and claims	29	27
Other refund liabilities	33	10
Total refund liabilities	**62**	**37**

6.2.1. Revenues from contractual liabilities

(CZK million)	2020	2019
Revenues included in the opening balance of contractual liabilities		
Revenue from passenger transportation - fare	188	174
Sale of other services	244	238
Commission from ticket sales and other transactions at cash desks	-	1
Total	**432**	**413**

6.2.2. Remaining contract liabilities

Passenger transport services are usually completed within a few hours and paid for just before the service is provided. In the case of prepaid tickets, a contract liability is recognized. As at 31 December 2020, the Parent Company has concluded more than 40 contracts with public service orderers (Ministry of Transport and Regions). The validity of these contracts varies from 1 to 15 years individually. According to these contracts, the Parent Company is obliged to provide transport services to the specified extent. For this service, the Parent Company is entitled to a fixed remuneration which will be recognised as an income. The ordering parties usually pay a fixed amount based on the payment schedule. If the services provided by the Group exceed the payment, the receivable is recognized due to the fact that the performance is unconditional, and only the passage of time is required before the payment is due. Receivables are usually due within 15-30 days. If payments exceed the services provided, a liability is recognized.

The Group does not disclose the allocated transaction price under practical expedient from IFRS 15. Transport revenue is disclosed in Note 6.1.

7. Other Operating Income

(CZK million)	2020	2019
Gain from disposal of property, plant and equipment and investment property	170	584
Profit from disposal of redundant assets	167	131
Compensations for shortage and damage	89	138
Contractual penalties and default interest	30	34
Dividends received	3	2
Foreign exchange gains - operational	477	196
Release of provisions	24	100
Release of allowance for trade receivable	-	67
Release of write-off of inventory to net realizable value	7	-
Other	313	228
Total other operating income	**1,280**	**1,480**

The category ‚Other' includes mainly revenue from litigation, revenue from subsidies, revenue from special trains and from the operation of cable car.

8. Cost of Services, Raw Materials and Energy

(CZK million)	2020	2019
Traction costs	(3,633)	(4,153)
Traction fuel (diesel)	*(1,333)*	*(1,622)*
Traction electricity	*(2,300)*	*(2,531)*
Payment for the use of railway route	(2,493)	(2,824)
Other services, raw materials and energy	(9,479)	(9,382)
Consumed material	*(1,700)*	*(1,522)*
Consumed other energy	*(420)*	*(418)*
Consumed fuel	*(58)*	*(73)*
Repairs and maintenance	*(1,162)*	*(812)*
Travel costs	*(182)*	*(207)*
Telecommunication, data and postal services	*(306)*	*(287)*
Other lease costs	*(69)*	*(97)*
Lease of rail vehicle	*(564)*	*(578)*
Transportation charges	*(1,859)*	*(1,835)*
Rail replacement bus service	*(135)*	*(165)*
Services of dining and sleeping carriages	*(113)*	*(183)*
Services associated with the use of buildings	*(301)*	*(277)*
Operational cleaning of rail vehicles	*(455)*	*(374)*
Border area services	*(520)*	*(685)*
Advertising and promotion costs	*(130)*	*(189)*
Commission for the sale fares paid to other carriers, resellers	*(47)*	*(151)*
Infrastructure capacity allocation	*(85)*	*(82)*
Operation, maintenance and other IT-related services	*(113)*	*(110)*
Performances of fire brigade service	*(1)*	*(4)*
Services in the field of ecology	*(45)*	*(43)*
Other services	*(1,214)*	*(1,290)*
Total cost of services, raw materials and energy	**(15,605)**	**(16,359)**

Other services include mainly training costs, preventive health care, consulting, expert opinions, commission costs for representation abroad and other services.

Other services also include audit and non-audit services provided by the PwC network companies. Total remuneration for these services is presented below:

(CZK million)	2020	2019
Statutory audit of annual financial statements	(5)	(4)
Other non-audit services	(5)	(11)
Total	**(10)**	**(15)**

9. Employee Benefit Costs

(CZK million)	2020	2019
Payroll costs	(10,652)	(10,929)
Severance pay	(182)	(94)
Statutory social security and health insurance	(1,049)	(1,078)
Contributions to pension schemes	(2,526)	(2,559)
Other social costs	(476)	(487)
Other staff costs	(157)	(141)
Total staff costs	**(15,042)**	**(15,288)**

Other social costs include mainly meal allowances. Other staff costs include mainly allowances for health recovery stays or remuneration to the members of the statutory bodies. In 2020, item Payroll costs was reduced by a subsidy from the state within the Antivirus program in the amount of CZK 173 million.

10. Depreciation and Amortisation

(CZK million)	2020	2019
Depreciation of property, plant and equipment	(6,584)*	(6,090)
Depreciation of investment property	(26)	(24)
Depreciation of right-of-use assets	(821)	(855)
Amortisation of intangible assets	(300)	(222)
Total depreciation and amortisation	**(7,731)**	**(7,191)**

*In Note 15, the net book value of disposed assets amounted to CZK 61 million in 2020 is recorded in addition to depreciation.

In 2020, depreciation of CZK 43 million was allocated to the item Depreciation of property, plant and equipment, which relates to the allocation of costs of creation of a provision for onerous contracts.

11. Other Operating Expenses

(CZK million)	2020	2019
Impairment losses on receivables	(29)	-
Impairment losses on property, plant and equipment, investment property and assets held for sale	(24)	(30)
Costs of contractual fines and default interest	(5)	(43)
Taxes and fees	(22)	(23)
Insurance	(199)	(177)
Foreign exchange losses - operational	(436)	(182)
Shortages and damages	(77)	(40)
Expenses for uniforms and personal protective equipment	(40)	(42)
Provision for legal disputes relating to other operating expenses	(697)	-
Lump sum payments to employees	(17)	(17)
Other expenses	(422)	(207)
Total other operating expenses	**(1,968)**	**(761)**

Other expenses mainly include costs related to tax returns from last year, costs from assigned and written-off receivables and compensation for damages.

12. Financial Expenses

(CZK million)	2020	2019
Interest on bank overdrafts and loans	(26)	(14)
Interest on issued bonds	(746)	(804)
Interest on lease liabilities	(170)	(228)
Other interest	(176)	(150)
Less: amounts included in the cost of a qualifying asset	32	16
Unwinding of the discount reserve	(5)	(6)
Foreign exchange losses - financial	(879)	(350)
Bank charges	(11)	(11)
Other financial expenses	(63)	(41)
Total financial expenses	**(2,044)**	**(1,588)**

The capitalisation rate of interest costs in 2020 is 2.00% p. a. (2019: 2.00 % p. a.).

13. Financial Income

(CZK million)	2020	2019
Foreign exchange income – financial	510	482
Profit from the sale of securities	1	-
Interest received	71	110
Other financial income	4	7
Total other financial income	**586**	**599**

14. Income Tax

14.1. Income tax recognised in profit or loss

(CZK million)	2020	2019
Tax for the current year recognised in the statement of profit and loss	(99)	(212)
Deferred tax recognised in the statement of profit and loss	41	(56)
Other	(1)	(1)
Total income tax expense related to continuing operations	**(59)**	**(269)**

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

(CZK million)	2020	2019
Profit/(loss) for the period before tax	**(4,076)**	**1,584**
Statutory tax rate on corporate income in the Czech Republic	19 %	19 %
Expected income tax expense	**774**	**(301)**
Adjustments:		
Effect of the unrecognised deferred tax asset	730	764
Deferred tax asset not recognized in the current period	(1,231)	(730)
Impact of different tax rates in other countries	(6)	13
Tax allowance for research and development not included in the accounting for deferred tax	4	10
Tax non-deductible expenses – release of provision for the fine from the Office for Protection of Competition	-	23
Tax non-deductible expenses - shortages and damages	(8)	(3)
Tax non-deductible payroll expenses	(30)	(34)
Tax non-deductible expenses - fines	(176)	-
Other tax non-deductible items, net	(24)	(4)
Income tax related to previous periods	(92)	(7)
Income tax recognised in profit or loss	**(59)**	**(269)**

14.2. Income tax recognised in other comprehensive income

(CZK million)	2020	2019
Revaluation of financial instruments recognised as cash-flow hedges	13	(10)
Total income tax recognised in other comprehensive income	**13**	**(10)**

14.3. Deferred tax

(CZK million)	Non-current assets	Provisions	Leases	Receivables	Derivatives	Borrowing cost	Other	Total
Balance as at 1 Jan 2019 – calculated	**(421)**	**167**	**(806)**	**43**	**(21)**	**-**	**116**	**(922)**
Balance as at 1 Jan 2019 – recognised	**(1 356)**	**149**	**(572)**	**22**	**6**	**-**	**107**	**(1 644)**
- of which liability	*(1,375)*	*135*	*(575)*	*21*	*6*	*-*	*115*	*(1,673)*
- of which receivable	*19*	*14*	*3*	*1*	*-*	*-*	*(8)*	*29*
Deferred tax recognised in profit or loss:	11	3	(46)	(11)	-	-	(13)	(56)
- of which current changes	*(29)*	*(1)*	*(65)*	*(13)*	*-*	*-*	*18*	*(90)*
*- of which impairment *)*	*40*	*4*	*19*	*2*	*-*	*-*	*(31)*	*34*
Deferred tax recognised in other comprehensive in-come	-	-	-	-	(10)	-	-	(10)
- of which current changes	*(2)*	*-*	*-*	*-*	*(10)*	*-*	*(102)*	*(114)*
*- of which impairment *)*	*2*	*-*	*-*	*-*	*-*	*-*	*102*	*104*
Revaluation	-	-	-	-	-	-	(20)	(20)
Balance as at 31 Dec 2019 – calculated	**(452)**	**166**	**(871)**	**30**	**(31)**	**-**	**12**	**(1,146)**
Balance as at 31 Dec 2019 – recognised	**(1,345)**	**152**	**(618)**	**11**	**(4)**	**-**	**74**	**(1,730)**
- of which liability	*(1,352)*	*142*	*(618)*	*11*	*(4)*	*-*	*73*	*(1,748)*
- of which receivable	*7*	*10*	*-*	*-*	*-*	*-*	*1*	*18*
Deferred tax recognised in profit or loss:	40	15	(56)	8	-	15	19	41
- of which current changes	*278*	*99*	*(43)*	*4*	*-*	*183*	*21*	*542*
*- of which impairment *)*	*(238)*	*(84)*	*(13)*	*4*	*-*	*(168)*	*(2)*	*(501)*
Deferred tax recognised in other comprehensive in-come	-	-	15	-	(2)	-	-	13
- of which current changes	*3*	*(1)*	*15*	*-*	*75*	*-*	*-*	*92*
*- of which impairment *)*	*(3)*	*1*	*-*	*-*	*(77)*	*-*	*-*	*(79)*
Revaluation	-	-	-	-	-	-	-	-
Balance as at 31 Dec 2020 – calculated	**(171)**	**264**	**(899)**	**34**	**44**	**183**	**33**	**(512)**
Balance as at 31 Dec 2020 – recognised	**(1,305)**	**167**	**(659)**	**19**	**(6)**	**15**	**93**	**(1,676)**
- of which liability	*(1,309)*	*161*	*(659)*	*19*	*(6)*	*15*	*91*	*(1,688)*
- of which receivable	*4*	*6*	*-*	*-*	*-*	*-*	*2*	*12*

*) Decrease of deferred tax asset recognized in the balance sheet (directly or indirectly as items decreasing deferred tax liabilities) to its recoverable value

Unrecognised deferred tax assets amounted to CZK 1,205 million as at 31 December 2020, CZK 583 million as at 31 December 2019 and CZK 723 million as at 1 January 2019.

With regards to the low expected future taxable profit the utilisation of deferred tax assets is uncertain. Therefore, when the calculated net position of the deferred tax as at the balance sheet date results in a deferred tax asset, the Parent Company recognizes this asset at nil value.

15. Property, Plant and Equipment

(CZK million)	Land	Constructions	Equipment	Vehicles*)	Components	Assets under construction	Prepayments	Total
Cost								
Balance as at 1 Jan 2019	5,697	14,686	4,696	97,170	24,957	2,055	222	149,483
Additions	34	219	233	2,850	4,002	877	1,024	9,239
Disposals	(39)	(84)	(152)	(1,883)	(4,253)	(76)	(98)	(6,585)
Reclassification**	(1)	97	74	135	127	(548)	-	(116)
Balance at 31 Dec 2019	**5,691**	**14,918**	**4,851**	**98,272**	**24,833**	**2,308**	**1,148**	**152,021**
Additions	3	182	204	2,194	3,957	2,015	465	9,020
Disposals	(42)	(67)	(91)	(521)	(2,634)	(143)	76	(3,422)
Reclassification**	2	37	51	36	266	(817)	-	(425)
Balance at 31 Dec 2020	**5,654**	**15,070**	**5,015**	**99,981**	**26,422**	**3,363**	**1,689**	**157,194**
Accumulated depreciation and impairment								
Balance as at 1 Jan 2019	67	8,082	3,393	52,324	14,826	444	-	79,136
Depreciation	-	333	262	3,126	2,369	-	-	6,090
Creation of an allowance	26	15	7	348	-	9	-	405
Release of an allowance	-	-	(8)	(367)	-	-	-	(375)
Disposals	-	(64)	(149)	(1,787)	(4,118)	-	-	(6,118)
Reclassification**	-	(36)	4	(23)	(3)	-	-	(58)
Balance as at 31 Dec 2019	**93**	**8,330**	**3,509**	**53,621**	**13,074**	**453**	**-**	**79,080**
Depreciation	-	334	277	3,213	2,775	3	-	6,602
Creation of an allowance	6	-	7	452	-	4	-	469
Release of an allowance	(28)	(2)	(7)	(408)	-	-	-	(445)
Disposals	-	(51)	(85)	(498)	(2,627)	-	-	(3,261)
Reclassification**	-	(23)	4	3	(7)	(3)	-	(26)
Balance as at 31 Dec 2020	**71**	**8,588**	**3,705**	**56,383**	**13,215**	**457**	**-**	**82,419**
Net book value								
Balance as at 1 Jan 2019	5,630	6,604	1,303	44,846	10,131	1,611	222	70,347
Balance as at 31 Dec 2019	5,598	6,588	1,342	44,651	11,759	1,855	1,148	72,941
Balance as at 31 Dec 2020	5,583	6,482	1,310	43,598	13,207	2,906	1,689	74,775

*) Vehicles purchased under leaseback agreements are disclosed within "Vehicles". Their net book value is CZK 2,655 million as at 31 December 2020 and CZK 2,969 million as at 31 December 2019. Amount of these leaseback liabilities is disclosed in Note 26. Group's liabilities related to leaseback agreements are pledged by ownership rights for the leased assets.
**) Reclassifications predominantly include transfers of asset items between individual groups (IAS 16, IAS 40).

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

	Number of years
Constructions	20 – 50
Vehicles	
Locomotives	*20 – 30*
Passenger cars	*20 – 30*
Freight wagons (without components)	25 – 33
Components	2 – 15
Optical fibres	25
Machinery and equipment and other	8 – 20

The most significant additions from 1 January 2019 to 31 December 2020 include the acquisition and modernization of rolling stock as part of the renewal of the Parent Company's fleet. Due to the long--term nature of acquisition of this type of assets, significant balances are presented in the assets under construction. In 2020, the Parent Company provided an advance payment of 538 million for the supply of 19 EMU160 electrical units. In 2019, the Parent Company provided an advance payment of CZK 1,114 million for the purchase of new EMU160 railway rolling stock and an advance of CZK 447 million for the equipment of electric locomotives with ETCS mobile parts.

In 2020, the largest additions to Vehicles at ČD Cargo, a.s. were repairs of type R and D (components) of railway traction vehicles in the amount of CZK 778 million, technical improvement of railway traction vehicles in the amount of CZK 407 million, overhaul repairs (components) of freight wagons in the amount of CZK 323 million. Further, during the accounting period the ČD Cargo Group acquired 247 new Eanos freight wagons in the amount of CZK 447 million, 40 new Sgg (m) rrs - innowagon (Innofreight technology) freight wagons in the amount of CZK 107 million, 3 traction vehicles of 753.6 series in the amount of CZK 127 million, wheelsets (components) for freight wagons in the amount of CZK 198 million, new wagon body component in the amount of CZK 94 million, technical inspections (components) for freight wagons in the amount of CZK 73 million.

Significant additions in the field of telematics include the construction of new optical routes or their extension throughout the Czech Republic in the total amount of CZK 45 million, as well as purchase of geometric plans to mark the serviceability of the Railway high-speed transmission networks in the total value of CZK 69 million.

In 2018, the Parent Company received a "Promise to provide a subsidy" of CZK 857 million for the renewal of the vehicle fleet for the Pilsen Region. In 2020, this promise was reduced by CZK 214 million and the Parent Company received a subsidy in the amount of CZK 643 million.

As at 31 December 2020, the Parent Company maintains a "Promise to provide a subsidy" of CZK 398 million for electrical units for the Pilsen and Karlovy Vary regions, of CZK 120 million for series 440 electrical units and of CZK 77 million for ETCS units.

During 2020, the ČD Cargo Group used part of the received subsidy advance for the implementation of the European Train Control System (ETCS) installed for locomotives of 742, 363 and 163 series; in total of CZK 100 million.

The Group leases to external entities some of its assets which are not currently used for its activities. The most significant leased assets are buildings and land of the Parent Company and vehicles (especially freight wagons and several traction vehicles) of ČD Cargo, a.s. The carrying amount of these leased assets is shown in the table below.

(CZK million)

Net book value	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019
Land	2,917	2,929
Constructions	1,135	1,122
Vehicles	1,617	1,480
Total	**5,669**	**5,531**

15.1. Impairment loses recognised in the reporting period

15.1.1 Asset impairment analysis

Passenger rail transport

As at the balance sheet date, the Group assessed whether there were any indications of impairment of non-financial assets. Due to the negative effects of the Covid-19 pandemic, the Parent Company's management concluded that impairment indicators exist for vehicles, in particular railway vehicles (locomotives, passenger cars, other railway vehicles) and other stand-alone movables used to operate passenger rail transport. This group of assets is tested for potential impairment as a one cash-generating unit.

The Parent Company determined the recoverable amount of the cash--generating unit as the value in use. Value in use was determined based on the present value of future cash flows per cash-generating unit for the next ten years. The ten-year period reflects the assumptions for short- to medium-term market development and was chosen to achieve the stable business outlook necessary to calculate perpetual value. Cash flows beyond the ten-year period have been extrapolated using steady growth rate. This growth rate is in line with the long-term average growth rate for the sector in which the Parent Company operates (passenger transportation).

The calculation of future expected cash flows is based on an estimate of revenues, direct and indirect operating costs and expenses for the acquisition of fixed assets for the period 2021-2030. Revenues from the sale of services are projected on the basis of the expected collection of fares and the contracted payments from public service orderers (the state and regions), according to the expected return to 'normal' after the period affected by Covid-19 and also according to the expected compensation from the state.

Operating costs are estimated based on the current structure of the Company and adjusted for expected development and cost-saving measures in the area of operating and personnel costs. Capital expenditures are based on the historical experience of the Parent Company's management, the planned development of passenger transport and commitments arising from contracts with public service orderers. In general, the projections of the above-mentioned components of expected future cash flows take into account the expected economic development, competition and other market factors, regulation, as well as the Company's strategy.

The discount rate reflects of risk specific to the cash-generating unit as assessed by the Parent Company's management. The basis for calculating the discount rate is the weighted average cost of capital (WACC) calculated based on the Capital Asset Pricing Model (CAPM). To calculate the recoverable amount, the estimated cash flows expressed in fair values were discounted using a discount rate of 7%.

The expected growth rate is derived from the expected future development of the market, gross domestic product, the level of wages and interest rates and the expected economic growth of the country. A growth rate of 2% was used to calculate the recoverable amount.

An analysis performed as at 31 December 2020 confirmed that the recoverable amount of the cash-generating unit exceeds its carrying amount by CZK 11,826 million.

Sensitivity analysis of impairment tests
As part of testing the recoverable amount of non-current assets of a cash-generating unit, a sensitivity analysis of the test results to changes in selected significant parameters of the model used was performed: expected future cash flows, the discount rate used for calculating the present value of future cash flows and the growth rate.

The recoverable amount of the cash-generating unit would equal its carrying amount, had the key assumptions been/ changed as follows:

- using the discount rate of 7.69% with other parameters remain unchanged
- using the growth rate of 1% with other parameters remain unchanged
- expected future cash flows according to the model by 18% with other parameters remain unchanged.

Freight transport
ČD Cargo also assessed asset impairment indicators in connection with the covid-19 pandemic impact. Primarily assets used in the core business have been tested, i.e. the locomotive and wagon fleet that was tested as one cash-generating unit. As part of impairment testing, the market value of these assets was compared with their carrying amount. The freight wagons' market value was determined on the basis of an expert opinion of a sample of vehicles from each interval. The locomotives' market value was determined by comparing the operational and technical parameters of the locomotive series with the most similar new locomotive currently traded on the market. The model confirmed that the market value of these assets significantly exceeds their carrying amount.

15.1.2 Other impairment losses
Furthermore, based on physical observation and internal analyses, the Parent Company identified non-asset assets for which there is significant doubt about their future usability. The value in use of 680 series tilting trains (Pendolino) and 380 series locomotives is estimated to be close to their fair value less the costs of disposal. Therefore, the recoverable amount of these railway vehicles was determined regardless of the cash-generating unit to which they belong. An impairment loss was recognized for these items in the amount of the difference between the carrying amount and the estimated recoverable amount. These assets are reported in the Passenger Transport segment.

The non-current assets item with the most significant impairment are the 680 series tilting trains (Pendolino). Amount of the impairment was CZK 415 million as at 31 December 2020, CZK 443 million as at 31 December 2019 and CZK 471 million as at 31 December 2018. In 2013, the impairment was determined on the basis of an independent expert's opinion reflecting the market value less costs of disposal. In 2020, the updated expert opinion did not indicate a decrease in value, hence there was no further impairment loss in 2020. Other assets with significant impairment are 380 series locomotives. The impairment of these assets is determined in the amount of inflationary increase in value based on the contract with the supplier in the amount of CZK 522 million as at 31 December 2020, in the amount of CZK 544 million as at 31 December 2019 and CZK 567 million as at 31 December 2018.

Impairment losses are included in Other operating expenses and their reversal in Other operating income within the statement of profit and loss.

Since 2010 in the area of acquisition and modernization of railway rolling stock in accordance with Regional Operational Programs (ROP), ČD completed in individual regions 19 grant project plans in the amount of more than CZK 7.6 billion.

As at 31 December 2020, based on findings of audit body of Ministry of Finance and its quantified correction, the Parent Company recorded an increase in the acquisition price of assets under construction in the amount of CZK 336 million and an increase in the acquisition price of vehicles in the amount of CZK 43 million. As at 31 December 2019, the Company recorded an increase in the acquisition cost of assets under construction in the amount of CZK 379 million. In 2020, a subsidy of CZK 43 million was returned on the basis of the ROP Moravia payment order. At the same time, an impairment loss of rolling stock in the amount of CZK 379 million as at 31 December 2019 and 31 December 2020 was recoded.

15.2. Pledged assets

The Group does not have any pledged assets as at 31 December 2020.

15.3. Unused immovable assets

In Property, plant and equipment, the Group records assets of CZK 351 million which are currently unused. These are primarily vacant buildings. The Group anticipates selling these assets in the future, but it has not classified these assets as held for sale, as they have not yet complied with the criteria set out in IFRS 5.

16. Investment Property

The value of investments in real estate:

(CZK million)	2020	2019
Balance at the beginning of the year	606	611
Additions from subsequent capitalised expenses	5	11
Disposal annual depreciation	(26)	(24)
Disposals	(13)	(6)
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	70	15
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	(25)	-
Increase/(decrease) in impairment loss	4	(1)
Balance at the end of the year	**621**	**606**

(CZK million)	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019	Balance as at 1 Jan 2019
Cost	**1,409**	**1,362**	**1,313**
Accumulated depreciation and impairment	(788)	(756)	(702)
Net book value	**621**	**606**	**611**

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

The estates are located around the railway route, in train stations and depots of rail vehicles. The Group applies market approach to determine the fair value of its land and income approach to determine the fair value of its buildings.

When calculating the fair value of a building in the first step, the annual rental income from the building is calculated as a multiple of the size of a property, occupancy by the particular type of premises and external annual rent in accordance to individual type of premises. In the second step, the fair value of the building is calculated as the annual rental income less the cost of the building during the year and divided by the capitalization rate for the given location (yield). Yield is updated annually based on an expert opinion and is calculated as the sum of net earned revenues (net rent) divided by the sum of achieved market prices of comparable real estate. To determine the fair value of real estates as at 31 December 2020, depending on type of real estate and its location, yield in the range of 6-10% was used.

In respect of land, the fair value is calculated by multiplying the market price for m2 for the specific locality and the size of the land. The market price for m2 is determined each year by the expert based on the latest land price maps.

Investment property fair value estimates amounted to CZK 4,396 million as at 31 December 2020, CZK 4,795 million as at 31 December 2019 and CZK 4,052 million as at 1 January 2019. Investment property is classified as Level 3 in terms of the method of determining fair value.

The Group determines the depreciation method and useful lives of investment property on the same basis as for property included in Constructions (see Note 15).

17. Intangible Assets and Goodwill

(CZK million)	Software	Software licences and other assets	Assets under construction and prepayments	Contractual relations and customer relations	Know - how and trademarks	Total
Cost						
Balance as at 1 Jan 2019	2,520	777	154	189	11	3,651
Additions	182	17	282	-	-	481
Disposals	(21)	-	-	-	-	(21)
Reclassification	56	13	(222)	-	-	(153)
Balance as at 31 Dec 2019	**2,737**	**807**	**214**	**189**	**11**	**3,958**
Additions	170	27	124	-	-	321
Disposals	(8)	-	-	-	-	(8)
Reclassification	143	15	(173)	-	-	(15)
Balance as at 31 Dec 2020	**3,042**	**849**	**165**	**189**	**11**	**4,256**
Accumulated amortisation						
Balance as at 1 Jan 2019	1,911	710	-	39	2	2,662
Amortisation	163	18	-	39	2	222
Disposals	(20)	-	-	-	-	(20)
Balance as at 31 Dec 2019	**2,054**	**728**	**-**	**78**	**4**	**2,864**
Amortisation	225	35	-	39	1	300
Disposals	(8)	-	-	-	-	(8)
Balance as at 31 Dec 2020	**2,271**	**763**	**-**	**117**	**5**	**3,156**
Net book value						
Balance as at 1 Jan 2019	609	67	154	150	9	989
Balance as at 31 Dec 2019	683	79	214	111	7	1,094
Balance as at 31 Dec 2020	771	86	165	72	6	1,100

(CZK million)	Goodwill	Total
Balance as at 1 Jan 2019	141	141
Balance as at 31 Dec 2019	141	141
Balance as at 31 Dec 2020	141	141

The amortisation costs were reported in Depreciation and amortisation line in the statement of profit and loss. The following useful lives were used in the calculation of amortisation:

	Number of years
Software	3 – 10
Software licences	6 – 10
Contractual relations	5
Customer relations	5
Know-how	10
Trademarks	10

Intangible fixed assets of the Parent Company mainly include software used in business activities entitled DISOD, PARIS, APS, In-karta, POP, UNIPOK, IS OPT and KASO.

Intangible assets of ČD Cargo, a.s. include mainly the SAP system and operational business tasks within the PROBIS project. Further, software consists of an information system supporting the activities of a freight carrier, SAP software development, Microsoft Enterprise Agreement license, OPT software, software to support the office agenda and other software used in ČD Cargo, a.s. As at 31 December 2020, the intangible assets of ČD Cargo, a.s. include royalties (licenses) with the total net book value of CZK 44 million. The most significant items are Microsoft infrastructure licenses in the amount of CZK 11 million, licenses for the Modular System in the amount of CZK 11 million and SAP licenses in the amount of CZK 8 million. In 2020, licenses in the total amount of CZK 21 million were activated.

Software additions in 2020 consist mostly of modifications and upgrades of existing software: SAP projects in the amount of CZK 14 million, dispatching software under the Integrated trains project in the amount of CZK 30 million, Altworx software used for tracking and evaluating the use of basic capacities of ČD Cargo, a.s. (operating staff, traction vehicles and freight wagons) in the amount of CZK 12 million, development of the PRIS operational information system in the amount of CZK 16 million.

18. Right-of-use Assets

The Group leases land, administrative premises, railway station buildings, locomotives, wagons, cars and equipment. Lease contracts are usually concluded for a defined period (3 to 15 years). Part of the contracts is concluded for an indefinite period (see Note 4.1.3).

(CZK million)	Land	Premises at railway stations	Administrative buildings	Equipment	Locomotives	Wagons	Other vehicles	Total
Cost								
Balance as at 1 Jan 2019	4	286	1,107	481	1,258	1,044	285	4,465
Additions	-	-	78	128	57	1,620	38	1,921
Disposals	-	-	(111)	-	(330)	(769)	(36)	(1,246)
Change in estimates*)	-	38	11	1	-	-	-	50
Reclassification	-	-	(12)	-	-	(100)	(141)	(253)
Balance as at 31 Dec 2019	**4**	**324**	**1,073**	**610**	**985**	**1,795**	**146**	**4,937**
Additions	-	-	278	126	-	319	866	1,589
Disposals	(3)	(7)	(187)	(131)	-	(781)	(18)	(1,127)
Change in estimates*)	1	37	67	20	32	288	-	445
Reclassification	-	-	(1)	-	(7)	-	-	(8)
Balance as at 31 Dec 2020	**2**	**354**	**1,230**	**625**	**1,010**	**1,621**	**994**	**5,836**
Accumulated depreciation and impairment								
Balance as at 1 Jan 2019	2	91	120	2	178	13	83	489
Depreciation	1	39	153	78	136	411	37	855
Disposals	-	-	(2)	-	(124)	(72)	(17)	(215)
Reclassification	-	-	(12)	-	-	(100)	(44)	(156)
Balance as at 31 Dec 2019	**3**	**130**	**259**	**80**	**190**	**252**	**59**	**973**
Depreciation	1	38	150	115	113	355	49	821
Disposals	(3)	-	(121)	(95)	-	(203)	(14)	(436)
Reclassification	-	-	-	-	(2)	-	-	(2)
Balance as at 31 Dec 2020	**1**	**168**	**288**	**100**	**301**	**404**	**94**	**1,356**
Net book value								
Balance as at 1 Jan 2019	2	195	987	479	1,080	1,031	202	3,976
Balance as at 31 Dec 2019	1	194	814	530	795	1,543	87	3,964
Balance as at 31 Dec 2020	1	186	942	525	709	1,217	900	4,480

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

As a result of reassessment of leasing agreements concluded in previous periods for an indefinite period, ČD Cargo, a.s. updated the lease period estimate for the next years; this impact is stated as a change in the lease term. The rental prices of contracts were also adjusted. The current incremental interest rate was used for reassessment of leases for an indefinite period. The impact of the changes in these contracts was reflected in assets with an increase of CZK 35 million and an increase in liabilities by CZK 33 million.

In 2020, a significant lease agreement was concluded for the lease of freight wagons. Based on the option contained in the contract, they will be repurchased upon termination of the lease. The value of the option is reflected in the value of the asset. The total amount of addition from this contract in 2020 is CZK 833 million.

The right-of-use assets in line with IFRS 16 also include a lease agreement for the lease of storage space in the Lovosice logistics centre. Since this contract generates a loss of approximately CZK 59 million per year for ČD Cargo, a.s., a provision for onerous contracts has been created for this lease contract in the past. As a result of IFRS 16 implementation, this lease was classified as a right-of-use asset. As of 1 January 2019, the value of this right-of-use asset was calculated at CZK 558 million and impaired by an allowance of CZK 409 million. The calculated amount of CZK 149 million was presented in the Cost line in the table above as of 1 January 2019. As of 31 December 2020, the right-of-use asset is disclosed in the net book value of CZK 54 million.

The impairment amount of the above-mentioned right-of-use asset is stated in the amount of estimated net future liability arising from the contract, which was determined as the difference between discounted net estimated revenue and discounted estimated expenditure.

The amounts recognised in the statement of profit and loss:

(CZK million)	**2020**	**2019**
Depreciation of right-of-use assets	(821)	(855)
Interest expense on lease liabilities	(170)	(228)
Expense related to short-term leases	(131)	(138)
Expense related to low-value assets leases	(19)	(8)
Expense related to variable lease payments not included in the measurement of the lease obligation	-	(20)
Return from the sublease of right-of-use assets	-	3

Lease liabilities are disclosed in Note 26.2.

19. Subsidiaries

19.1 Details on co-owned subsidiaries with significant non-controlling interests

Subsidiary	Equity investment held by non-controlling interests*)		Profit attributable to non-controlling interests in CZK million		Accumulated non-controlling interests in CZK million	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
ČD – Telematika a.s.	29.04 %	29.04 %	14	16	580	577

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

(CZK million)

ČD – Telematika a.s.	31 Dec 2020	31 Dec 2019
Non-current assets	1,788	1,801
Current assets	1,831	1,953
Non-current liabilities	488	499
Current liabilities	1,135	1,267
Total equity	1,996	1,988
Equity attributable to owners of the company	1,416	1,411
Non-controlling interests	580	577

(CZK million)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Income	1,775	1,705
Expenses	(1,728)	(1,651)
Profit for the period	**47**	**54**
Profit attributable to owners of the company	33	38
Profit attributable to non-controlling interests	14	16
Total profit	**47**	**54**
Total comprehensive income attributable to owners of the company	33	38
Total comprehensive income attributable to non-controlling interests	14	16
Total comprehensive income	**47**	**54**
Net cash flows from operating activities	(24)	572
Net cash flows from investments activities	(296)	(63)
Net cash flows from financing	(72)	(74)
Total cash flow	**(392)**	**435**

20. Investments in Joint Ventures and Associates

(CZK million)

Entity		Value of investment as at 31 Dec 2020	Ownership percentage as at 31 Dec 2020	Value of investment at 31 Dec 2019	Ownership percentage at 31 Dec 2019
RAILLEX, a.s.	Associate	8	50%	11	50%
BOHEMIAKOMBI, spol. s r.o.	Associate	-	30%	-	30%
Ostravská dopravní společnost, a.s.	Associate	13	50%	11	50%
Ostravská dopravní společnost - Cargo, a.s.	Associate	38	20%	32	20%
JLV, a.s.	Associate	138	38.79%	142	38.79%
Masaryk Station Development, a.s.	Associate	3	34%	3	34%
Total – associates		**200**		**199**	
Smíchov Station Development, a. s.	Joint venture	-	51%	-	51%
Žižkov Station Development, a. s.	Joint venture	-	51%	-	51%
Total – joint ventures		**0**		**0**	
Total – investments in joint ventures and associates		**200**		**199**	

Summary of financial information on associates:

(CZK million)	31 Dec 2020	31 Dec 2019
Total assets	930	902
Of which: non-current assets	366	379
current assets	564	523
Total liabilities	325	316
Of which: non-current liabilities	*78*	*64*
current liabilities	*247*	*252*
Net assets	605	586
Share of the Group in associates' net assets	**200**	**199**

(CZK million)	2020	2019
Total income	1,352	1,670
Profit for the period	33	64
Share of the Group in associates' profit for the period	**7**	**22**

Summary of financial information on joint ventures:

(CZK million)	31 Dec 2020	31 Dec 2019
Total assets	9	14
Of which: non-current assets	9	*8*
current assets	-	6
Total liabilities	11	16
Of which: non-current liabilities	-	-
current liabilities	*11*	*16*
Net liabilities	(2)	(2)
Share of the Group of net liabilities	**(1)**	**(1)**

(CZK million)	2020	2019
Total income	-	163
Profit (loss) for the period	-	28
Share of the Group in associates' profit/(loss) for the period	**-**	**14**

21. Inventories

(CZK million)	31 Dec 2020	31 Dec 2019
Spare parts for machinery and equipment	212	204
Spare parts for rolling stock and locomotives	1,618	1,524
Fuels, lubricants and other oil products	33	36
Work clothes, work shoes, protective devices	258	113
Other	186	139
Total cost	**2,307**	**2,016**
Impairment of inventories to their net realisable value *)	(86)	(93)
Total net book value	**2,221**	**1,923**

*) Amount of the inventories for which the allowance was accounted for is CZK 189 million as at 31 December 2020 and CZK 188 million as at 31 December 2019.

22. Trade Receivables

22.1 Aging of trade receivables

(CZK million)	Category	Not due	Past due date (days) 1-30	31-90	91-180	181-365	Over 365	Total past due date	Total
31 Dec 2020	Gross	3,091	89	63	11	14	197	374	3,465
	ECL provision	(80)	(3)	(3)	(8)	(7)	(197)	(218)	(298)
	Net	**3,011**	**86**	**60**	**3**	**7**	**-**	**156**	**3,167**
31 Dec 2019	Gross	3,182	187	38	8	37	169	439	3,621
	ECL provision	(65)	(2)	(9)	(5)	(31)	(169)	(216)	(281)
	Net	**3,117**	**185**	**29**	**3**	**6**	**-**	**223**	**3,340**

(Information on receivables are disclosed in Note 36.8 Credit Risk Management.

23. Other Financial Assets

(CZK million)	31 Dec 2020	31 Dec 2019
Financial assets in fair value through other comprehensive income*)	421	458
Receivables from finance leases	120	131
Hedging derivatives *)	397	97
Restricted cash	273	160
Total non-current financial assets	**1,211**	**846**
Receivables from finance leases	12	11
Hedging derivatives *)	26	18
Claims for damages and losses	48	57
Restricted cash	113	317
Other	323	34
Total current financial assets	**522**	**437**
Total	**1,733**	**1,283**

*) Hedging derivatives and financial assets in fair value though other comprehensive income are measured at fair value; other financial assets are measured at amortised cost.

As at 31 December 2020, other current financial assets include the expected compensation from the insurance company in the amount of CZK 300 million.

Restricted cash comprises the funds that the Group is obliged to have deposited in special bank accounts and which can be disposed of only if the circumstances with which they are connected are met.

Movement in expected credit loss provision for other financial assets:

(CZK million)	2020	2019
Provision as at 1 January	**24**	**41**
Creation of provision – other financial assets	2	4
Use of provision – other financial assets	(4)	(21)
Expected credit loss provision as at 31 December	**22**	**24**

23.1. Receivables from finance leases

The Parent Company leased the station buildings at Brno – hlavní nádraží (Brno - main railway station) in the form financial lease.

ČD Cargo, a.s. leased the part of the building in the Lovosice logistics center to Mondi Štětí a.s. in the form of finance lease.

Maturity analysis of receivables from leasing payments:

(CZK million)	31 Dec 2020	31 Dec 2019
1st year	30	30
2nd year	30	30
3rd year	30	30
4th year	30	30
5th year	20	30
Over 5 years	383	415
Undiscounted leasing payments	**523**	**565**
Less: unrealised financial income	(391)	(423)
Present value of lease payments receivable	**132**	**142**
Expected credit loss provision	-	-
Net investment in lease	**132**	**142**
In the consolidated statement of financial position as:		
Other current financial assets	*12*	*11*
Other non-current financial assets	*120*	*131*
Total	**132**	**142**

The amounts recognised in the statement of profit and loss:

(CZK million)	2020	2019
Net income from financial lease investments	20	19

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

To measure expected credit losses, finance lease receivables are grouped based on shared credit risk characteristics and past due days. The expected loss rates are based on the payment profiles of the leases before the end of the reporting period and corresponding to the historical credit losses that occurred in that period.

None of the receivables from finance lease at the end of the reporting period is past due and, considering past experience with payment delays and the future prospects of the lessee's operations, of the Parent Company's management considers that no finance lease receivables are impaired.

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

24. Other Assets

(CZK million)	31 Dec 2020	31 Dec 2019
Prepayments	7	4
Other	1	1
Total non-current	**8**	**5**
Prepayments	493	355
Tax receivables - VAT	734	600
Tax receivable – other (except for taxes on corporate income)	10	8
Prepaid expenses	166	181
Subsidies (see Note 15)	30	864
Other	62	20
Total current	**1,495**	**2,028**
Total	**1,503**	**2,033**

25. Equity

25.1. Share capital

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

25.2. Capital contributions

(CZK million)	31 Dec 2020	31 Dec 2021
Share premium	16,440	16,440
Statutory reserve fund	540	498
Cash flow hedging reserve	552	1 026
Hedging costs	(194)	(215)
Fund from valuation of fin. assets at fair value through other comprehensive income	108	122
Actuarial gains and losses	6	-*
Foreign currency translation reserve	(19)	(2)
Other	21	20
Total	**17,454**	**17,889**

* in 2019 recognised under Retained earnings

25.2.1. Statutory reserve fund

(CZK million)	2020	2019
Balance at the beginning of the year	498	443
Allocations to the statutory reserve fund	42	55
Balance at the year-end	**540**	**498**

Allocations to the statutory reserve fund are made in accordance with the Articles of Association of individual Group companies. The statutory reserve fund may only be used to cover losses.

25.2.2 Cash flow hedge reserve

CZK million)	2020	2019
Balance at the beginning of the year	**1,026**	**493**
Revaluation gain/(loss)	(568)	571
Reclassification to profit or loss	81	(28)
Total change in the cash flow hedging reserve	**(487)**	**543**
Related income tax	13	(10)
Balance at the year-end	**552**	**1,026**

The cash-flow hedge 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 carrying amount in the hedged non-financial item in accordance with the relevant accounting policies.

Gains and losses reclassified from equity during the year are presented in Cost of services, raw materials and energy and Financial expense in the statement of profit and loss.

Reclassifications from cash-flow hedge reserve to profit or loss for each of the risk exposures:

(CZK million)

Cross-currency interest rate swaps – hedging of bond funding in EUR with fix-rate	2020	2019
Balance at the beginning of the year	1,002	529
Change in fair value of hedging derivatives	(515)	522
Reclassification to profit or loss	96	(49)
Balance at the year-end	**583**	**1,002**

(CZK million)

Currency forwards and swaps – hedging of future earnings in foreign currencies	2020	2019
Balance at the beginning of the year	13	(18)
Change in fair value of hedging derivatives	44	45
Reclassification to profit or loss	(11)	(7)
Related income tax - change	(6)	(7)
Balance at the year-end	**40**	**13**

(CZK million)

Interest rate swaps – hedging of bonds and lease contracts with a variable rate	2020	2019
Balance at the beginning of the year	(21)	(23)
Change in fair value of hedging derivatives	(2)	-
Reclassification to profit or loss	33	2
Related income tax – change	(9)	-
Balance at the year-end	**1**	**(21)**

(CZK million)

Commodity options – diesel price hedging	2020	2019
Balance at the beginning of the year	-	(15)
Change in fair value of hedging derivatives	-	-
Reclassification to profit or loss	-	15
Balance at the year-end	**-**	**-**

(CZK million)

Commodity forwards – securing prices for the purchase of diesel and traction electricity	2020	2019
Balance at the beginning of the year	32	20
Change in fair value of hedging derivatives	(20)	4
Reclassification to profit or loss	(37)	11
Related income tax - change	13	(3)
Balance at the year-end	**(12)**	**32**

(CZK million)

Lease - securing foreign currency liabilities from IFRS 16 *)	2020	2019
Balance at the beginning of the year	-	-
Change in fair value of lease liability	(75)	-
Reclassification to profit or loss	-	-
Related income tax - change	15	-
Balance at the year-end	**(60)**	**-**

*) The company ČD Cargo, a.s. has decided to apply hedge accounting to foreign currency lease liabilities in accordance with IFRS 16. This involves hedging currency risk with non-derivative instruments from 1 January 2020. The impact of the revaluation of foreign currency liabilities is newly recognized in equity. The impact for the accounting period 2020 was CZK 75 million. Instead of in the statement of profit and loss it is classified within the consolidated statement of comprehensive income of the Group

25.2.3 Hedge accounting expenses

Hedge accounting expenses include accumulated gains and losses from changes in fair value excluded from the hedging derivatives related to the currency base margin of cross-currency interest rate swaps and time value of commodity options.

Changes in the fair value of the underlying currency of a financial instrument in respect of a hedged transaction-related item accumulated in the hedge expense fund are reclassified to profit or loss only when the hedged transaction affects profit or loss or is included as an adjustment to the non-financial hedged item. Changes in the fair value of the underlying currency spread of a financial instrument in respect of a hedged item associated with a time period accumulated in the hedge expense fund are amortized to profit or loss over the hedging relationship.

(CZK million)	2020	2019
Balance at the beginning of the year	(215)	(264)
Hedging expenses	21	49
Balance at the year-end	**(194)**	**(215)**

25.2.4. Foreign currency translation fund

(CZK million)	2020	2019
Balance at the beginning of the year	(2)	(1)
Foreign exchange rate gains or losses arising from translation of foreign operations	(17)	(1)
Balance at the year-end	**(19)**	**(2)**

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.

25.2.5. Fund from measurement of financial assets at fair value through other comprehensive income

Fund from the measurement of financial assets at fair value through other comprehensive income includes the accumulated net change in fair value of financial instruments remeasured through other comprehensive income, after deducting accumulated gains / losses transferred to retained earnings on derecognition.

(CZK million)	2020	2019
Balance at the beginning of the year	122	110
Revaluation	(14)	12
Balance at the year-end	**108**	**122**

26. Loans, Borrowings and Lease Liabilities

(CZK million)	31 Dec 2020	31 Dec 2019
Short-term bank loans	291	-
Lease liabilities	952	836
Liabilities from leaseback	480	601
Overdraft accounts	110	61
Bonds issued	835	1,327
Other received short-term loans and borrowings	30	22
Total short-term	**2,698**	**2,847**
Long-term bank loans	2,434	-
Lease liabilities	3,965	3,593
Liabilities from leaseback	1,020	1,417
Bonds issued	35,385	33,840
Other received long-term loans and borrowings	46	140
Total long-term	**42,850**	**38,990**
Total	**45,548**	**41,837**

Borrowings are initially recognised at fair value less transaction costs. In the subsequent periods borrowings are recognised at amortised cost applying the effective interest rate method. All differences between consideration less transaction costs and the amount of payments are recognised in consolidated statement of profit or loss over the borrowing period.

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

During 2020, ČD Cargo, a.s. entered into three new investment loan contracts with a total credit framework of CZK 3,000 million. As at 31 December 2020, CZK 2,800 million was drawn from this credit framework.

26.1. Bonds issued

Issue date	Nominal value	Maturity in years	Public traded	Coupon	Carrying value as at 31 Dec 2020 CZK million	Carrying value as at 31 Dec 2019 CZK million
5 November 2014	EUR 30 million	10	No	2.875%	787	761
5 November 2014	EUR 150 million	15	No	3.50%	3,934	3,805
3 June 2015	EUR 37.7 million	7	No	1.89%	1,000	969
3 June 2015	EUR 77.5 million	20	No	3.00%	2,063	1,996
25 May 2016	EUR 400 million	7	Yes	1.875%	10,567	10,210
23 May 2019	EUR 500 million	7	Yes	1.50%	13,086	12,634
26 November 2015	CZK 1,000 million	5	No	1.40%	-	999
17 June 2016	CZK 500 million	5	No	1.28%	503	503
29 December 2016	CZK 500 million	7	Yes	1.26%	499	499
20 July 2018	CZK 1,000 million	7	Yes	2.55%	1,009	1,011
17 July 2019	CZK 1,000 million	7	No	2.17%	1,008	1,008
18 November 2019	CZK 770 million	7	No	2.09%	771	772
31 July 2020	CZK 1,000 million	7	No	1.65%	993	-
Total					**36,220**	**35,167**
- of which short term					*835*	*1,327*
- of which long-term					*35,385*	*33,840*

The Group did not breach any of the conditions of the loan agreements in the reporting period.

26.2 Lease liabilities

The Group recognized a lease liability as follows:

(CZK million)	Amount as of 31.12.2020	Amount as of 31.12.2019
Short - term lease liabilities	952	836
Long - term lease liabilities	3 965	3 593
Total lease liabilities	**4 917**	**4 429**

Costs relating to short-term leases and low-value assets leases, that are not included in the above short-term lease liabilities, are included in the statement of profit and loss in Cost of services, raw materials and energy.

Total cash expenditures related to leases in 2020 amounted to CZK 1,981 million, in 2019 to CZK 2,392 million.

The Group is not exposed to significant liquidity risk with respect to leasing liabilities. Leasing liabilities are monitored by the Treasury department. The analysis of the maturity of lease liabilities is disclosed in Note 36.9.1.

27. Provisions

(CZK million)	Balance as at 1 Jan 2019	Creation	Use	Release of unused part	Balance at 31 Dec 2019	Creation	Use	Release of unused part	Balance at 31 Dec 2020
Provision for legal disputes	450	43	327	118	48	746	9	20	765
of which: long-term part	-				-				4
Provision for employees' benefits	425	88	89	-	424	149	135	1	437
of which: long-term part	257				274				251
Provisions for business risks	5	15	-	-	20	7	-	8	19
of which: long-term part	-				-				-
Provision for restructuring	11	4	15	-	-	84	12	-	72
of which: long-term part	-				-				-
Provision for onerous contracts	19	-	-	-	19	291	17	-	293
of which: long-term part	-				-				-
Provision for penalties	-	-	-	-	-	227	-	-	227
of which: long-term part	-				-				-
Other provisions	139	44	29	19	135	478	26	11	576
of which: long-term part	-				-				-
Total provisions	**1,049**	**194**	**460**	**137**	**646**	**1,982**	**199**	**40**	**2,389**
long-term	257				274				255
short-term	792				372				2,134

The provision for employee benefits includes the employees right for a financial contribution for anniversaries, financial contribution upon retirement and payment of medical treatment fees including wages during 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 and loss. Cash flows are discounted to the present value using the discount rate derived from the yield level of 10-year government bonds.

Following the expected impact of the Covid-19 pandemic, the Parent Company created a provision for onerous contracts in the amount of CZK 291 million in 2020. The provision was created for the otherwise uncompensated impact of the Covid-19 pandemic in 2021, therefore exclusively for contracts in regional transportation concluded in the net regime (the risk of revenues is borne by the carrier, i.e. ČD).

Other provisions consist mainly of the provision for compensation for damage caused by a fire in Bohumín, which was created in the amount of an estimated damage. In connection with this provision, the Parent Company recorded an expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2020. The expected compensation is disclosed in Note 23.

27.1 Provision for legal disputes

The Group recognises a provision for legal disputes according to the anticipated results of all ongoing legal disputes and the relating probable cash outflows of the Group.

Proceedings in the matter of alleged abuse of a dominant position on the Prague – Ostrava route

In January 2012 the Office for the Protection of Competition (the "OPC") initiated proceedings against ČD regarding the alleged abuse of ČD's dominant position on the Prague – Ostrava route in the form of inadequately low (predatory) prices in response to the entry of a new competitive railway carrier In November 2016, proceedings were initiated by the European Commission (the "EC") concerning a possible infringement of Article 102 of the Treaty on the Functioning of the European Union (the "TFEU"). The OPC has suspended its investigation due to the initiation of an EU investigation.

In 2020, the EC issued a statement of objections significantly to disadvantage of ČD, with a further possible impact on the resolution of disputes with RegioJet and Leo Express concerning damages in connection with the operation of the Prague - Ostrava route (see Notes 35.1.2 a 35.1.4). The statement of objections is a procedural step in ongoing proceedings, which does not prejudge the final conclusions and the EC's decision in the case.

The management of the ČD has assessed the provision for legal disputes, including the assessment of the probable outcome, which is based on a number of estimates and assumptions as at the date of preparation of the financial statements and is therefore subject to substantial uncertainty. The provision of CZK 700 million was recognized based on the amount of the revenues to which the potential infringement relates, the estimated duration of the potential infringement and the opinion of external advisors on the estimated percentage applied to the relevant revenues in the range of 5 - 10%. The provision amount represents the estimated costs to settle the fine for the alleged infringement and related expenses and constitutes the ČD's management best estimate of the liability. ČD does not expect any compensation from third parties in connection with these proceedings.

As at 31 December 2020 and through the date of these financial statements, no final decision has been received from the EC on this matter. In the opinion of ČD's management, it has not yet been proven that ČD has breached Article 102 TFEU. ČD's intention is to vigorously defend itself in this matter, including all available appeal routes, if necessary.

Sensitivity analysis

The actual costs to settle the potential fine may differ from the estimates and underlying assumptions of ČD's management. In accordance with EU legislation, when determining the amount of a fine for an infringement of the competition rules, the basic amount of the fine is derived from the amount of revenues up to 30%, depending on the degree of gravity of the infringement. However, the amount of the fine shall not in any event exceed 10% of ČD's total turnover for the accounting period preceding the EC's final decision. Should the percentage applied by ČD to the relevant revenues be lower (higher) by 1%, the provision for legal disputes would decrease (increase) by CZK 95 million. Should the duration of a potential infringement be shorter (longer) by one year, the provision for legal disputes would decrease (increase) by CZK 86 million. It is impracticable to determine uncertainties regarding the timing of any possible future outflows. Based on the available information, there is a relatively high probability that the results in the next accounting period will be different from the assumptions used by ČD's management and the provision for legal disputes will require a significant adjustment.

27.2 Provision for penalties

Since early 2014, the Audit Body of the Ministry of Finance of the Czech Republic (the "Audit Body") has been conducting a due audit of operations at ČD 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. Following the audits carried out by the Audit Body, individual Regional Councils of the Cohesion Region issued payment orders in the total amount of CZK 549 million. ČD disagreed with the mentioned orders and appealed against them to the Ministry of Finance. In June 2018, the Ministry of Finance took a decision regarding one case and CZK 272 million payment was reduced to CZK 68 million. ČD lodged an administrative complaint against this decision with a suspensive effect. At the same time one more payment order of CZK 34 million was issued in 2019, so the total amount of payment orders as at 31 December 2019 was CZK 379 million. At the end of 2020 and in the first quarter of 2021, the Ministry of Finance ruled against ČD in six other cases. In these cases, a withdrawal of funds and the filing of an administrative complaint took place. In 2020, a subsidy of CZK 43 million was returned on the basis of the ROP Morava payment order. The remaining appeal proceedings before the Ministry of Finance are still ongoing and therefore the payment orders are not final yet. Thus, ČD was not obliged to pay the payment orders in the remaining cases. At the same time, a penalty payment of 100% was issued for one project, to which an application for deferment of payment was submitted, as well as to which the already filed administrative complaint was extended.

As of 31 December 2020, the Group recognised liability of CZK 336 million (31 December 2019: CZK 379 million) for the partial return of subsidy which is presented in Other liabilities and contract liabilities. As of 31 December 2020, the Company recognised the provision for potential penalties for a breach of budgetary discipline of CZK 227 million. Based on available information, it is impracticable to determine uncertainties regarding the timing of any possible future outflows. ČD does not expect any compensation from third parties in connection to these proceedings.

Information on other litigation is provided in Note 35.1.

28. Other Financial Liabilities

(CZK million)	31 Dec 2020	31 Dec 2019
Finance derivatives *)	64	35
Other	128	149
Total long-term	**192**	**184**
Finance derivatives *)	221	212
Liability arising from supplier loans	1	2
Other	188	235
Total short-term	**410**	**449**
Total	**602**	**633**

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

Three agreements on sale and subsequent lease back of 1,141 vehicles were concluded between ČD Cargo, a.s. and Financial Found, a.s. ČD Cargo has withdrawn from these agreements in line with its terms and at the same time paid remaining lease payments of CZK 146 million. Since Financial Found, a.s. has not agreed with the withdrawal, the payments were returned to ČD Cargo, a.s.' bank account. In order not to perform meaningless money transfers back and forth, ČD Cargo, a.s. informed Financial Found, a.s. that these funds are available and called it to accept the funds. As at today, Financial Found, a.s. has not responded to the call. Simultaneously, Financial Found, a.s. filed a lawsuit with the District Court for Prague 7 to determine the ownership of above mentioned 1,141 vehicles, which has not yet been decided. Financial Found, a.s. also unsuccessfully tried to rewrite the ownership of vehicles at the Railway Office. It means that ČD Cargo, a.s is currently registered as the owner and holder of these vehicles. Due to this, the management of ČD Cargo, a.s. decided to recognise the vehicles as its assets and to account for all related accounting operations (allocation of components, accounting for depreciation etc.). The resulting liability in the amount of CZK 121 million as at 31 December 2020 (amount excluding VAT) forms the most significant part of Other short-term financial liabilities. As at 31 December 2019 this liability was also in the amount of CZK 121 million.

Other short-term financial liabilities as at 31 December 2019 included liabilities of ČD Cargo, a.s concerning the judicial conciliation in the dispute over the price of traction energy collected from the company Správa železnic, s.o., and relating to a settlement agreement on the damage due to Správa železnic, s.o.'s traffic closures pursuant to the court judgment. These liabilities were paid in 2020.

29. Other Liabilities and Contract Liabilities

(CZK million)	31 Dec 2020	31 Dec 2019
Received subsidies	77	48
Other	154	155
Total long-term	**231**	**203**
Advances received	4	3
Payables to employees	1,399	1,383
Liabilities for social security and health insurance	466	472
Tax liabilities - tax withheld from employees	159	161
Tax liabilities - VAT	37	50
Repayment of the subsidies under ROP projects*)	336	379
Contract liabilities	437	491
Refund liabilities	62	37
Subsidies received	180	55
Other	46	213
Total short-term	**3,126**	**3,244**
Total	**3,357**	**3,447**

*) Details of the returned subsidy are given in notes 15.1 and 27.2

In 2016, ČD Cargo, a.s. received subsidy in the amount of CZK 292 million under the grant project for the equipment of the traction vehicles with the on-board part of ETCS European safety system. In 2018, ČD Cargo, a.s. received another part of the subsidy in the amount of CZK 68 million, and simultaneously during 2018 – 2020 spent part of the subsidy for the acquisition of the first prototypes of traction vehicles. The current assumption is that the remaining funds of CZK 174 million as at 31 December 2020 will be used for the supply of prototypes for selected locomotive series in 2021.

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

30. Changes in Liabilities from Financing

Changes in liabilities from financing, namely changes not only from cash flows but also non-monetary changes, are as follows.

(CZK million)	Short-term bank loans	Long-term bank loans	Lease liabilities – short-term	Lease liabilities - long-term	Issued bonds – short-term	Issued bonds – long-terms	Overdraft accounts	Other	Total
Note	26 *)	26 *)	26 *)	26 *)	26 *)	26 *)	26 *)	26 *)	26 *)
Liabilities from financing as at 1 Jan 2019	**-**	**-**	**1,769**	**5,107**	**8,052**	**20,748**	**11**	**83**	**35,770**
Cash-flows from financing	**-**	**-**	**(1,997)**	**527**	**(7,644)**	**14,403**	**50**	**77**	**5,416**
Drawing off loans, borrowings, proceeds from bonds	-	-	-	527	-	14,403	50	105	15,085
Repayments of loans, borrowings and bonds	-	-	-	-	(7,644)	-	-	(28)	(7,672)
Repayment of lease liabilities	-	-	(1,997)	-	-	-	-	-	(1,997)
Non-cash flows									
Effect of exchange rate changes	-	-	-	-	(81)	(337)	-	-	(418)
Reclassification **)	-	-	1,684	(1,684)	1,000	(1,000)	-	-	-
Other non-cash movements	-	-	(19)	1,060	-	26	-	2	1,069
Liabilities from financing as at 31 Dec 2019	**-**	**-**	**1,437**	**5,010**	**1,327**	**33,840**	**61**	**162**	**41,837**
Cash-flows from financing	**279**	**2,446**	**(1,660)**	**49**	**(1,000)**	**987**	**49**	**(87)**	**1,063**
Drawing off loans and borrowings	354	2,446	-	49	-	987	49	14	3,899
Repayments of loans and borrowings	(75)	-	-	-	(1,000)	-	-	(101)	(1,176)
Repayment of lease liabilities	-	-	(1,660)	-	-	-	-	-	(1,660)
Non-cash flows:									
Effect of exchange rate changes	-	-	86	22	26	998	-	-	1,132
Reclassification **)	12	(12)	1,499	(1,499)	500	(500)	-	-	-
Other non-cash movements	-	-	70	1,403	(18)	60	-	1	1,516
Liabilities from financing as at 31 Dec 2020	**291**	**2,434**	**1,432**	**4,985**	**835**	**35,385**	**110**	**76**	**45,548**

*) Columns Lease liabilities refer to the lines 'Lease liabilities' and 'Leaseback liabilities' disclosed in Note 26.
**) Loans and borrowings classified in the previous period as long-term, which became short-term in the period under review.

31. Related Party Transactions

The České dráhy Group is fully owned and controlled by the Czech Republic. In accordance with the exception given by the IAS 24 standard - Related Party Disclosures, the Group does not disclose quantitative information concerning the individually insignificant transactions with companies controlled by the state.

Relations between the Group and entities stated in Notes 31.1. – 31.4. are described in Note 1.3.

31.1. Loans to related parties

The Group provided no loans to related parties as at 31 December 2020 and 31 December 2019.

31.2. Sales to related parties

(CZK million)

2020	Sale of services	Other income	Total
JLV, a.s.	3	-	3
RAILLEX, a.s.	17	-	17
BOHEMIAKOMBI, spol. s r.o.	9	-	9
Ostravská dopravní společnost, a.s.	56	-	56
Ostravská dopravní společnost - Cargo, a.s.	23	-	23
Total	**108**	**-**	**108**

(CZK million)

2019	Sale of services	Other income	Total
JLV, a.s.	2	-	2
RAILLEX, a.s.	27	-	27
BOHEMIAKOMBI, spol. s r.o.	13	-	13
Ostravská dopravní společnost, a.s.	53	-	53
Ostravská dopravní společnost - Cargo, a.s.	24	2	26
Total	**119**	**2**	**121**

31.3. Purchases from related parties

(CZK million)

2020	Services	Total
JLV, a.s.	127	127
RAILLEX, a.s.	5	5
Ostravská dopravní společnost - Cargo, a.s.	67	67
Total	**199**	**199**

(CZK million)

2019	Services	Total
JLV, a.s.	205	205
RAILLEX, a.s.	9	9
Ostravská dopravní společnost, a.s.	65	65
Total	**279**	**279**

31.4. Outstanding balances at the end of the accounting period with related parties

(CZK million)

31 Dec 2020	Receivables	Payables
JLV, a.s.	-	20
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	22	-
Ostravská dopravní společnost - Cargo, a.s.	2	16
Total	**28**	**36**

(CZK million)

31.12.2019	Receivables	Payables
JLV, a.s.	-	63
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	15	-
Ostravská dopravní společnost - Cargo, a.s.	3	11
Total	**22**	**74**

Outstanding balances are not secured and will be settled by bank transfer or by offset. No warranties have been granted or accepted. In the current and previous accounting periods, no costs were incurred in connection to bad or doubtful receivables from related parties.

31.5. Key management members compensation

Key management of the Group includes management of the Parent Company and subsidiaries.

The following employee benefits were paid to key management members:

(CZK million)

2020	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	83	22	-
Other short-term employee benefits	27	11	-
Post - employment benefits	2	-	-
Total	**112**	**33**	**-**
Number of key management members	**47**	**73**	**5***

*) during 2020 there were 7 members; as at 31 December 2020 only 5 members (2 vacancies)

(CZK million)

2019	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	94	22	-
Other short-term employee benefits	23	8	-
Total	**117**	**30**	**-**
Number of key management members	**41**	**74**	**7**

The Group's management had the possibility to use benefit-in-kind remuneration in the form of the use of the cars owned by the Group for private purposes.

31.6. Relationships with companies controlled by the state

Material transactions with related parties identified by the Group are presented below: orderers of transportation as public service (regions and the Ministry of Transport), the state organisation SŽ and the ČEZ Group.

(CZK million)

Income and compensation	Counterparty	2020	2019
Income from rental property	SŽ	21	22
Payment for substitute bus service	SŽ	418	883
Payments from public service orderers– state budget	state - Ministry of Transport	4,272	4,266
Compensation of 75% discount fares	state - Ministry of Transport	1,046	2,329
Payment from public service orderers– region budgets	regions	11,177	9,964
Revenues – telecommunication services	SŽ	669	623
Revenues from freight transportation	ČEZ	107	256
Operation and maintenance of SW	SŽ	70	103
Revenues from the sale of employee holidays	SŽ	26	55
Other income	SŽ	114	103

(CZK million)

Expenses	Counterparty	2020	2019
Use of railway route and allocated railway capacity – passenger transport	SŽ	1,659	1,868
Use of railway route and allocated railway capacity – freight transport	SŽ	796	909
Consumption of electric traction energy - passenger transport	SŽ	1,495	1,663
Consumption of electric traction energy - freight transport	SŽ	687	778
Telecommunication services	SŽ	44	50
Other costs	SŽ	137	158

(CZK million)

Receivables	Counterparty	31 Dec 2020	31 Dec 2019
Payment for replacement bus service	SŽ	-	75
Public service obligation	state - Ministry of Transport	15	1
Compensation of 75% discount fares	state - Ministry of Transport	70	179
Public service obligation	regions	221	210
Telecommunication services	SŽ	92	172
Advances provided	SŽ	46	66
Revenues from freight transportation	ČEZ	19	18

(CZK million)

Liabilities	Counterparty	31 Dec 2020	31 Dec 2019
Use of railway route and allocated railway capacity – passenger transport	SŽ	361	418
Use of railway route and allocated capacity of the railway – freight transport	SŽ	163	182
Court settlement	SŽ	-	26
Telecommunication services	SŽ	10	34
Consumption of electric traction energy – passenger transport	SŽ	34	72
Lease liabilities	SŽ	210	214
Consumption of electric traction energy – freight transport	SŽ	96	77

State institutions, enterprises and other parties controlled by the state use the services provided by the Group under the same conditions applicable to other customers. On the cost side, the Group purchases some services and other supplies (water, energy, etc.) from companies controlled by the state under the conditions applicable to other customers.

32. Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position are measured at amortised cost and are tested for impairment according to IFRS 9. The Group considers estimated impairment of cash and cash equivalents immaterial due to high quality credit-ratings of cooperating banks confirmed by the external investment rating.

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

(CZK million)	31 Dec 2020	31 Dec 2019
Cash on hand and cash in transit	38	69
Cash at bank *)	5,713	5,969
Depository promissory notes *)	-	2,398
Total)**	**5,751**	**8,436**

*) The Group's parties are banks with high credit ratings (the investment grade is required), with which the Group cooperates on the basis of long-term and stable relationships. The rating from banks is given in Note 36.8.
**) According to IFRS 9, impairment losses on cash and cash equivalents were considered immaterial by the Group.

33. Contracts for Operating Lease

Operating leases contracts in which the Group acts as a lessor relate to investment property and movable assets held by the Group with various lease periods.

Maturity analysis of non-cancellable operating lease contracts:

(CZK million)	31 Dec 2020	31 Dec 2019
1st year	46	45
2nd year	47	46
3rd year	48	46
4th year	49	47
5th year	50	47
Over 5 years	102	146
Total	**342**	**377**

In 2020, income from operating leases recognised in profit or loss amounted to CZK 762 million (in 2019: CZK 769 million), out of which the income from investment property was at CZK 269 million in 2020 (in 2019: CZK 260 million).

Direct operating expenses related to investment properties were CZK 109 million in 2020 (in 2019: CZK 109 million).

34. Contractual Obligations Relating to Expenses

As at the consolidated balance sheet date, the Group concluded contracts for the purchase of property, plant and equipment in the amount of CZK 24,392 million.

(CZK million)	31 Dec 2020
Unpaid supplies agreed for 2021	10,093
Unpaid supplies agreed for the subsequent years	8,805
As at 31 Dec 2020 was paid	5,494
Total	**24,392**

Investments in rolling stock of CZK 19,008 million represent a substantial part of the obligation relating to expenses.

35. Contingent Liabilities and Contingent Assets

The Group 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 at 31 December 2020 was CHF 20.8 million (CZK 505 million as at 31 December 2020). The likelihood that the Group will be asked to pay the nominal value of the unpaid portion of the equity investment is considered to be low by the Group.

The aggregate costs of clean-ups were CZK 23 million in 2020 and CZK 23 million in 2019. The Parent Company is not aware of any environmental burdens that would exceed legislative limits and represent harm to human health or the property of third parties. The provisions for clean-ups of other environmental burdens are not recognised as the České dráhy 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 clean-up plan according to which it could recognise the provisions.

ČD Cargo, a.s. records a contingent asset related to the penalty from the company Ostravské opravny a strojírny, s.r.o. in the amount of CZK 103 million. Penalty relates to delayed deliveries of repaired freight wagons, that have not been completed according to contractual terms. As the mentioned company disputes this penalty, ČD Cargo a.s., in accordance with IAS 37, records this asset as contingent and does not recognise it in the financial statements as at 31 December 2020.

35.1. Legal disputes

35.1.1. Railway freight transportation market

The Office for the Protection of Competition (OPC) imposed a fine on ČD, a.s. for abusing its position on the market in the area of freight transportation of significant amounts of natural resources and raw materials of approximately CZK 250 million. Based on ČD's defence, the case was passed to the Administrative Court. The Supreme Administrative Court dismissed the OPC's appeal in December 2017. The case is finally resolved at the level of the administrative courts in favour of ČD and returned to the OPC, back to the first instance. In June 2018, the OPC issued a new first instance decision, which significantly reduced the scope of sanctioned proceedings against ČD and imposed a significantly lower fine of approximately CZK 15.6 million. In July 2018, ČD appealed against this decision. The chairman of OPC dismissed the appeal and the fine in amount of approximately CZK 15.6 million became final. ČD disagreed with the mentioned fine and has appealed against it. However, due to the fact that the decision was final and apparently, the court would not grant the suspensive effect due to amount of the fine, the fine was paid within the due date. If the administrative court accepts the appeal, the amount will be recovered. Administrative proceedings against a decision establishing an obligation to pay a fine are ongoing.

35.1.2. Legal action by LEO Express for the compensation of damage

In July 2014, LEO Express filed a legal action for compensation of damage amounting to approximately CZK 419 million with accessories which was allegedly caused to LEO Express by ČD and its pricing policy. The first-instance court rejected LEO Express's claim. At the end of December 2016, Leo Express filed a new legal action against ČD for the approximate amount of CZK 434 million with accessories and for a similar reason. In March 2018, the High Court in Prague cancelled the judgment dismissing the first LEO Express claim for damages and returned the case to the Municipal Court in Prague for further proceedings. In the first action, LEO Express seeks, after partial withdrawal, payment of approximately CZK 34 million and payment of approximately CZK 434 million in the second action. The proceedings were suspended pending a decision of the European Commission ("EC") concerning the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 27.1. In 2020, the EC issued a statement of objections significantly to the disadvantage of ČD, with a further possible impact on the resolution of disputes with LEO Express. At the same time, there is a parallel dispute over the disclosure of certain documents on the applicant's file. Based on the available information, it is impracticable to determine uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since it is impossible to reliably measure a possible liability, a provision has not been recognised.

35.1.3. RegioJet legal action for the return of allegedly prohibited public support (the defendants being ČD, a.s., SŽ, s.o., and the Czech Republic represented by the Czech Ministry of Transport)

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 SŽ in 2008 for CZK 12 billion, were allegedly overstated by this amount. On 6 February 2019, the Court of First Instance dismissed the RegioJet legal action in its entirety. RegioJet appealed to the High Court against the decision of the Court of First Instance. The appeal was dismissed by the Supreme Court and the judgment in favour of ČD became final on 30 November 2020 and in the judgment on costs on 16 December 2020. Within the time limit for filing an extraordinary appeal, RegioJet appealed to the Supreme Court.

35.1.4. RegioJet's call for the payment of compensation for detriment

RegioJet sent a pre-trial call to ČD for the payment of the compensation for the damages dated 10 April 2015 in which it seeks payment of about CZK 717 million. The alleged damages were caused by ČD's sanction activities in operating the Prague – Ostrava route, involving the application of dumping prices. ČD refused to pay for the damages. RegioJet filed a legal action seeking the payment of compensation of approximately CZK 717 million with accrued interest and charges that resulted in legal proceedings being initiated in the matter. During the course of a judicial proceeding in the first instance, the trial was interrupted until the EC decision on the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 27.1. In 2020, the EC issued a statement of objections significantly to the disadvantage of ČD, with a further possible impact on the resolution of disputes with RegioJet. At the same time, there is a parallel dispute over the disclosure of certain documents on the applicant's file. Based on the available information, it is impracticable to determine uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since it is impossible to reliably measure a possible liability, a provision has not been recognised.

35.1.5. Legal action by Grandi Stazioni Česká republika, s.r.o. against SŽ and ČD compensation of pre-contractual obligation

In August 2017, Grandi Stazioni Česká republika, s.r.o. ("GS") filed a lawsuit with the District Court in Prague 1, in which it seeks payment of CZK 1,255.6 million for the payment of compensation of a pre-contractual obligation. The GS's alleged damage was caused by the failure to apply Amendment No. 5 to the lease agreement regarding the lease and revitalisation of Prague - Main Railway Station - Praha Hlavní nádraží.

Action brought by Grandi Stazioni Česká republika, s.r.o. against SŽ and ČD for damages from pre-contractual liability was rejected by the District Court for Prague 1 on 13 August 2019. GS appealed against the decision of the Prague 1 District Court on 2 December 2019. On 29 April 2020, the Municipal Court in Prague, acting as appeal court, upheld the decision of the District Court for Prague 1. GS did not file an appeal. GS lodged a constitutional complaint in the statement of costs, which was rejected. The disputehas been already definitively closed.

35.1.6. Proceedings in the matter of a possible abuse of the dominant position on the lines Pardubice - Liberec and Pilsen – Most

In April 2016, the Office for the Protection of Competition (OPC) initiated administrative proceedings. The alleged violation of competition rules were charged against ČD for the reason that, during the tender held in 2005 concerning the railway transport and provision of public services on the route Pardubice-Liberec and Pilsen-Most for the duration of the 2006/2007 timetable, they presented a price offer which did not cover the costs of service provision on the routes in question. In accordance with the agreement, ČD provided the service on the stated routes until the end of the 2013/2014 timetable.

On 14 December 2017, OPC imposed a fine of CZK 368 million on ČD. ČD filed an appeal against this decision, which was on 15 July 2019 by II grade decision was rejected and a fine of CZK 275 million was imposed on ČD. An administrative action was brought against the decision. The application for the suspension of the action was not granted and ČD paid the fine. If ČD agrees with the court in the proceedings on the merits, the fine paid by ČD will be returned. Administrative action is pending.

35.1.7. Alleged cartel agreement between ČD, ZSSK and ÖBB for the sale of the disposed railway vehicles

In June 2016, the European commission ("EC") performed a local investigation in the headquarters of ČD for the suspicion of the cartel agreement made for the mutual sale of railway vehicles. EC investigates if ČD, ZSSK and ÖBB have concluded a prohibited agreement on sale of the disposed railway vehicles limitation, for the purposes of restricting the entrance of new transporters to the market. ČD denies that it entered into a cartel agreement. Currently, the case is in the stage of a formally initiated administrative proceeding, where the next step of the EC is awaited and the further procedure of ČD will follow accordingly. Based on the available information, it is impracticable to determine uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since it is impossible to reliably measure a possible liability, a provision has not been recognised.

35.1.8. Legal action by CB Station Development, a.s. against ČD

This is a real estate project, within the framework of which 3 lawsuits were filed against ČD by Station CB and EZ holding companies. The actions are aimed at determining ČD's obligation to conclude a sales contract with the claimants on the basis of a previous agreement on a future contract. CBSD claims its claims against ČD with a contractual penalty of CZK 100 million. Claims for other damages (damages, pre-contractual liability) are also possible. Court proceedings are pending in I. degree. Based on the available information, it is impracticable to determine uncertainties regarding the timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since the Company's management believes it is currently unlikely that an outflow of funds will be required to settle the obligation, a provision has not been recognised as of 31 December 2020.

36. Financial Instruments

36.1. Capital risk management

Group's main objective in capital risk management is to maintain the rating at the investment grade and maintain a balanced ratio between equity and debt. The Group uses issues of bonds as a principal source of long-term financing.

The Group's capital structure consists of net debt (borrowings less cash and cash equivalents) and the Group's equity (includes share capital, reserves and other funds, retained earnings).

(CZK million)		31 Dec 2020	31 Dec 2019
Net debt			
Loans and receivables	26	45,548	41,837
Cash and cash equivalent	32	(5,751)	8,436
Total net debt		**39,797**	**33,401**
Equity			
Share capital	25	20,000	20,000
Capital contributions	25	17,454	17,889
Retained earnings (Accumulated losses)	25	(757)	3,429
Total Equity		**36,697**	**41,318**
Total Managed equity		**76,494**	**74,719**

The Group does not have any capital requirements set by external entities.

The Board of Directors and the Supervisory Board of the Parent Company are regularly informed about the development of the debt of the individual companies in the Group. Any additional debt is subject to their consent.

36.2. Financial instruments classification

(CZK million)

Category of financial assets	Class of financial assets		31 Dec 2020	31 Dec 2019
Financial assets measured at amortised cost	Trade receivables	22	3,167	3,340
	Cash and cash equivalents	32	5,751	8,436
	Receivables from financial leases	23	132	142
	Other	23	757	568
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting	23	423	115
Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through other comprehensive income	23	421	458
	Total		**10,651**	**13,059**

(CZK million)

Category of financial liabilities	Class of financial liability		31 Dec 2020	31 Dec 2019
Financial liabilities measured at fair value through profit or loss	Financial derivatives used in hedge accounting	28	285	247
Financial liabilities measured at amortised cost	Loans and borrowings	26	45,548	41,837
	Trade payables		4,761	5,647
	Liabilities arising from supplier loans	28	1	2
	Other	28	316	384
	Total		**50,911**	**48,117**

Income from individual categories of financial assets is as follows:

(CZK million)

Category of financial assets	2020	2019	Reported in the statement of profit and loss line
Interest on cash and cash equivalents	55	90	Financial income
Interest on leasing receivables	19	19	Financial income
Dividends from available-for-sale financial assets	3	20	Other operating income
Total	**77**	**129**	

Impairment losses on financial assets are disclosed in Note 22. Trade receivables and Note 36.8. Credit risk management. Other classes of financial assets are not significantly impaired.

36.3. Fair value of financial instruments

(CZK million)

Financial assets	Level	Fair value as of 31 Dec 2020	Carrying value as of 31 Dec 2020	Fair value as of 31 Dec 2019	Carrying value as of 31 Dec 2019
Measured at fair value		**844**	**844**	**573**	**573**
Derivative instruments in designated hedge accounting relationships	Level 2	423	423	115	115
Financial assets at fair value through other comprehensive income	Level 2	421	421	458	458
Measured at amortised cost		**393**	**405**	**302**	**302**
Financial lease receivables	Level 2	132	132	142	142
Other financial assets – long term	Level 2	261	273	160	160
Total		**1,237**	**1,249**	**875**	**875**

(CZK million)

Financial liabilities	Level	Fair value as of 31 Dec 2020	Carrying value as of 31 Dec 2020	Fair value as of 31 Dec 2019	Carrying value as of 31 Dec 2019
Measured at fair value	**Level 2**	**285**	**285**	**247**	**247**
Derivative instruments in designated hedge accounting relationships	Level 2	285	285	247	247
Measured at amortised cost	**Level 2**	**37,653**	**36,394**	**35,989**	**35,456**
Issued bonds	*Level 2*	*13,578*	*12,566*	*12,924*	*12,322*
Issued bonds (publicly traded)	*Level 1*	*23,916*	*23,654*	*22,776*	*22,845*
Other long-term financial liabilities and loans	*Level 2*	*159*	*174*	*289*	*289*
Total		**37,938**	**36,679**	**36,236**	**35,703**

Cash and cash equivalents, trade receivables and trade payables, receivables, payables from cash-pooling, and other current financial assets and other current financial liabilities are not shown in the table because their fair value is equal to the carrying value due to their short-term maturity.

In 2019 and 2020, there were no transfers of financial instruments between levels.

The Group determines the fair value of financial derivatives using own pricing model of discounted cash flows using observable market assumptions. The fair value of financial derivatives is classified as Level 2 in the fair value hierarchy.

36.3.1. Valuation procedures used to determine fair value

Fair values of financial assets and financial liabilities are determined as follows:

- the fair value of interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows
- the fair value of inter-currency interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows in respective currencies
- the fair value of commodity swaps is calculated using a valuation model on the basis of discounted future cash flows based on expected commodity prices.

The fair values of financial assets and financial liabilities that are not measured at fair value but are required to be disclosed are determined as follows:

- the fair value of the bonds is determined on the basis of quoted market prices, if exist. If quoted market prices do not exist, the fair value is determined using valuation model on the basis of quoted market prices of comparable bonds
- the fair value of other long-term financial assets and liabilities is calculated using the discounted cash flow method.

Future cash flows are discounted with a discount rate derived from the incremental borrowing rate.

36.3.2. Fair value measurement recognised in the statement of financial position

Financial instruments measured at fair value are allocated to levels 1 to 3 according to the extent to which the fair value can be ascertained or verified:

- fair value measurements at level 1 are valuations, which are determined based on unadjusted quoted prices of the same assets or liabilities in active markets,
- the fair value measurement at level 2 are valuations, which are determined based on inputs other than quoted prices used at level 1; this information can be obtained from the asset or liability directly (i.e. prices) or indirectly (i.e. data derived from prices),
- fair value measurement at level 3 are valuations based on valuation techniques that use asset or liability information that is not derived from observable market data (unverifiable inputs).

All financial instruments measured at fair value as at 31 December 2020 and 31 December 2019 are included in level 2.

36.4. Financial risk management objectives

The Group manages financial risks through internal risk reports which include risk analysis based on their significance. Financial risks include market risk (currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

36.5. Currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. These transactions predominantly include income from international transportation and issued bonds. In line with the approved Risk Management Strategy, the Parent Company hedges anticipated payments in a foreign currency such that the size of the open risk position not exceeding the limit defined for the period by the Risk Management Committee and approved by the Parent Company's Board of Directors.

The carrying amounts of the Group'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 million)

31 Dec 2020	EUR	USD	Other	Total
Financial assets	2,256	6	66	2,328
Financial liabilities	(32,896)	(14)	(45)	(32,955)
Total	**(30,640)**	**(8)**	**21**	**(30,627)**

(CZK million)

31 Dec 2019	EUR	USD	Other	Total
Financial assets	2,156	10	38	2,204
Financial liabilities	(32,207)	(27)	(39)	(32,273)
Total	**(30,051)**	**(17)**	**(1)**	**(30,069)**

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
- changes in the fair value of concluded financial derivatives

The following table shows the impact that the strengthening and weakening of the Czech currency by CZK 1 against EUR would have on the profit (loss) and other comprehensive income. A positive number indicates an increase in profit (decrease in loss) and other comprehensive income, a negative number indicates the decrease in profit (increase in loss) and other comprehensive income:

(CZK million)	Strengthening of the Czech currency by CZK 1 against EUR		Weakening of the Czech currency by CZK 1 against EUR	
	2020	**2019**	**2020**	**2019**
Translation of items denominated in foreign currencies at the end of the period	1,167	1,184	(1,167)	(1,184)
Change in the fair value of derivatives at the end of the period	(806)	(799)	806	799
Total impact on the profit/ loss for the period	**361**	**385**	**(361)**	**(385)**
Change in the fair value of derivatives at the end of the period*)	(37)	(45)	37	45
Total impact on other comprehensive income	**(37)**	**(45)**	**37**	**45**

*) Financial derivatives used in hedge accounting

36.5.2. Currency forwards

Within the Group, due to the nature of its open currency position, ČD Cargo, a.s. enters into currency derivatives of this type. In accordance with the management risk strategy, it enters into currency forwards to cover future incoming payments denominated in foreign currencies with a predetermined hedge ratio of 1: 1. The hedge ratio is determined by comparing the amount of the hedged item and the hedging instrument which was used. The calculation is based on a currency parforward contract that reduces the currency risk resulting from the exchange rate fluctuation of the national currencies and the planned positive balance in EUR, which the company generates. The hedging ratio is regularly monitored in the context of risk management objectives.

As the characteristics of the hedging instrument fully correspond to the characteristics of the hedged item, the management of ČD Cargo, a.s. expects a high level of effectiveness in the hedging.

The nominal value of the hedge is lower than the future expected cash flows in EUR which means that it never hedges more than 80% of the expected EUR cash flows. A CZK / EUR exchange rate is hedged, which then converts foreign currency earnings (EUR) into the functional currency (CZK). The maximum hedging volumes are set in the Financial Risk Management Strategy of ČD Cargo, a.s. as follows:

- For 2021, a maximum of 80% of the underlying asset (estimated EUR balance)
- For 2022, a maximum of 65% of the underlying asset (estimated EUR balance)
- For 2023, a maximum of 50% of the underlying asset (estimated EUR balance)

Currency hedge is negotiated under market conditions (without premium payments), the fair value of derivatives on the day of the deal is nil. Based on the above-mentioned facts, ČD Cargo, a.s. assumes that the hedging relation will be effective over its lifetime. The result of the transaction is a predictable (fixed) CZK / EUR exchange rate to be used to sell the positive EUR balance of ČD Cargo, a.s.

Potential root causes of possible ineffectiveness may relate to a basis spread. Another factor may be a time mismatch. ČD Cargo, a.s. does not hedge specific transactions, but only the volume of the planned balance and a possible significant decline in the counterparty's creditworthiness. The Group considers the above-mentioned factors to be insignificant or highly improbable and therefore deems the currency hedging to be effective.

The table presents open foreign currency forwards on foreign currency sales at:

Sales	Average exchange rate	Foreign currency	Nominal value in CZK mill	Fair value in CZK mill
31 Dec 2020	27.048	EUR	2,272	54
31 Dec 2019	26.162	EUR	1,884	20

The Group did not enter into foreign currency forwards or options on foreign currency purchase in 2020 and 2019.

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

(CZK million)

31 Dec 2020	Up to 1 month	1 - 3 months	3 months up to 1 year	1 - 5 years	Over 5 years	Total
Hedged future sales in EUR	105	210	945	945	-	2,205

(CZK million)

31 Dec 2019	Up to 1 month	1 - 3 months	3 months up to 1 year	1 - 5 years	Over 5 years	Total
Hedged future sales in EUR	102	203	915	610	-	1,830

36.5.3. Cross-currency interest rate swaps

Within the Group, due to the nature of its open currency position, the Parent Company enters into currency derivatives of this type. In accordance with the currency risk management requirements, the Parent Company has entered into a cross-currency interest rate swap which reduces the risk of the bond funding in EUR using the hedge ratio of 1:1.

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

- Swaps' nominal values are equal to the nominal values of the volume of the bond.
- Both transactions are contracted in the same currencies.
- Maturity of interest rate swaps payment and interest bond payment are equal.
- Swaps were contracted at market prices (without premium payment), the fair value of derivatives is nil as at the contract date.
- Swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options)
- The Group does not expect the early bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

- termination of the cross-currency interest rate swap by the counterparty,
- significant decrease in the Group's or the counterparty's creditworthiness.

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 2020	Nominal value (EUR million)	Average collected interest rate (annual)	Nominal value (CZK million)	Average paid interest rate (annual)	Fair value of assets (liabilities) CZK million
Up to 1 year	792	2.00%	(20,963)	2.92%	(202)
1 to 5 years	792	2.01%	(20,963)	2.97%	104
Over 5 years	666	1.98%	(17,498)	3.09%	203
Total					**105**

31 Dec 2019	Nominal value (EUR million)	Average collected interest rate (annual)	Nominal value (CZK million)	Average paid interest rate (annual)	Fair value of assets (liabilities) CZK million
Up to 1 year	792	2.00%	(20,963)	2.92%	(211)
1 to 5 years	792	2.01%	(20,963)	2.97%	276
Over 5 years	666	1.98%	(17,498)	3.09%	(225)
Total					**(160)**

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.

The expected realisation of items hedged by cross-currency interest rate swaps

Expected cash flows of hedged foreign currency bonds are listed in Note 36.9.1. in tables with remaining contractual maturities of financial liabilities in the line Fixed interest rate instruments.

36.6. Interest rate risk management

The Group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financing, and, for this purpose, the Group concludes contracts for interest rate swaps so that the amount of the open risk position does not exceed the limit set for the period by the Risk Management Committee and approved by the Board of Directors of the 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
– change in the fair value of concluded financial derivatives

The following table shows the impact that an increase/decrease in interest rates of 100 basis points would have on the profit (loss) and other comprehensive income. A positive value indicates the increase in profit (decrease in loss) and other comprehensive income, a negative value indicates the decrease in profit (increase in loss) and other comprehensive income:

	Increase in interest rates of 100 basis points		Decrease in interest rates of 100 basis points	
(údaje v mil. Kč)	**2020**	**2019**	**2020**	**2019**
Interest from loans and lease with variable rate for the period	(5)	(11)	5	11
Total impact on the profit/ loss for the period	**(5)**	**(11)**	**5**	**11**
Change in the fair value of derivatives at the end of the period *)	(42)	(52)	46	33
Total impact on other comprehensive income	**(42)**	**(52)**	**46**	**33**

*) Financial derivatives used in hedge accounting

36.6.2. Interest rate swap contracts

In accordance with currency risk management requirements, the Group has entered into interest rate swap contracts which reduces the risk of lease contracts and bonds with variable interest rates.

The hedge ratio is determined at 1:1.

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

- Swaps' nominal values are equal to the nominal values of the relevant leaseback loans and variable interest rate bonds
- Both transactions are contracted in the same currencies
- Maturity of interest rate swaps payments and interest leaseback loan and bond payments are equal
- Swaps were contracted at market prices (without premium payment), the fair value of derivatives is nil as at the contract date
- Swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options)
- The Group does not expect the early leaseback loan or bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

- early repayment of the remaining value of the leaseback or bonds,
- termination of the interest rate swap by the counterparty,
- significant decrease in the Group's or the counterparty's creditworthiness.

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

31 Dec 2020	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value in CZK million
Up to 1 year	Leases	1.23%	CZK 109 million	-
Total				**-**

31 Dec 2019	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value in CZK million
Up to 1 year	Leases	1.32%	CZK 318 million	3
1 to 5 years	Leases	1.23%	CZK 109 million	1
Total				**4**

The Group settles the difference between fixed and floating interest rates on a net basis. The interest rate swaps and the interest payments on the debt occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating interest rates on debt affect the profit or loss. Gains and losses reclassified during the year from the equity are included in Other interest expense which is part of Financial expenses in the consolidated statement of profit and loss.

36.6.3. Expected realisations of hedged item interest rate swaps and interest rate options

The expected hedged cash flows from interest on variable-rate debt are listed in Note 36.9.1. in tables with remaining contractual maturities of financial liabilities in Finance lease liabilities and Float interest rate instruments.

36.7. Commodity risk management

The Group is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically diesel and electricity, are significant cost items of the Group. The Group manages this risk using the following instruments:

- negotiating a fixed price of electricity always for the following calendar year
- conclusion of contracts with public transport customers so that possible price increase of the above-mentioned commodities is reflected in the amount of received payments
- conclusion of medium-term derivatives for the purchase of diesel.

36.7.1. Analysis of sensitivity to changes in commodity prices

The exposure to changes in the price of commodities is measured by sensitivity analysis. The Group is exposed to the risk of changes in commodity prices due to changes in the fair value of concluded financial derivatives.

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

	10% increase in the price of diesel		10% decrease in the price of diesel	
(CZK million)	**2020**	**2019**	**2020**	**2019**
Change in the fair value of derivatives at the end of the period	-	-	-	-
Total impact on the profit/ loss for the period	**-**	**-**	**-**	**-**
Change in the fair value of derivatives at the end of the period*)	11	12	(11)	(12)
Total impact on other comprehensive income	**11**	**12**	**(11)**	**(12)**

*) Financial derivatives used in hedge accounting

36.7.2. Commodity derivatives

In accordance with the commodity risk management requirements, the subsidiary ČD Cargo, a.s. has entered into the contracts hedging traction diesel prices. The hedging was carried out by the commodity swap which relies on hedging a fixed price of traction diesel.

The hedging ratio of the hedging relationship is the same as the ratio of the amount of the hedged item and the hedging instrument used, i.e. in this case the ration is a 1: 1. The hedging ratio is determined as a comparison of the amount of the hedged item and the hedging instrument used. Its calculation is based on a commodity swap agreement, which offsets the purchase of the secured volume of planned consumption according to the approved Financial Risk Management Strategy. ČD Cargo, a.s. is aware that risk components such as excise duty, trader margins, etc. are included in the calculation of the hedging ratio, however their effect on the amount is insignificant. The hedging ratio is regularly monitored in relation to risk management objectives.

At the same time, ČD Cargo, a.s. does not separate the hedge accounting expenses as it assumes that they are currently insignificant. Possible changes are regularly monitored.

The economic relationship between the hedging instrument and the hedged item is described according to the listed below parameters.

The effectiveness of hedging will be measured by comparing changes in the intrinsic value of the hedging instrument and changes in the fair value of the hedged cash flows. Given that the key characteristics of the hedging instrument fully correspond to the characteristics of the hedged item, ČD Cargo, a.s. expects high hedging effectiveness. At the same time, a correlation test is performed, where the actual purchase prices of diesel per litre and the price of the hedging instrument are compared retrospectively.

The nominal value of the collateral is lower than the future expected volumes of purchased diesel which means it never hedges more than 80% of the estimated volume of purchased diesel. Commodity Platts ULSD 10ppm FOB Barge Rotterdam is secured. The hedging is executed in CZK, which eliminates the risk arising from fluctuations in the CZK / USD exchange rate. The maximum volumes for hedging are set by the Financial Risk Management Strategy at ČD Cargo, a.s. as follows:

- for the year 2021, a maximum of 80% of the underlying asset (expected volume of purchased diesel),
- for the year 2022, a maximum of 65% of the underlying asset (expected volume of purchased diesel),
- for the year 2023, a maximum of 50% of the underlying asset (expected volume of purchased diesel).

Commodity hedging is negotiated under market conditions (without the payment of a premium), the fair value of derivatives on the date of agreement is nil. Based on the above facts, the Group assumes that the hedging relationship will be effective over its lifetime. The result of the transaction is a predictable amount of the price of the purchased diesel volume.

As credit risk is not part of the hedged risk, credit risk only affects changes in the value of the hedging instrument. Credit risk arises from the credit rating of the Group and the bank as the counterparty to a commodity swap. Credit risks associated with both the bank and the Group are considered minimal and will be reassessed in cases where there is a significant change in circumstances for one of the parties.

Potential root causes of ineffectiveness may relate to unsecured components of the total price of diesel (i.e. various surcharges, impact of the price of biodiesel, excise tax, etc.) and a significant decline in the creditworthiness of a counterparty. In such cases, the Group performs a correlation test on the price of diesel. The Group hedges the Platts ULSD 10ppm FOB Barge Rotterdam item from the total purchase price of diesel, and since the hedging is performed in CZK, the currency risk arising from the USD / CZK currency pair is also eliminated. Other items that make up the price of diesel are fixed or have very low volatility. The Group considers the above items, such as mark-ups, the effect of the price of biodiesel, excise tax, a decrease in the creditworthiness of a counterparty, etc., to be insignificant or highly unlikely, and therefore considers commodity hedging to be effective.

The table below presents outstanding commodity contracts for the diesel purchases as at:

Purchase of diesel	Hedged value	Volume of contracts (MT)	Fair value (CZK million)
31 Dec 2020	10,964 CZK/MT	12,000	(20)
31 Dec 2019	12,912 CZK/MT	9,600	4
	10,450 – 16,670 CZK/MT	400	-

Expected realization of hedged items of commodity derivatives

The following table shows the expected cash flows of the hedged purchases of diesel:

(CZK million)

31 Dec 2020	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Hedged future purchases of fuel	5	11	48	43	-	107

(CZK million)

31 Dec 2019	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Hedged future purchases of fuel	7	14	62	50	-	133

36.8. Credit risk management

The Group is exposed to credit risk, which is that one party of the financial instrument will cause financial losses to the other party by failing to meet its obligations. Credit risk arises as a result of the Group's business operations and financial market activities. The Group's credit risk quantification is based on a number of primary criteria, where the threat of counterparty default during a transaction is the main determinant due to possible negative impact on the Group's economic results and cash flow. The Group analyses the counterparties using both internal departments and external information services. Any counterparty insolvency may result in imminent losses with an adverse impact on the Group's business.

Sources of credit risks related to threat of a counterparty default during a transaction were recognised by the Group as follows:

- financial institutions,
- employees or tenants – natural persons to whom the receivable arises,
- corporate customers,
- the state and regions as public service payers.

Hence, the approval of business operations with new counterparties is a subject to standardized approval procedures by designated departments. The credit risk management includes active receivables management, when standard financial instruments, such as prepayments and bank guarantees are used in order to reduce the risk.

Financial assets that the Group exposes to potential credit risk include cash and cash equivalents, trade receivables and financial derivative contracts. The Group's cash is deposited in prestigious domestic financial institutions.

The Group is mainly exposed to the following credit risk categories due to its business activities:

- direct credit risk,
- credit equivalent risk.

Most frequently, the direct credit risk arises from receivables from ongoing trading relationships, particularly from supplier loans granted. The quality credit-ratings of the customers are assessed individually, based on their financial position, previous experiences and other factors.

To measure expected credit losses using the simplified approach, current receivables are classified according to common features relating to credit risk and appropriate maturities. On this basis, the Group assesses rate of the expected credit loss rates for trade receivables.

Expected credit loss rates are determined based on the payment profile and sales over the 5-year period preceding 31 December 2020 and 31 December 2019, respectively, on the basis of past actual credit losses. The Group analysed the number of macroeconomic variables (gross domestic product, industrial production indexes, etc.) together with the possible correlation with the customers' solvency. However, since no correlation was identified, the Group considers rather the individual customers' creditworthiness.

The following table shows the impairment of the current receivables:

(CZK million)

		Past due date (days)					
As at 31 December 2020	**Before due date**	**1 - 30**	**31 - 90**	**91 - 180**	**181-365**	**Over 365**	**Total**
Expected credit loss rate	3%	3%	5%	73%	50%	100%	
Current trade receivables – gross	3,091	89	63	11	14	197	3,465
Expected credit loss	**80**	**3**	**3**	**8**	**7**	**197**	**298**

(CZK million)

		Past due date (days)					
As at 31 December 2019	**Before due date**	**1 - 30**	**31 - 90**	**91 - 180**	**181-365**	**Over 365**	**Total**
Expected credit loss rate	2%	1%	24%	63%	85%	100%	
Current trade receivables – gross	3,182	187	38	8	37	169	3,621
Expected credit loss	**65**	**2**	**9**	**5**	**31**	**166**	**281**

Movement in provision for doubtful accounts:

(CZK million)	**2020**	**2019**
Provision as at 1 January	**281**	**325**
Recognition of provision – trade receivables	114	162
Use of provision – trade receivables	(97)	(206)
Allowance as at 31 December	**298**	**281**

The concentration of the Group's credit risk is low as a significant portion of the Group's revenues (passenger transportation fare) is collected in cash. In case of payments from public service orderers from the state budget or regional budgets, the risk is low due to the state's high credit rating (see Note 31.6.). At ČD Cargo, a.s., there is no significant concentration of credit risk from the perspective of customers, industries or regions. In other transactions the Group seeks to deal only with creditworthy counterparties which the Group assesses individually on an ongoing basis using publicly available information. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Financial assets:

(CZK million)

As at 31 December 2020		Before due date, not impaired	Before due date, impaired	Past due date, not impaired	Past due date, impaired	Impairment	Total
Trade receivables *)	22	3,008	83	159	215	(298)	3,167
Cash and cash equivalents	32	5,751	-	-	-	-	5,751
Receivables from finance leases	23	132	-	-	-	-	132
Restricted cash	23	386	-	-	-	-	386
Financial derivatives used in hedge accounting	23	423	-	-	-	-	423
Other	23	371	-	-	22	(22)	371
Total		**10,071**	**83**	**159**	**237**	**(320)**	**10,230**

(CZK million)

As at 31 December 2019		Before due date, not impaired	Before due date, impaired	Past due date, not impaired	Past due date, impaired	Impairment	Total
Trade receivables *)	22	3,117	65	223	216	(281)	3,340
Cash and cash equivalents	32	8,436	-	-	-	-	8,436
Receivables from finance leases	23	142	-	-	-	-	142
Restricted cash	23	477	-	-	-	-	477
Financial derivatives used in hedge accounting	23	115	-	-	-	-	115
Other	23	91	-	-	24	(24)	91
Total		**12,378**	**65**	**223**	**240**	**(305)**	**12,601**

*) The age structure of trade receivables is described in the Note 22.1.

Various combinations of standard instruments (deposits, payment terms, customer tracking, internal tools, etc.) are used by ČD Cargo, a.s. for additional security of potentially risky receivables. ČD Cargo, a.s. continuous monitors receivables of individual companies and default periods with special attention to receivables more than 15 days overdue. Past due receivables are continuously monitored by individual responsible employees and ultimately by the Receivable Commission.

The credit risk on liquid funds and derivative financial instruments are limited as the counterparties are banks with credit-ratings assigned on the investment grade. Due to that fact, the impact of impairment of cash is considered immaterial.

(CZK million)

Bank	Rating	Bank balances as at 31 Dec 2020	Bills deposits as at 31 Dec 2020	Bank balances as at 31 Dec 2019	Bills deposits as at 31 Dec 2019
Komerční banka	A1	1,670	-	430	2,095
ČSOB	A1	896	-	1,648	203
Citibank	Aa3	2,035	-	199	-
ING bank	Aa3	473	-	2,023	-
Česká spořitelna	A1	8	-	1,019	-
UniCredit Bank	Baa1	6	-	86	-
Raiffeisenbank	Baa1	104	-	51	-
Sberbank CZ	BBB-	261	-	103	-
J&T Banka		59	-	102	100
Všeobecná úvěrová banka	A2	32	-	32	-
Millennium Bank	Baa2	4	-	4	-
Deutsche Bank	A3	8	-	22	-
Frankfurter Sparkasse	F1+	5	-	5	-
Bank Austria	Baa1	6	-	15	-
Slovenská sporiteľňa	A2	29	-	5	-
Tatra banka	A3	14	-	24	-
Fio banka		1	-	-	-
PPF banka		102	-	201	-
Total		**5,713**	**-**	**5,969**	**2,398**

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The credit quality of receivables that are not past due and are not impaired in any other way, is good.

The Group does not recognise any pledged assets as at 31 December 2020 and 2019.

36.9. Liquidity risk management

The Group manages its liquidity risk through planning future cash flows and provision of short-term funding with reputable financial institutions (promissory notes programme and agreed overdraft and revolving loans), with the minimum period of 12 months. To ensure sufficient short-term liquidity, the Group has contracted committed credit facilities so that its available funds exceed its expected short-term expenditures. The liquidity is monitored by the Moody´s rating agency on an ongoing basis.

36.9.1. Liquidity and interest rate risk tables

The following tables demonstrates the Group's remaining contractual maturity of financial liabilities. The tables have been drawn up based on the undiscounted cash flows from financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that instruments carry the floating interest, the undiscounted amount is derived from interest rate curves at the end of the reporting period and may change, if interest rates differ from the determined estimates.

(CZK million)

31 Dec 2020	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	3,129	1,531	306	123	48	5,137
Derivatives	2	3	14	145	-	164
Incoming cash flows	*-*	*-*	*70*	*3,469*	*-*	*3,539*
Outgoing cash flows	*2*	*3*	*84*	*3,614*	*-*	*3,703*
Lease liabilities	33	266	774	3,006	1,307	5,386
Leaseback liabilities	24	122	333	732	275	1,486
Float interest rate instruments	-	62	387	1,613	991	3,053
Fixed interest rate instruments	-	-	1,250	16,159	23,277	40,686
Total	**3,188**	**1,984**	**3,064**	**21,778**	**25,898**	**55,912**

(CZK million)

31 Dec 2019	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Non-interest bearing	3,220	2,129	589	44	51	6,033
Derivatives	-	-	209	981	1,079	2,269
Incoming cash flows	*-*	*-*	*375*	*3,158*	*18,096*	*21,629*
Outgoing cash flows	*-*	*-*	*584*	*4,139*	*19,175*	*23,898*
Lease liabilities	28	37	888	3,263	738	4,954
Leaseback liabilities	56	112	505	1,199	332	2,204
Float interest rate instruments	1	1	6	17	-	25
Fixed interest rate instruments	157	3	1,717	15,414	23,034	40,325
Total	**3,462**	**2,282**	**3,914**	**20,918**	**25,234**	**55,810**

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

(CZK million)

31 Dec 2020	**Up to 1 month**	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Non-interest bearing	5,490	1,436	340	5	421	7,692
Derivatives	2	5	(176)	(750)	(289)	(1,208)
Incoming cash flows	*2*	*5*	*365*	*1,415*	*18,344*	*20,131*
Outgoing cash flows	*-*	*-*	*541*	*2,165*	*18,633*	*21,339*
Finance lease liabilities	5	2	22	110	383	522
Fixed interest rate instruments	2,400	-	-	-	-	2,400
Total	**7,897**	**1,443**	**186**	**(635)**	**515**	**9,406**

(CZK million)

31 Dec 2019	**Up to 1 month**	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Non-interest bearing	4,998	1,331	591	113	460	7,493
Derivatives	-	1	3	(96)	-	(92)
Incoming cash flows	*-*	*1*	*31*	*1,611*	*-*	*1,643*
Outgoing cash flows	*-*	*-*	*28*	*1,707*	*-*	*1,735*
Finance lease liabilities	4	-	13	70	413	500
Fixed interest rate instruments	4,203	1,095	100	-	-	5,398
Total	**9,205**	**2,427**	**707**	**87**	**873**	**13,299**

36.9.2. Financing facilities

The Group has access to the following credit facilities:

(CZK million)

Bank overdraft	ČSOB	Citibank	ING	VUB	KB	Raiffeisen-bank	Millenium Bank	Tatrabanka	SLPL	Total
Loan facility as at 1 Jan 2019	**1,110**	**200**	**200**	**400**	**1,600**	**-**	**77**	**-**	**13**	**3,600**
Unused amount as at 1 Jan 2019	**1,110**	**200**	**200**	**400**	**1,600**	**-**	**67**	**-**	**12**	**3,589**
Change of loan facility in 2019	-	-	-	300	-	-	19	-	-	319
Loan facility as at 31 Dec 2019	**1,110**	**200**	**200**	**700**	**1,600**	**-**	**96**	**-**	**13**	**3,919**
Unused amount as at 31 Dec 2019	**1,110**	**200**	**200**	**700**	**1,600**	**-**	**35**	**-**	**13**	**3,858**
Change of loan facility in 2020	-	-	-	-	-	300	53	13	-	366
Loan facility as at 31 Dec 2020	**1,110**	**200**	**200**	**700**	**1,600**	**300**	**149**	**13**	**13**	**4,285**
Unused amount as at 31 Dec 2020	**1,110**	**200**	**200**	**700**	**1,600**	**300**	**149**	**13**	**13**	**4,285**

(CZK million)

Promissory notes program	ČSOB	ING	KB	Česká spořitelna	Total
Loan facility as at 1 Jan 2019	**2,200**	**3,000**	**2,450**	**2,250**	**9,900**
Unused amount as at 1 Jan 2019	**2,200**	**3,000**	**2,450**	**2,250**	**9,900**
Change of loan facility in 2019	300	(1,500)	(450)	-	(1,650)
Loan facility as at 31 Dec 2019	**2,500**	**1,500**	**2,000**	**2,250**	**8,250**
Unused amount as at 31 Dec 2019	**2,500**	**1,500**	**2,000**	**2,250**	**8,250**
Change of loan facility in 2020	-	-	-	(250)	(250)
Loan facility as at 31 Dec 2020	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Unused amount as at 31 Dec 2020	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**

(CZK million)

Revolving loan	Citibank	Total
Loan facility as at 1 Jan 2019	**2,000**	**2,000**
Unused amount as at 1 Jan 2019	**2,000**	**2,000**
Change of loan facility in 2019	(500)	(500)
Loan facility as at 31 Dec 2019	**1,500**	**1,500**
Unused amount as at 31 Dec 2019	**1,500**	**1,500**
Change of loan facility in 2020	-	-
Loan facility as at 31 Dec 2020	**1,500**	**1,500**
Unused amount as at 31 Dec 2020	**1,500**	**1,500**

37. Post Balance Sheet Events

In 2021, the impact of the covid-19 pandemic continued and the significant reduction in population mobility had the effect of reducing passenger transport revenues in early 2021. The company implemented a plan to reduce the impact of the covid-19 pandemic in terms of operating and personnel costs, which had already begun. The company also drew subsidies from the Antivirus program and subsidies for protective equipment. In March and April 2021, in order to secure resources for implementation of planned investments, the Company entered into agreements for long-term bank credit facilities of up to CZK 8.5 billion. None of these credit facilities has been used as of the date of approval of the consolidated financial statements.

38. Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorised for issue on 13 April 2021.

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR 2020 PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EU

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

Components of the Separate Financial Statements for the year 2020 prepared in accordance with IFRS as adopted by the EU:
Separate Statement of Profit and Loss
Separate Statement of Comprehensive Income
Separate Statement of Financial Position
Separate Statement of Changes in Equity
Separate Cash Flow Statement
Notes to the Separate Financial Statements

Separate Financial Statements Were Prepared on 13 April 2021.
Statutory Body of the Reporting Entity

Ivan Bednárik
Chairman of the Board
of Directors
České dráhy, a.s.

Václav Nebeský
Vice-Chairman of the Board
of Directors
České dráhy, a.s.

Separate Statement of Profit and Loss for the Year Ended 31 December 2020

		Year ended 31 Dec 2020 CZK million	Year ended 31 Dec 2019 CZK million
Revenues	5	22,161	25,445
Other operating income	6	827	1,198
Cost of services, raw materials and energy	7	(9,633)	(10,280)
Employee benefit costs	8	(9,524)	(9,785)
Depreciation and amortisation	9	(5,351)	(5,023)
Other operating costs	10	(1,288)	(418)
Cancellation of provision for investment in ČD Cargo		-	2,852
Profit/(Loss) from operating activities		**(2,808)**	**3,989**
Financial expenses	11	(1,794)	(1,263)
Financial income	12	589	525
Profit/(Loss) before tax		**(4,013)**	**3,251**
Profit/(Loss) for the period		**(4,013)**	**3,251**

Separate Statement of Comprehensive Income for the Year Ended 31 December 2020

		Year ended 31 Dec 2020 CZK million	Year ended 31 Dec 2019 CZK million
Profit/(Loss) for the period		**(4 013)**	**3,251**
Actuarial gains on employee benefit liabilities		7	2
Revaluation reserve at fair value through other comprehensive income		(13)	12
Other comprehensive income/(loss) for the period (items that are not subsequently reclassified to profit or loss)		**(6)**	**14**
Cash flow hedging	23.2.2	(424)	488
Hedge accounting expenses		21	49
Other comprehensive income/(loss) for the period (items that may be reclassified to profit or loss)		**(403)**	**537**
Other comprehensive income/(loss) for the period after tax		**(409)**	**551**
Total comprehensive income/(loss) for the period		**(4,422)**	**3,802**

Separate Statement of Financial Position as at 31 December 2020

		31 Dec 2020 CZK million	31 Dec 2019 CZK million
Property, plant and equipment	14	52,720	52,400
Investment property	15	621	606
Intangible assets	16	358	364
Right-of-use assets	17	902	917
Investments in subsidiaries, associates and joint ventures	18	10,913	10,913
Other financial assets	21	1,583	1,249
Other assets	22	3	2
Total non-current assets		**67,100**	**66,451**
Inventories	19	1,642	1,411
Trade receivables	20	1,063	1,266
Other financial assets	21	570	721
Other assets	22	923	1,474
Cash and cash equivalents	29	4,123	6,602
Total current assets		**8,321**	**11,474**
TOTAL ASSETS		**75,421**	**77,925**
Share capital	23	20,000	20,000
Capital contributions	23	17,061	17,468
Retained earnings/ (Accumulated losses)		(1,798)	2,217
Total equity		**35,263**	**39,685**
Loans, borrowings and lease liabilities	24	31,914	31,040
Provisions	25	137	137
Other financial liabilities	26	188	185
Other liabilities	27	77	-
Total non-current liabilities		**32,316**	**31,362**
Trade payables		2,661	3,375
Loans, borrowings and lease liabilities	24	1,141	877
Provisions	25	1,838	202
Other financial liabilities	26	235	248
Other liabilities and contract liabilities	27	1,967	2,176
Total current liabilities		**7,842**	**6,878**
Total liabilities		**40,158**	**38,240**
TOTAL LIABILITIES AND EQUITY		**75,421**	**77,925**

Separate Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital CZK million	Share premium CZK million	Cash flow hedging reserve CZK million	Reserve and other funds*) CZK million	Retained earnings/ (Accumulated losses) CZK million	Total equity CZK million
Balance as at 1 January 2019	**20,000**	**16,440**	**519**	**(43)**	**(1,033)**	**35,883**
Profit for the period	**-**	**-**	**-**	**-**	**3,251**	**3,251**
Other comprehensive income/(loss) for the period	-	-	488	61	2	551
Comprehensive income/(loss) for the period - total	**-**	**-**	**488**	**61**	**3,253**	**3,802**
Allocation to reserve fund	-	-	-	3	(3)	-
Transactions with owners for the period - total	**-**	**-**	**-**	**3**	**(3)**	**-**
Balance as at 31 December 2019	**20,000**	**16,440**	**1,007**	**21**	**2,217**	**39,685**
Loss for the period	-	-	-	-	(4,013)	(4,013)
Other comprehensive income/(loss) for period	-	-	(424)	15	-	(409)
Comprehensive income/(loss) for the period - total	**-**	**-**	**(424)**	**15**	**(4,013)**	**(4,422)**
Allocation to reserve fund	-	-	-	2	(2)	-
Transactions with owners for the period - total	**-**	**-**	**-**	**2**	**(2)**	**-**
Balance as at 31 December 2020	**20,000**	**16,440**	**583**	**38**	**(1,798)**	**35,263**

* Reserve and other funds are described in Note 23.2.

Separate Cash Flow Statement for the Year Ended 31 December 2020

		Year ended 31 Dec 2020 CZK million	Year ended 31 Dec 2019 CZK million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year		**(4,013)**	**3,251**
Dividend income	6	(143)	(149)
Financial expenses - interest	11	874	963
Gain on the sale and disposal of non-current assets	6	(109)	(526)
Depreciation and amortisation of non-current assets	9	5,351	5,023
Impairment losses/ (Reversal of impairment)	6, 10	(168)	58
Change in provisions	25	1,636	(395)
Foreign exchange losses/(gains)		362	(75)
Reversal of impairment losses on financial investments		-	(2,852)
Other		32	(224)
Cash flows from operating activities before changes in working capital		**3,822**	**5,074**
Decrease/(increase) in trade receivables	20	164	203
Decrease/(increase) in inventories	19	(268)	(150)
Decrease/(increase) in other assets	21,22	(651)	313
Increase/(decrease) in trade payables		(998)	(457)
Increase/(decrease) in other payables and contract liabilities	26,27	(159)	137
Total changes in working capital		**(1,912)**	**46**
Cash flows from operating activities		**1,910**	**5,120**
Interests paid	11	(856)	(842)
Dividends received	6	83	149
Net cash flows from operating activities		**1,137**	**4,427**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant and equipment	14	(4,129)	(4,657)
Proceeds from disposal of property, plant and equipment	6	161	580
Payments for investment property	15	(5)	(11)
Payments for intangible assets	16	(117)	(137)
Interest received	12	88	109
Loans and borrowings provided to related parties	28.6	-	(427)
Repayments of loans and borrowings from related parties	28.6	473	233
Net cash flows from investment activities		**(3,529)**	**(4,310)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawing of loans and borrowings	24	342	12,725
Repayments of loans and borrowings	24	-	(7,644)
Payment of leasing instalments	24	(442)	(433)
Net cash flows from financing activities		**(100)**	**4,648**
Net increase/decrease in cash and cash equivalents		**(2,492)**	**4,765**
Cash and cash equivalents at the beginning of the period		6,602	1,837
Effects of changes in foreign exchange rates		13	-
Cash and cash equivalents at the end of the period	**29**	**4,123**	**6,602**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. General Information

České dráhy, a. s. (the "Company" or "ČD") was established on 31 March 2002 under Act No. 77/2002 Coll. on the joint-stock company České dráhy (Czech Railways), the state organisation Správa železniční dopravní cesty (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. On 1 January 2003, the state organisation České dráhy discontinued its activities and operations and the ČD and the state organisation Správa železniční dopravní cesty were formed as its legal successors. As at that date, the Company was recorded in the Commercial Register. Subsequently, on 1 January 2020, the amendment to the Railways Act changed the name of Správa železniční dopravní cesty ("SŽDC") to Správa železnic, státní organizace (Railway Administration, the state organization, "SŽ").

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

The Company is principally engaged in operating railway passenger transport. In addition, the Company is engaged in other activities relating to its principal business activities.

The separate financial statements have been prepared as at and for the year ended 31 December 2020 ("financial statements"). The reporting period is the calendar year from 1 January 2020 to 31 December 2020. The Company additionally prepares the consolidated financial statements in accordance with IFRS that will be approved as at the same date as the separate financial statements.

Impact of covid-19 to the financial statements for the year ended 31 December 2020

The existence of the novel coronavirus causing the covid-19 disease was confirmed in early 2020 and has spread globally. The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected the Company's operations in the year ending 31 December 2020.

The first half of 2020 was characterised by the covid-19 pandemic. As a result of this pandemic, countries around the world have imposed restrictions on leaving homes, ordered businesses to shut down and imposed entry bans. The measures placed severe restrictions on public life, and travel restrictions meant a sharp decline in passenger numbers since March 2020. In addition, the threat of unemployment and the expected decline in income caused households to reduce their spending. Demand was rising again since May 2020, however, began to decline in the last quarter of 2020 due to the deteriorating epidemiological situation.

Revenues from passenger transportation decreased by approximately CZK 4.5 billion due to a fall in demand from passengers. In the area of regional transportation, steps and measures have been taken promptly, which partially helped reducing economic losses caused mainly by the decline in passenger numbers. Due to the fact that contracts concluded for 2020 (totally, partially or during the year) with some regions (Olomouc, South Moravian, Ústí nad Labem, Zlín, Liberec and Pilsen Regions) were in the gross regime, where the risk of sales is borne by the region, the economic effects of the drop in revenues from passengers on ČD were eliminated in these regions. However, it must be noted that regional transportation is significantly less dependent on revenues from passengers than long-distance transportation, and conversely – is significantly more dependent on payments from ordering parties, so compared to its magnitude, the impact of the decline in passenger revenues on this passenger transportation segment was not so critical, as in case with long-distance transportation.

Following the expected impact of the covid-19 pandemic, the Company created a provision for onerous contracts in the amount of CZK 291 million in 2020. The provision was created for the otherwise uncompensated impact of the covid-19 pandemic in 2021, therefore exclusively for contracts in regional transportation concluded in the net regime (the risk of revenues is borne by the carrier).

In addition, the Company has adopted and implemented cost-saving measures to mitigate the effects of the crisis caused by the covid-19 disease. Since the end of April 2020 in connection with the cutting personnel costs, the Company introduced a partial unemployment scheme for selected employees according to the Section 209 of the Labour Code and concluded an agreement with the state to receive a contribution to cover partially personnel costs paid by the Company under the partial unemployment scheme (Antivirus program) in the amount of CZK 96 million.

The Company quickly and in a structured manner implemented the requirements of the authorities for both customers and employees and developed effective hygiene and safety plans, all while ensuring the continuous railway operations. The Company's employees are obliged to use respiratory protection and to actively inform passengers about this requirement. The health of the Company's employees and passengers is a top priority. In 2020, the Company incurred additional costs for operational clean-ups, cleaning services, disinfection of premises, disinfectants and protective gears in connection with the implementation of measures against covid-19 in the amount of CZK 140 million.

Restrictions on economic activity and the development of the covid-19 pandemic in the Czech Republic weakened the Czech crown exchange rate, which resulted in increase of financial exchange losses, primarily due to the revaluation of euro bonds. Most of the Company's liabilities in foreign currency are hedged against exchange rate fluctuations through appropriate derivatives. Impact of revaluation of unsecured part of bonds to the net financial exchange losses was CZK 337 million in 2020.

Impairment test is usually performed on annual basis. As at 31 December 2020, the Company reviewed whether there were any new impairment indicators present due to the uncertainty caused by covid-19. No further significant adjustment to the Company's accounting estimates has been deemed necessary. Possible future impacts on the valuation of individual assets and liabilities are analysed on an ongoing basis.

2. Significant Accounting Policies

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

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

The accounting policies used in the preparation of these financial statements are set out below. The accounting policies used in reporting period are consistent with the accounting policies used in previous periods, if not stated otherwise.

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying accounting policies. Areas with a high degree of judgment or complexity, or areas with assumptions or estimates significant for these financial statements, are described in the Note 4.

These separate financial statements are related to the consolidated financial statements of České dráhy a.s. and its subsidiaries ("Group") for the year ended 31 December 2020. The separate financial statements should be read in conjunction with the consolidated financial statements in order to fully understand the Group's results and financial position.

The going concern basis of the entity
At the time of approval of the financial statements, the Company's management has a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. Therefore, these financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classifications of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

2.3. Revenue recognition

2.3.1. Revenue from contracts with customers
In the first phase, all contracts with customers are analysed in order to identify obligations towards the customer. Subsequently, the transaction price is determined and, in case of several identified performance obligations, is allocated according to their relative standalone selling prices. Consequently, revenue is recognised at the appropriate amount for each performance obligation at a certain point in time or over time of the contract term (it may be recognised over several reporting periods). Revenues are reported net of value added tax and are further reduced by expected returns from customers, rebates and other similar discounts.

Revenue from the sale of services is recognised at the time when the service was provided, or on linear basis throughout the period of time, if the services are provided by an undetermined number of actions during the determined period. The received payment is initially recognised as a contract liability that is subsequently released to revenue as a service is provided to a customer.

Revenue related to transportation services is recognised in the period in which services are provided taking into account a stage of completion of the service contract (e.g. validity period of long-term travel documents).

In contrast to domestic one international transportation also includes the settlement process of receivables and payables to foreign carriers and sellers of international tickets. In some cases, such settlements may be delayed by a few months. For this reason, the revenue is accrued for as at the time the service is provided based on the information available to the Company.

In addition to selling tickets and similar documents, a significant part of revenue from transportation includes revenue from the usage of passenger cars in the RIC mode („Regolamento Internazionale delle Carrozze", based on the Convention for the Reciprocal Use of Wagons in International Traffic) with the settlement once per year. Therefore, in this case revenue is also recognised based on the estimate.

The transaction price has fixed and variable considerations. The fixed part represents the transaction price without consideration of fees and penalties. The variable consideration exists in the form of fees and penalties associated with the failure by the Company to fulfil the contractual obligation in relation to customers i.e. breach of timetable, damages to the transported goods, etc. In case of variable consideration, revenue is recognised to the extent to which it is highly probable that the revenue will not be subject to reversal in future.

Revenues from ordering parties such as the Ministry of Transportation and regions are key revenues and are included in the passenger transportation segment. These revenues are accounted monthly in accordance with annually approved orders and volume of services provided.

Revenue from the sale of goods or inventories is recognized when goods or inventories are transferred to a customer, who obtains control of an asset, i.e. when goods or inventories are delivered and received by a customer.

2.3.2. Other income

Dividend income is recognized when there is a right to receive payment and the receipt of such payment is probable.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income could be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

2.4. Lease

2.4.1. The Company as a lessee

At the commencement of a contract, the Company assesses whether it is a lease contract or contains a lease. The Company recognises the right-of-use asset and the corresponding lease liability in respect of all lease contracts in which the Company is a lessee, except of short-term leases (with a lease term of 12 months or less and containing no purchase options) and low-value asset lease (such as laptops and personal computers, small items of office furniture and phones). For these leases, the Company recognizes lease payments as operating expenses on a straight-line basis over the term of a lease, unless there is no other systematic basis that better reflects the timing of consumption of a leased asset.

At the commencement date, the lease liability is initially measured at the present value of lease payments to be made over the lease term that are not yet paid at that date. The lease payments shall be discounted using the interest rate implicit in a lease or, if this rate is not available, incremental borrowing rate should be used.

Lease payments included in the measurement of a lease liability include the following:

- fixed lease payments less any receivables from lease incentives;
- variable lease payment that are based on an index or a rate, initially measured using an index or rate as at the commencement date;
- amounts expected to be payable by the Company as guaranteed residual value;
- exercise price of a purchase option if the lessee is reasonably certain that the option will be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising this option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and reducing the carrying amount to reflect the lease payments made.

The lease liability must be remeasured (and the related right-of-use asset must be adjusted accordingly), if:

- there is a change in a lease term or if there is a material event or change in circumstances that led to a change in the assessment of an option to purchase the underlying asset. In such a case, the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.
- there is a change in lease payments resulting from a change in an index or a rate or change in the amounts expected to be payable under guaranteed residual value. In this case, the lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate.
- a lease contract is modified, and the modification is not considered to be a separate lease. In this case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using the revised discount rate as at the effective date of the modification.

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

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date after deduction of any lease incentives received and includes initial direct costs. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

The right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease, or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation begins at the commencement of the lease (at the date the asset is available for use by the Company).

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company uses IAS 36 to determine whether the right-of-use assets is impaired and accounts for any identified impairment losses as described in the policy 2.10 Property, plant and equipment.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use assets. Related payments are recognized as expenses in the period in which the event or condition that gives rise to those payments occurs and are presented in Other operating expenses in the statement of profit and loss.

As a practical expedient, IFRS 16 allows a lessee not to separate non-lease components from lease components and instead to account for each leasing component and any associated non-lease components as a single arrangement. The Company did not use this practical expedient. For a contract that contains a lease component and one or more other lease or non-lease components, the Company allocates the contract consideration to each lease and non-lease component based on the relative stand-alone price of a given component.

2.4.2. The Company as a lessor

Leases in which the Company is a lessor are classified as finance or operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset to lessees are classified as finance leases. All other leases are classified as operating leases.

If the Company is the intermediate lessor, it accounts for the main lease and the sublease as two separate contracts. Subleases are classified as finance leases or operating leases by reference to the right-of-use asset arising from the principal lease.

In an operating lease, income is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and concluding an operating lease are included in the carrying amount of the leased asset and are expensed on a straight-line basis over the term of the lease.

Amounts due from lessees under finance leases are recognised as receivables in the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Company's net investment.

After initial measurement, the Company regularly assesses the estimated unguaranteed residual value and applies impairment conditions in accordance with IFRS 9. In case of impairment indications, the Company recognizes a provision for expected credit losses from lease receivables.

Income from financial leasing is calculated on the basis of the gross value of lease receivables, with the exception of credit financial assets, for which interest income is calculated on the basis of their accrued value, i.e. after deducting the loss provision.

2.4.3. Sale and leaseback

A sale and leaseback transaction includes the sale of an asset and subsequent lease-back of the same asset. Lease payments and the sale prices are usually interdependent because they are negotiated in the same transaction. The accounting treatment of a sale and leaseback transaction depends on the type of leasing, which is part of this transaction.

If the leaseback is a finance lease, the lessor provides the lessee with cash and the leased asset as a security of the loan. For this reason, the proceeds from a sale exceeding the asset's carrying amount is not considered as income. The Company recognises proceeds as a financial liability (debt), which, together with interest, is amortised by lease payments.

According to IFRS 16, the Company does not reassess sale and leaseback transactions entered before the date of initial application to determine whether the transfer of the underlying asset met the criteria of IFRS 15 in order to be accounted for as a sale.

2.5. Foreign currencies

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

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

Exchange differences are recognised in profit or loss, except for exchange differences on transactions entered in order to hedge certain foreign currency risks. Such foreign exchange rate differences are recognised directly in other comprehensive income and reclassified to profit or loss when the hedged underlying item is settled.

2.6. Borrowing costs

Borrowing costs directly attributable to 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 the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.7. Government grants

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

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

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

The employee benefit liabilities and provisions reported in the statements of the financial position represent their present value. Additions to these liabilities and provisions are expensed after the services, which entitle the employee to such benefits, have been provided.

The provision for long-term employee benefits is recognised in the present value of the future cash outflows used to settle those obligations. The discount rate used is a market rate of return on government bonds at the balance sheet date, as there is no developed market for high quality corporate bonds denominated in Czech crowns. The currency and terms of these bonds are consistent with the currency and terms of the corresponding other long-term benefits. The value of this provision is determined annually based on reports prepared by independent qualified actuaries. Gains or losses arising from changes in actuarial assumptions for post-employment benefits at retirement are included in other comprehensive income, changes in the provision for other benefits are recognised in profit or loss.

2.9. Taxation

The income tax includes current tax and deferred tax.

2.9.1. Current tax

Current tax calculation is based on taxable profit for the year. The taxable profit differs from the profit reported in the statements 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 is calculated using tax rates that have been enacted by law or announced 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 to calculate taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit or loss.

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 way 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 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 tax is also recognised outside profit or loss.

2.10. Property, plant and equipment

Property, plant and equipment are carried at cost less impairment and by accumulated depreciation in case of property and equipment. Freehold land is not depreciated.

Assets under construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized to write off the cost of assets (other than freehold land and assets under construction) less their residual values over their useful lives, applying the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

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, namely property held to earn rental income and/or for capital appreciation (including property under construction for future use as investment property), is initially measured at cost, including transaction costs. After initial recognition, the Company measures its investment property using the cost model; the carrying amounts are decreased by accumulated depreciation and impairment.

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 the estimated useful lives of assets. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

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

2.13. 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 of impairment. If such indication exists, the recoverable amount of such assets is estimated in order to determine the amount of possible impairment. When it is not possible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are also allocated to individual cash-generating units, if reasonable and consistent basis of allocation can be determined. Otherwise, corporate assets are allocated to the smallest group of cash-generating units for which it is possible to determine a reasonable and consistent basis for allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least once per year or whenever there is an indication that the asset might be potentially impaired.

Recoverable amount is the higher of fair value less cost to sell and value in use. When assessing value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which have not been adjusted with estimates of future cash flows.

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

If the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated of its recoverable amount while ensuring that the increased carrying amount does not exceed the carrying amount that would have been determined in previous years if no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognized 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, i.e. 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 (i.e. holds existing rights based on which it is able govern the activities that significantly impact the revenues of this entity).

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in decisions about the relevant activities of the investee but is not control or joint control over those activities. In such case, the Company usually controls 20-50% of the voting rights.

The joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement that exists 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 or, after adjustment for impairment of investments.

Investments in subsidiaries are tested for impairment at least on an annual basis by comparing the fair value and the carrying amount of the equity investment.

2.15. Inventories
Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. The net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are mainly held for own use rather than for re-sale.

2.16. 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, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

In cases when some or all of the expenditure required to settle a provision are expected to be reimbursed by another party, an asset is recognized when it is certain that the reimbursement will be received by the Company and the amount of the receivable can be measured reliably.

A provision can be used only for expenditures for which the provision was originally recognised. A change in a provision is recognized in profit or loss for a specific expense category; the unused portion of the provision is recognized in Other operating income.

Current liabilities arising from onerous contracts are recognized and measured as provisions. Onerous contract is understood as a company's contract under which the unavoidable costs of meeting obligations under the contract exceed the envisaged economic benefits expected to be received under such a contract. The costs of fulfilling the contract include both the incremental costs of fulfilling the contract and the allocation of other costs that are directly related to fulfilling a contract.

2.17. Financial instruments

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

Financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities other than those measured at fair value through profit or loss are initially recognized in or deducted from the fair value of the financial assets. The exceptions are transaction costs that are directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss which are recognised immediately in profit or loss.

Financial assets are classified into the following three categories: financial assets at amortised cost, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. The classification depends on the Company's financial assets management and the nature of the contractual cash flows of the particular financial asset.

Financial liabilities are classified as either financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortised cost.

2.17.1. Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts expected future cash inflow/outflow (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) with the exception for expected credit losses through the expected life of the debt instrument, to their gross amortised cost at initial recognition.

Income and expenses are recognised on an effective interest rate basis for debt instruments other than financial assets and liabilities classified as at fair value through profit or loss and financial assets at fair value through other comprehensive income.

2.17.2. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include equity investments not held for trading. The Company holds equity investments that are not traded on an active market in these assets. Dividend income from equity investments is recognised in profit or loss when the Company's right to receive the dividends is established.

2.17.3. Financial assets measured at amortised cost

Loans and receivables (including bank balances) are financial assets held within the business model whose objective is to collect contractual cash flows that are payments of the principal and interest on the principal outstanding. Hence, the Company measures these assets at amortised cost applying the effective interest method less any impairment. These assets are recognised when the cash, goods or services are provided directly to the debtor by the Company with no intention of trading the receivable.

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

2.17.4. Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for measurement at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

In this category, the Company reports financial derivatives presented under other financial assets.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, and all gains and losses at fair value are recognized in profit or loss to the extent that they are not part of the hedging relationship (see hedge accounting policies). The method of determining fair value is described in Note 33.3.

2.17.5. Impairment of financial asses

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of expected credit losses as at the asset recognition.

Full model (3 stage impairment model): the financial asset is initially categorised within Stage 1, where credit loss allowance is recognised at an amount equal to 12-month expected credit losses. During the useful life of an asset, the Company considers whether there is no significant increase in credit risk. If the increased risk is recognised, the financial asset is reclassified to Stage 2, where the credit loss allowance is recognised at a lifetime expected credit loss. In the case of a counterparty default, such an asset is reclassified to Stage 3, where interest income on financial assets is recognised at amortised cost less impairment, applying the initial effective interest method.

For the purpose of determining expected credit losses, the company applies the simplified approach in accordance with IFRS 9, which allows the assessment of the lifetime expected loss for all short-term trade receivables as well as short-term receivables from financial leases.

The simplified model is applied for current trade receivables that do not contain a significant financing component. The Company recognises the allowances for receivables assessed on a portfolio basis based on the impairment matrix including historical inputs and reflecting future expectations.

For receivables assessed on an individual basis, the Company considers the following factors that affect the debtor's ability to meet his obligations:

- 30 days or more past due
- Forward looking information
- Knowledge of a customer
- Payment discipline.

The Company considers potential impairment of cash and cash equivalents to be immaterial due to high- quality credit-ratings of cooperating banks confirmed by the external investment rating.

Based on historic experience, the Company uses the following criteria for determining the credit default of the counterparty:

- If information gathered from external sources indicates that the debtor will not be able to pay its creditors in full (bankruptcy or insolvency proceedings)
- If the financial asset is more than 90 days past due and the Company has no evidence that the delay in payments is not sufficient criteria for default determination.

2.17.6. 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 an asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. Upon derecognition of an investment in an equity instrument, that the Company recognizes at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

2.17.7. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as financial liabilities measured at fair value through profit or loss when they are either available for sale or are designated as measured at fair value through profit or loss.

This category includes financial derivative instruments recognised under other financial liabilities.

Financial liabilities at fair value through profit or loss are measured at fair value and any resulting gain or loss from changes in fair value is recognised in profit or loss (unless they are part of a designated hedging relationship-see hedge accounting policies). The fair value shall be determined in accordance with the method set out in Note 33.3.

2.17.8. Financial assets measured at amortised cost

Financial liabilities not classified as held-for-sale or designated as financial liabilities at fair value through profit or loss are subsequently measured as amortised cost applying the effective interest method.

2.17.9. Derecognition of financial liabilities

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

2.17.10. Derivative financial instruments

The Company enters a variety of derivative financial instrument 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 the criteria for hedging derivatives are recorded by the Company at fair value through profit or loss.

2.17.11. Hedge accounting
The Company designates certain hedging instruments as cash flow hedges.

At the inception of the hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Since the inception, the Company documents and monitors on an ongoing basis, whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. The Company monitors the hedge ratio, sources of ineffectiveness and credit risk impact. Hedge accounting corresponds to the Company's risk management strategy. According to IFRS 9, the Company recognises the time value of a commodity option and basis spreads from crosscurrency interest rate swaps separately as hedge expenses.

If a hedging relationship ceases to meet the hedge effectiveness requirement associated with the hedging ratio, but the risk management objectives for that hedging relationship remain the same, the Company adjusts the hedging ratio for that hedging relationship (i.e. rebalances the hedging) to meet the required criteria.

2.17.12. Cash flow hedges
The effective part 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 in the cash flow hedging reserve. According to IFRS 9 the Company recognises hedge accounting expenses separately, where the criteria of expenses recognition through other comprehensive income are met. 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 only when the hedging relationship no longer qualifies for hedge accounting (fully or partially), after considering any rebalancing of the hedging relationship or when the hedging instrument expires or is sold, terminated, or exercised. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedging reserve at that time remains in equity and is remeasured through profit or loss when the forecast transaction is recognised. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedging reserve is remeasured immediately through profit or loss.

3. Adoption of New and Revised International Financial Reporting Standards

3.1. Standards and interpretations effective for the annual period ended 31 December 2020

During the year ended 31 December 2020, the following standards, amendments and interpretations became effective:

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 – Definition of a Business	1 January 2020
IAS 1, IAS 8 – Amendments to IAS 1 and IAS 8 – Definition of 'Material'	1 January 2020
IFRS 9, IFRS 7, IAS 39 – Amendments to IFRS 9, IFRS 7 and IAS 39 Interest Rate Benchmark Reform	1 January 2020
IFRS 16 – COVID-19 Related Rent Concessions	1 June 2020
Various IFRS - Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

The adoption of the abovementioned standards, amendments and interpretations during the period did not have a significant impact on the disclosures or amounts presented in these financial statements.

The amendment to IFRS 9, IFRS 7 and IAS 39 issued following the interest rate benchmark reforms concerns the hedge accounting requirements in the period before the reforms were enacted. It applies to all hedging relationships that are directly affected by the interest rate benchmark. The hedging relationship is directly affected, if the reform causes uncertainty about the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument. This amendment has no impact on the Company's financial statements. Although the Company has entered into interest rate hedging transactions with the PRIBOR rate hedged, all these transactions will be terminated during 2021 and as at 31 December 2020 the settlement rates are already fixed.

3.2. Standards and interpretations used prior to the effective date

The Group has applied the Amendment to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract before its effective date (effective for annual periods beginning on or after 1 January 2022) for the newly created provision for onerous contracts. The Amendment to IAS 37 specifies that the 'costs of fulfilling' a contract comprises the costs that relate directly to the contract. When creating a provision for onerous contracts, among these costs the Company includes incremental costs of fulfilling a contract (e.g. direct labour costs, material consumption) as well as the allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of depreciation charge for items used in fulfilling the contract). This early application of the Amendment to IAS 37 has no impact on the opening balance of equity as at 1 January 2020.

3.3. Standards and interpretations issued but not yet used

As at the date of the financial statements, the following standards and interpretations were published but were not yet effective or used by the Company before its effective date.

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 - Reference to the Conceptual Framework	1. January 2022*)
IFRS 4 - Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9	1. January 2021
IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	1. January 2021
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 17 - Amendments to IFRS 17 Insurance Contracts	1. January 2023*)
IAS 1 - Amendments to IAS1 - Classification of Liabilities as Current or Non-current	1. January 2023*)
IAS 16 - Amendments to IAS 16 - Proceeds before Intended Use	1. January 2022*)
Various standards - Annual Improvements to IFRS Standards 2018-2020	1. January 2022*)

*Standards, amendments and interpretations that were not yet approved for the use in the EU

The management of the Company expects that the adoption of these standards, amendments and interpretations will not have a significant impact on the Company in the following periods.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not 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 key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are given in the following notes.

4.1 Key sources of estimation uncertainty

4.1.1. 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 with indefinite useful lives or 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 depending on the development of the current situation and the availability of information. Impairment of property, plant and equipment is disclosed in Note 14.1.

4.1.2. Provisions for legal disputes

The Company is involved in a number of regulatory, court and out-of-court commercial disputes. Where the criteria for the recognition of provisions 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. The information on legal disputes is disclosed in Notes 25 a 32.1.

4.1.3. Leasing – discount rate and rental period

The Company measures the initial lease liability at the present value of the lease payments that should be discounted using the implicit interest rate. Since the Company is unable to determine this rate reliably, it uses its incremental borrowing rate as the discount rate. While determining it, the coverage of lease collateral and the length of the lease contracts were considered.

In addition, the Company uses an estimate to determine the lease term of contracts concluded for indefinite period. This estimate was made with respect of the period and circumstances of the termination of individual contracts. The Company has determined the estimated lease term of indefinite duration contracts at 5 years, due to following reasons:

- the Company operates under the medium-term plan for a period of 5 years,
- considering past experience, there is sufficient assurance that these leases will not be terminated by the Company.

In addition, each significant contract is also assessed separately based on the individual contract provisions, the economic situation on the market of the asset, as well as the past experience with the lessor, and thus the lease terms is adjusted accordingly.

Contracts with SŽ for the lease of premises at railway stations are concluded for individual areas (7 large framework contracts). When measuring individual leased premises under the same contract, the Company used aggregation into larger valuation units under the framework contracts because of the insignificance of these individual rental premises. Due to the fact that these contracts were concluded with SŽ for 50 years, they are considered in the same way as contracts for an indefinite period and the estimated lease term is therefore set at 5 years for the purposes of lease valuation.

4.2. Judgements

4.2.1. Payments from the public service orderers

The Company receives compensation from regional budgets and the Ministry of Transport's budget for railway transportation as the provision of public services. The Company also receives compensation from the budget of Ministry of Transport for the provision of transport services at discounted prices for selected groups (students, pensioners). The Company recognises the compensation as revenue from contracts with customers. In case of payments from the ordering party, the essence of the relation is the order of transport services in the given location. This service is provided by the Company regardless number of persons using the passenger transport service. The compensation is not a subsidy, because the contract for the provision of transport services is competed among a number of entities interested in providing that service. Only the company which wins the tender obtains the compensation. Another type transaction occurs in case of preferential prices for different categories of customers (students, pensioners), when the customer uses the service (passenger transportation) and pays only part of its price and the remaining part is paid by the third party (the state). It is not a subsidy, but rather a discount provided to the population groups and not an economic incentive to influence the behaviour of companies in a particular way.

5. Revenue

5.1. Breakdown of revenue

(CZK million)	**2020**	**2019**
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Revenue from passenger transport - fare	5,906	10,398
Domestic passenger transport	*4,514*	*7,514*
International passenger transport	*1,392*	*2,884*
Revenue from passenger transport - payments from public service orderers	15,449	14,230
Payment from the state budget	*4,272*	*4,266*
Payment from the regional budgets	*11,177*	*9,964*
Sale of other services	427	440
Sale of other services recognized over time	*427*	*440*
Commission for mediation of purchases of diesel and spare parts	37	39
Commission from ticket sales and other transactions at cash desks	2	6
Total revenue from contacts with customers	**21,821**	**25,113**
RENTAL INCOME		
Rental income	340	332
Total revenue	**22,161**	**25,445**

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

The Company provides transport services in public railway transport for a stated (rectified) price and assures transport services in the specified categories of passenger trains on the railway network of the Czech Republic. The scope of these services and the compensation (revenue of the Company) are specified in contacts with the state and regional authorities. The payment from the ordering party - the state is limited by the volume of financial resources that were determined by the state budget to cover the provable losses in railway passenger transport.

In 2020, the Company operated long-distance transport under public service contracts concluded with the Ministry of Transport of the Czech Republic. The decisive volume of services was provided under a newly concluded contract valid from 15 December 2019 for a period of 10 years.

Since the 2020/21 timetable, the Company has operated a total of 22 long-distance transport lines on the basis of 5 public service contracts. On the contrary, one line (including the original two long-distance transport lines) from 13 December 2020 within the so-called 'split' was again acquired and operated by competing railway carriers. České dráhy, a.s. no longer provides these services.

In regional transportation, most contracts have been concluded and valid since 2020, in which it was therefore necessary to focus great attention on their proper performance. So far, 38 new contracts have been concluded with the regions. The vast majority of newly concluded contracts were implemented in the regime of so-called market consultation and subsequent direct assignment. An exception is the contract with the South Moravian Region, which was concluded within the standard tender procedure, and the contract with the Pilsen Region for the P2 operating set, which will, however, not be effective until December 2021.

Most of year 2020 is associated with the covid-19 pandemic and subsequent crisis measures. In the area of regional transportation, steps and measures were taken promptly, which partially helped reducing economic losses caused mainly by the decline in passenger numbers. Due to the fact that contracts concluded for 2020 (totally, partially or during the year) with some regions (Olomouc, South Moravian, Ústí nad Labem, Zlín, Liberec and Pilsen Regions) were in the gross regime, where the risk of sales is borne by the region, the economic effects of the drop in revenues from passengers on ČD were eliminated in these regions. However, it must be noted that regional transportation is significantly less dependent on revenues from passengers than long-distance transportation, and conversely – is significantly more dependent on payments from ordering parties, so compared to its magnitude, the impact of the decline in passenger revenues on this passenger transportation segment was not so critical, as in case with long-distance transportation.

Although the Company has lost some operational units in regions since 2020, this year's transport performance for regions was higher by 0.27% compared to 2019. While in the past, most contracts with regions were concluded for ten years, now the situation in regions is different. In 2020, no contract concluded with regions was terminated.

Significant transactions with the main customers with state participation are stated in Note 28.8.

5.2. Contract liabilities and refund liabilities

The Company recognises following contract liabilities and refund liabilities (see also Note 27) related to revenue from contracts with customers:

(CZK million)	31 Dec 2020	31 Dec 2019
Contract liabilities related to revenue from contracts with customers		
Prepaid products – such as kilometric bank, annual ticket	141	203
Prepayments received	64	64
Other contractual liabilities	3	3
Total contract liabilities	**208**	**270**

(CZK million)	31 Dec 2020	31 Dec 2019
Refund liabilities		
Other refund liabilities	33	9
Total refund liabilities	**33**	**9**

5.2.1. Revenues from contract liabilities

(CZK million)	2020	2019
Revenues included in the opening balance of contractual liabilities		
Revenue from passenger transport - fare	188	174
Sale of other services	56	53
Commission from ticket sales and other transactions at cash desks	-	1
Total	**244**	**228**

5.2.2. Remaining contractual liabilities

Passenger transport services are usually performed within a few hours and paid just before the service is provided. In the case of prepaid tickets, a contract liability is recognized. As at 31 December 2020, the Company has concluded more than 40 contracts with public service orderers (Ministry of Transport and Regions). The validity of these contracts varies from 1 to 15 years individually. According to these contracts, the Company is obliged to provide transport services to the specified extent. Income is recognized in the amount that the company has the right to invoice. The ordering parties usually pay fixed amounts based on the payment schedule. If the services provided by the company exceed the payment, the receivable is recognized due to the fact that the performance is unconditional, and only the passage of time is required before the payment is due. Receivables are usually due within 15-30 days. If payments exceed the services rendered, a liability is recognized. The Company does not disclose the allocated transaction price under the practical expedient from IFRS 15. Transport revenue is disclosed in Note 5.1.

6. Other Operating Income

(CZK million)	2020	2019
Gain from sale of property, plant and equipment and investment property	109	526
Profit from disposal of redundant assets	33	38
Compensations for shortage and damage	43	86
Contractual penalties	46	26
Dividends received	143	149
Foreign exchange gains – operating	73	57
Released provisions	-	122
Release of allowance for trade receivables	24	17
Release of allowance for property, plant and equipment	142	-
Reversal of write-off of inventory to net realisable value	2	3
Other	212	174
Total other operating income	**827**	**1,198**

The category 'Other' includes mainly revenue from litigation, revenue from subsidies, revenue from special trains and from the operation of cable car.

7. Cost of Services, Raw Materials and Energy

(CZK million)	2020	2019
Traction costs	(2,472)	(2,886)
Traction fuel (diesel)	*(977)*	*(1,223)*
Traction electricity	*(1,495)*	*(1,663)*
Payment for the use of railway route	(1,612)	(1,820)
Other services, raw materials and energy	(5,549)	(5,574)
Consumed material	*(1,343)*	*(1,119)*
Consumed other energy	*(278)*	*(278)*
Consumed fuel	*(45)*	*(57)*
Repairs and maintenance	*(989)*	*(789)*
Travel costs	*(124)*	*(131)*
Telecommunication, data and postal services	*(134)*	*(124)*
Other lease costs	*(54)*	*(58)*
Lease of rail vehicles	*(256)*	*(404)*
Transportation charges	*(12)*	*(16)*
Rail replacement bus service	*(135)*	*(165)*
Services of dining and sleeping carriages	*(113)*	*(183)*
Services associated with the use of buildings	*(245)*	*(221)*
Operational cleaning of rail vehicles	*(451)*	*(370)*
Border area services	*(336)*	*(498)*
Advertising and promotion costs	*(114)*	*(167)*
Commission from ticket sales to other carriers and vendors	*(50)*	*(146)*
Infrastructure capacity allocation	*(53)*	*(56)*
Services related to IT	*(333)*	*(323)*
Fire brigade services	*(1)*	*(3)*
Services in the field of ecology	*(36)*	*(34)*
Other services	*(447)*	*(432)*
Total cost of services, raw materials and energy	**(9,633)**	**(10,280)**

Other services include mainly training costs, preventive health care, consulting, expert opinions and other services.

Other services also include audit and non-audit services provided by the PwC network companies. The total remuneration for these services:

(CZK million)	**2020**	**2019**
Audit services	(2)	(2)
Non-audit services	(2)	-
Total	**(4)**	**(2)**

8. Employee Benefit Costs

(CZK million)	**2020**	**2019**
Payroll costs	(6,821)	(7,038)
Severance pay	(90)	(65)
Statutory social security and health insurance	(833)	(861)
Pension insurance	(1,459)	(1,482)
Contributions to the pension insurance and capital life insurance	(208)	(208)
Other social costs	(61)	(64)
Other staff cost	(52)	(67)
Total staff cost	**(9,524)**	**(9,785)**

Other social costs include mainly meal allowances. Other staff costs include mainly allowances for health recovery stays or remuneration to the members of the statutory bodies.

In 2020, item Payroll costs was reduced by a subsidy from the state within the Antivirus program in the amount of CZK 96 million.

9. Depreciation and Amortisation

(CZK million)	**2020**	**2019**
Depreciation of property, plant and equipment	(5,004)	(4,740)
Depreciation of investment property	(26)	(24)
Depreciation of right-of-use assets	(176)	(174)
Amortisation of intangible assets	(145)	(85)
Total depreciation and amortisation	**(5,351)**	**(5,023)**

In 2020, depreciation of CZK 43 million was allocated to the item Depreciation of property, plant and equipment, which relates to the allocation of costs of creation of a provision for onerous contracts.

10. Other Operating Expenses

(CZK million)	**2020**	**2019**
Impairment losses on property, plant and equipment, investment property and assets held for sale	-	(62)
Write-off of inventories to their net realisable value	-	(28)
Taxes and fees	(12)	(11)
Insurance	(95)	(80)
Foreign exchange loses - operating	(66)	(46)
Shortages and damages	(40)	(14)
Expenses for uniforms and personal protective equipment	(39)	(42)
Provision for legal disputes related to other operating expenses	(697)	-
Lump sum payments to employees	(16)	(17)
Other expenses	(322)	(118)
Total other operating expenses	**(1,288)**	**(418)**

Other costs include, in particular, the cost of creating a provision for penalties (Note 25.2), compensation for damages and the cost of assigned and written-off receivables.

11. Financial Expenses

(CZK million)	**2020**	**2019**
Interest on issued bonds	(683)	(765)
Interest on lease liabilities	(28)	(28)
Interest on leaseback liabilities	(17)	(34)
Other interests	(178)	(148)
Less: amounts capitalised as part of the costs of a qualifying asset	32	16
Foreign exchange loses – financial	(859)	(259)
Other financial expenses	(61)	(45)
Total financial expenses	**(1,794)**	**(1,263)**

The capitalisation rate in the year 2020 was 2.02 % p. a. (2019: 2.02 % p. a.).

12. Financial Income

(CZK million)	**2020**	**2019**
Foreign exchange gains – financial	499	389
Received interest	89	135
Other financial income	1	1
Total other financial income	**589**	**525**

13. Income Tax

13.1. Income tax recognised in profit or loss

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

(CZK million)	**2020**	**2019**
Profit (loss) for the period before tax	**(4,013)**	**3,251**
Statutory tax rate on corporate income in the Czech Republic	19 %	19 %
Expected income tax expense / income	**762**	**(618)**
Adjustments:		
Effect of the unrecognised deferred tax asset	(730)	1,306
Deferred tax asset not recognised in the current period	(1,231)	(730)
Tax-exempt revenues	27	28
Non-taxable revenue – cancellation of provisions for the fine from the Office for the Protection of Competition	-	70
Tax non-deductible expenses - shortages and damages	(8)	(3)
Tax non-deductible payroll expenses	(25)	(26)
Tax non-deductible expenses - fines	(176)	(47)
Other tax non-deductible items, net	(79)	20
Income tax recognised in profit or loss	**-**	**-**

13.2. Deferred tax

(CZK million)	Non-current assets	Provisions	Leases	Receivables	Borrowing cost	Other	Total
Balance as at 1 Jan 2019 – calculated	**1,477**	**18**	**(234)**	**21**	**-**	**(18)**	**1,264**
Balance as at 1 Jan 2019 – recognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax recognised in profit or loss:	-	-	-	-	-	-	-
of which current changes	*(582)*	*(4)*	*(19)*	*(2)*	*-*	*31*	*(576)*
*of which impairment *)*	*582*	*4*	*19*	*2*	*-*	*(31)*	*576*
Deferred tax recognised in other comprehensive income	-	-	-	-	-	-	-
of which current changes	*(2)*	*(1)*	*-*	*-*	*-*	*(102)*	*(105)*
*of which impairment *)*	*2*	*1*	*-*	*-*	*-*	*102*	*105*
Balance as at 31 Dec 2019 – calculated	**893**	**13**	**(253)**	**19**	**-**	**(89)**	**583**
Balance as at 31 Dec 2019 – recognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax recognised in profit or loss	-	-	-	-	-	-	-
of which current changes	*238*	*84*	*13*	*(5)*	*168*	*3*	*501*
*of which impairment *)*	*(238)*	*(84)*	*(13)*	*5*	*(168)*	*(3)*	*(501)*
Deferred tax recognised in other comprehensive income	-	-	-	-	-	-	-
of which current changes	*2*	*(1)*	*-*	*-*	*-*	*77*	*78*
*of which impairment *)*	*(2)*	*1*	*-*	*-*	*-*	*(77)*	*(78)*
Balance as at 31 Dec 2020 – calculated	**1,133**	**96**	**(240)**	**14**	**168**	**(9)**	**1,162**
Balance as at 31 Dec 2020 – recognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

With regards to the low expected future taxable profit, realisation of deferred tax assets is uncertain. Therefore, when the calculated net position of the deferred tax as at balance sheet date results in a deferred tax asset, the Company recognizes this asset at nil value.

14. Property, Plant and Equipment

(CZK million)	Land	Constructions	Equipment	Vehicles*)	Components	Assets under construction	Prepayments	Total
Cost								
Balance as at 1 Jan 2019	5,525	9,546	2,250	70,814	13,412	1,567	84	103,198
Additions	31	117	64	1,119	1,984	375	1,305	4,995
Disposals	(39)	(77)	(40)	(104)	(2 998)	(10)	(97)	(3,365)
Reclassification	(1)	56	52	32	-	(187)	-	(48)
Balance as at 31 Dec 2019	**5,516**	**9,642**	**2,326**	**71,861**	**12,398**	**1,745**	**1,292**	**104,780**
Additions	3	83	38	1,163	2,354	1,187	457	5,285
Disposals	(42)	(64)	(39)	(240)	(1,932)	(11)	(17)	(2,345)
Reclassification**	2	23	41	73	-	(234)	-	(95)
Balance as at 31 Dec 2020	**5,479**	**9,684**	**2,366**	**72,857**	**12,820**	**2,687**	**1,732**	**107,625**
Accumulated depreciation and impairment								
Balance as at 1 Jan 2019	67	5,268	1,723	35,180	8,143	438	-	50,819
Depreciation	-	193	97	2,721	1,729	-	-	4,740
Creation of an allowance	26	15	-	100	-	9	-	150
Release of an allowance	-	-	-	(88)	-	-	-	(88)
Disposals	-	(61)	(39)	(244)	(2,862)	-	-	(3,206)
Reclassification**	-	(35)	-	-	-	-	-	(35)
Balance as at 31 Dec 2019	**93**	**5,380**	**1,781**	**37,669**	**7,010**	**447**	**-**	**52,380**
Depreciation	-	192	100	2,758	1,911	-	-	4,961
Creation of an allowance	6	-	-	40	-	3	-	49
Release of an allowance	(28)	(2)	-	(161)	-	-	-	(191)
Disposals	-	(49)	(37)	(235)	(1,950)	-	-	(2,271)
Reclassification**	-	(23)	-	-	-	-	-	(23)
Balance as at 31 Dec 2020	**71**	**5,498**	**1,844**	**40,071**	**6,971**	**450**	**-**	**54,905**
Net book value								
Balance as at 1 Jan 2019	5,458	4,278	527	35,634	5,269	1,129	84	52,379
Balance as at 31 Dec 2019	5,423	4,262	545	34,192	5,388	1,298	1,292	52,400
Balance as at 31 Dec 2020	5,408	4,186	522	32,786	5,849	2,237	1,732	52,720

*) Vehicles purchased under leaseback agreements are disclosed within Vehicles. Their net book value is CZK 1,205 million as at 31 December 2020 and CZK 1,232 million as at 31 December 2019. Amount of these leaseback liabilities is included in Note 24. Liabilities related to leaseback agreements are pledged by ownership rights for the leased assets. Their annual depreciation amounted to CZK 121 million as at 31 December 2020 and CZK 133 million as at 31 December 2019.
**) Reclassifications predominantly include transfers of asset items between individual groups (IAS 16, IAS 40).

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

	Number of years
Constructions	20 – 50
Vehicles	
Locomotives	*20 – 30*
Passenger cars	*20 – 30*
Wagons	*25 – 33*
Components	2 - 15
Machinery, equipment and other	8 – 20

The most significant additions from 1 January 2019 to 31 December 2020 include the acquisition and modernization of rolling stock as part of the renewal of the Company's fleet. Due to the long-term nature of acquisition of this type of assets, significant balances are presented in the assets under construction.

In 2020, the Company provided an advance payment of 538 million for the supply of 19 EMU160 electrical units. In 2019, the Company provided an advance payment of CZK 1,114 million for the purchase of new EMU160 railway rolling stock and an advance of CZK 447 million for the equipment of electric locomotives with ETCS mobile parts.

In 2018, the Company received a "Promise to provide a subsidy" of CZK 857 million for the renewal of the vehicle fleet for the Pilsen Region. In 2020, this promise was reduced by CZK 214 million and the Company received a subsidy in the amount of CZK 643 million.

As at 31 December 2020, the Company maintains a "Promise to provide a subsidy" of CZK 398 million for electrical units for the Pilsen and Karlovy Vary regions, of CZK 120 million for series 440 electrical units and of CZK 77 million for ETCS units.

The Company leases to external entities some of its assets which are not currently used for its activities. The most significant leased assets are buildings and land. The carrying amount of these leased assets is shown in the table below.

(CZK million)

Net book value	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019
Land	2,917	2,929
Constructions	1,135	1,122
Total	**4,052**	**4,051**

14.1. Impairment loses recognised in the reporting period

14.1.1 Asset impairment analysis

As at the balance sheet date, the Company assessed whether there were any indications of impairment of non-financial assets. Due to the negative effects of the covid-19 pandemic, the Company's management concluded that impairment indicators exist for vehicles, in particular railway vehicles (locomotives, passenger cars, other railway vehicles) and other stand-alone movables used to operate passenger rail transport. This group of assets is tested for potential impairment as one cash-generating unit.

The recoverable amount of the cash-generating unit was determined as the value in use. Value in use was determined based on the present value of future cash flows per cash-generating unit for the next ten years. The ten-year period reflects the assumptions for short- to medium-term market development and was chosen to achieve the stable business outlook necessary to calculate perpetual value. Cash flows beyond the ten-year period have been extrapolated using a steady growth rate. This growth rate is in line with the long-term average growth rate for the sector in which the Company operates (passenger transportation).

The calculation of future expected cash flows is based on an estimate of revenues, direct and indirect operating costs and expenses for the acquisition of fixed assets for the period 2021-2030. Revenues from the sale of services are projected on the basis of the expected collection of fares and the contracted payments from public service orderers (the state and regions), according to the expected return to 'normal' after the period affected by covid-19 and also according to the expected compensation from the state. Operating costs are estimated based on the current structure of the Company and adjusted for expected development and cost-saving measures in the area of operating and personnel costs. Capital expenditures are based on the historical experience of the Company's management, the planned development of passenger transport and commitments arising from contracts with public service orderers. In general, the projections of the above-mentioned components of expected future cash flows take into account the expected economic development, competition and other market factors, regulation, as well as the Company's strategy.

The discount rate reflects the risk specific to the cash-generating unit as assessed by the Company's management. The basis for calculating the discount rate is the weighted average cost of capital (WACC) calculated based on the Capital Asset Pricing Model (CAPM). To calculate the recoverable amount, the estimated cash flows expressed in fair values were discounted using a discount rate of 7%.

The expected growth rate is derived from the expected future development of the market, gross domestic product, the level of wages and interest rates and the expected economic growth of the country. A growth rate of 2% was used to calculate the recoverable amount.

An analysis performed as at 31 December 2020 confirmed that the recoverable amount of the cash-generating unit exceeds its carrying amount by CZK 11,826 million.

Sensitivity analysis of impairment tests
As part of testing the recoverable amount of non-current assets of a cash-generating unit, a sensitivity analysis of the test results to changes in selected significant parameters of the model used was performed: expected future cash flows, the discount rate used for calculating the present value of future cash flows and the growth rate.

The recoverable amount of the cash-generating unit would equal its carrying amount, had the key assumptions been/ changed as follows:

– using the discount rate of 7.69% with other parameters remain unchanged
– using the growth rate of 1% with other parameters remain unchanged
– expected future cash flows according to the model by 18% with other parameters remain unchanged.

14.1.2 Other impairment losses
Furthermore, based on physical observation and internal analyses, the Company identified non-current assets for which there is significant doubt about their future usability. The value in use of 680 series tilting trains (Pendolino) and 380 series locomotives is estimated to be close to their fair value less the costs of disposal. Therefore, the recoverable amount of these railway vehicles was determined regardless of the cash-generating unit to which they belong. An impairment loss was recognized for these items in the amount of the difference between the carrying amount and the estimated recoverable amount.

The non-current assets with the most significant impairment are the 680 series tilting trains (Pendolino). Amount of the impairment was CZK 415 million as at 31 December 2020, CZK 443 million as at 31 December 2019 and CZK 471 million as at 31 December 2018. In 2013, the impairment was determined on the basis of an independent expert's opinion reflecting the market value less costs of disposal. In 2020, the updated expert opinion did not indicate a decrease in value, hence there was no further impairment loss in 2020. Other assets with significant impairment are 380 series locomotives. The impairment of these assets is determined in the amount of inflationary increase in value based on the contract with the supplier in the amount of CZK 522 million as at 31 December 2020, in the amount of CZK 544 million as at 31 December 2019 and CZK 567 million as at 31 December 2018.

Impairment losses are included in Other operating expenses and their reversal in Other operating income within the statement of profit and loss.

Since 2010 in the area of acquisition and modernization of railway rolling stock in accordance with Regional Operational Programs (ROP), ČD completed in individual regions 19 grant project plans in the amount of more than CZK 7.6 billion. As at 31 December 2020, based on findings of audit body of Ministry of Finance and its quantified correction, the Company recorded an increase in the acquisition price of assets under construction in the amount of CZK 336 million and an increase in the acquisition price of vehicles in the amount of CZK 43 million. As at 31 December 2019, the Company recorded an increase in the acquisition cost of assets under construction in the amount of CZK 379 million. In 2020, a subsidy of CZK 43 million was returned on the basis of the ROP Moravia payment order. At the same time, an impairment loss of rolling stock in the amount of CZK 379 million as at 31 December 2019 and 31 December 2020 was recoded.

14.2. Pledged assets
The Company does not have any pledged assets as at 31 December 2020 and 31 December 2019.

14.3. Unused immovable assets
As of 31 December 2020, the Company records assets of CZK 351 million in Property, plant and equipment, which are currently unused. These are primarily vacant buildings. The Company anticipates selling these 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.

15. Investment Property

(CZK million)	2020	2019
Balance at the beginning of the year	**606**	**611**
Additions from subsequent capitalised expenses	5	11
Depreciation	(26)	(24)
Disposals	(13)	(6)
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	70	15
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	(25)	-
Increase/(decrease) in impairment loss	4	(1)
Balance at the end of the year	**621**	**606**

(CZK million)	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019	Balance as at 1 Jan 2019
Cost	1,409	1,362	1,313
Accumulated depreciation and impairment	(788)	(756)	(702)
Net book value	**621**	**606**	**611**

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

The estates are located around the railway route, in railway stations and depots of rail vehicles.The Company applies a market approach to determine the fair value of its land and income approach to determine the fair value of its buildings.

When calculating the fair value of a building in the first step, the annual rental income from the building is calculated as a multiple of the size of a property, occupancy by the particular type of premises and external annual rent in accordance to individual type of premises. In the second step, the fair value of the building is calculated as the annual rental income less the cost of the building during the year and divided by the capitalization rate for the given location (yield). Yield is updated annually based on an expert opinion and is calculated as the sum of net earned revenues (net rent) divided by the sum of achieved market prices of comparable real estate. To determine the fair value of real estates as at 31 December 2020, depending on type of real estate and its location, yield in the range of 6-10% was used.

In respect of land, the fair value is calculated by multiplying the market price for m2 for the given location and the size of the land. The market price for m2 is determined each year by an expert based on the latest land price maps.

Investment property fair value estimates amounted to CZK 4,396 million as at 31 December 2020, CZK 4,795 million as at 31 December 2019 and CZK 4,052 million as at 1 January 2019. Investment property is classified as Level 3 in terms of the method of determining fair value.

The Company determines the depreciation method and useful lives of investment property on the same basis as for property included in Constructions (see Note 14).

16. Intangible Assets

(CZK million)	Software	Software licences	Assets under construction	Total
Cost				
Balance as at 1 Jan 2019	1,015	655	132	1,802
Additions	33	7	95	135
Disposals	(15)	-	-	(15)
Reclassification	58	12	(70)	-
Balance as at 31 Dec 2019	**1,091**	**674**	**157**	**1,922**
Additions	42	19	78	139
Disposals	-	-	-	-
Reclassification	117	3	(120)	-
Balance as at 31 Dec 2020	**1,250**	**696**	**115**	**2,061**
Accumulated amortisation				
Balance as at 1 Jan 2019	871	617	-	1,488
Amortisation	69	16	-	85
Disposals	(15)	-	-	(15)
Balance as at 31 Dec 2019	**925**	**633**	**-**	**1,558**
Amortisation	116	29	-	145
Disposals	-	-	-	-
Balance as at 31 Dec 2020	**1,041**	**662**	**-**	**1,703**
Net book value				
Balance as at 1 Jan 2019	144	38	132	314
Balance as at 31 Dec 2019	166	41	157	364
Balance as at 31 Dec 2020	209	34	115	358

The costs of amortisation were reported in Depreciation and amortisation in the statement of profit and loss. The following useful lives were used in the calculation of amortisation:

	Number of years
Software	3-4
Software licences	6

Intangible fixed assets mainly include software used in business activities entitled DISOD, PARIS, APS, In-karta, POP, UNIPOK, IS OPT and KASO.

17. Right-of-use Assets

The Company rents land, administrative premises, railway station premises, locomotives, cars and equipment. Lease contracts are usually concluded for a defined period (3 to 10 years). Part of the contracts is concluded for an indefinite period (see Note 4.1.3).

(CZK million)	Land	Constructions - premises at railway stations	Constructions - administrative buildings	Equipment	Locomotives	Other vehicles	Total
Cost							
Balance as at 1 Jan 2019	4	286	148	4	805	46	1,293
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Change in estimates *)	-	38	10	-	-	-	48
Balance as at 31 Dec 2019	**4**	**324**	**158**	**4**	**805**	**46**	**1,341**
Additions	-	-	101	5	-	-	106
Disposals	(3)	(7)	(84)	-	-	-	(94)
Change in estimates *)	1	36	26	-	-	-	63
Balance as at 31 Dec 2020	**2**	**353**	**201**	**9**	**805**	**46**	**1 416**
Accumulated depreciation and impairment							
Balance as at 1 Jan 2019	2	91	50	2	91	14	250
Depreciation	1	39	42	-	81	11	174
Disposals	-	-	-	-	-	-	-
Balance as at 31 Dec 2019	**3**	**130**	**92**	**2**	**172**	**25**	**424**
Depreciation	1	38	44	1	81	11	176
Disposals	(3)	-	(83)	-	-	-	(86)
Balance as at 31 Dec 2020	**1**	**168**	**53**	**3**	**253**	**36**	**514**
Net book value							
Balance as at 1 Jan 2019	2	195	98	2	714	32	1,043
Balance as at 31 Dec 2019	1	194	66	2	633	21	917
Balance as at 31 Dec 2020	1	185	148	6	552	10	902

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

The amounts recognised in the statement of profit and loss:

(CZK million)	2020	2019
Depreciation of right-of-use assets	(176)	(174)
Interest expense on lease liabilities	(45)	(62)
Expense related to short-term leases	(43)	(65)
Expense related to low-value assets leases	(30)	(91)
Proceeds from sublease of right-of-use assets	2	-

Lease liabilities are disclosed in Note 24.2.

18. Investments in Subsidiaries, Associates and Joint Ventures

(CZK million)	31.12.2020	31.12.2019
Investments in subsidiaries	10,802	10,802
Investments in associates and joint ventures	111	111
Total	**10,913**	**10,913**

18.1. Information on subsidiaries

(CZK million)

Name of the entity	Registered office	Value of investment as at 31 Dec 2020	Value of investment as at 31 Dec 2019
Výzkumný Ústav Železniční, a.s.	Prague	383	383
ČD – Telematika a.s.	Prague	1,089	1,089
DPOV, a.s.	Přerov	434	434
ČD Cargo, a.s.	Prague	8,760	8,760
ČD – Informační Systémy, a.s.	Prague	122	122
Dopravní vzdělávací institut, a.s.	Prague	6	6
ČD travel, s.r.o.	Prague	8	8
Total		**10,802**	**10,802**

Name of the entity	Principal activity	Ownership percentage as at 31 Dec 2020	Ownership percentage as at 31 Dec 2019
Výzkumný Ústav Železniční, a.s.	Research and development in the area of rail vehicles	100 %	100 %
ČD – Telematika a. s.	Provision of ITC services	70.96 %	70.96 %
DPOV, a.s.	Repairs and renovations of rail vehicles	100 %	100 %
ČD Cargo, a.s.	Operations of railway freight transportation	100 %	100 %
ČD – Informační Systémy, a.s.	Provision of ITC services	100 %	100 %
Dopravní vzdělávací institut, a.s.	Provision of educational services	100 %	100 %
ČD travel, s.r.o.	Travel agency	51.72 %	51.72 %

18.1.1. Details on significant co-owned subsidiaries

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

(CZK million)	31 Dec 2020	31 Dec 2019
Fixed assets	1,788	1,801
Current assets	1,831	1,953
Long-term liabilities	488	499
Short-term liabilities	1,135	1,267
Equity	1,996	1,988
Equity attributable to the owners of the company	1,416	1,411
Non-controlling interests	580	577

(CZK million)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Income	1,775	1,705
Expenses	(1,728)	(1,651)
Profit for the period	**47**	**54**
Profit attributable to the owners of the company	33	38
Other comprehensive income attributable to the owners of the company	-	-
Total comprehensive income attributable to the owners of the company	**33**	**38**
Profit attributable to non-controlling interests	14	16
Other comprehensive income attributable to non-controlling interests	-	-
Total comprehensive income attributable to non-controlling interests	**14**	**16**
Net cash flows from operating activities	(24)	572
Net cash flows from investment activities	(296)	(63)
Net cash flows from financing activities	(72)	(74)
Net cash flow	**(392)**	**435**

18.2. Information on associates and joint ventures

(CZK million)

Name of the entity	Registered office	Investment as at 31 Dec 2020	Investment as at 31 Dec 2019
JLV, a.s.	Prague	110	110
Masaryk Station Development, a.s.	Prague	-	-
Smíchov Station Development, a.s.	Prague	-	-
Žižkov Station Development, a.s.	Prague	1	1
Total		**111**	**111**

Name of the entity	Principal activity	Ownership percentage as at 31 Dec 2020	Ownership percentage as at 31 Dec 2019
JLV, a.s.	Catering services	38.79%	38.79%
Masaryk Station Development, a.s.	Development of the Masaryk train station	34 %	34 %
Smíchov Station Development, a.s. *)	Development of the Smíchov train station	51 %	51 %
Žižkov Station Development, a.s. *)	Development of the Žižkov train station	51 %	51 %

*) In accordance with the Articles of Association of these entities, it is necessary to have at least 52% of all votes to adopt significant resolutions, and it is therefore a joint venture.

Summary of financial information on associates and joint ventures:

(CZK million)

31 Dec 2020 / Year ending 31 December 2020	Masaryk Station Development, a.s.	JLV, a.s	Joint Ventures	Total
Total assets	14	459	9	482
of which: long-term assets	*11*	*308*	9	*328*
short-term assets	*3*	*151*	-	*154*
Total liabilities	4	104	11	119
of which: long-term liabilities	-	62	-	62
short-term liabilities	4	42	*11*	57
Net assets / liabilities	10	355	(2)	363
The Company's share of net assets / (liabilities)	**3**	**138**	**(1)**	**139**
Total income	7	306	-	313
Profit / loss for the period	2	(12)	-	(10)
The Company's share of profit / (loss)	**1**	**(5)**	**-**	**(4)**

(CZK million)

31 Dec 2019 / Year ending 31 December 2019	Masaryk Station Development, a.s.	JLV, a.s	Joint Ventures	Total
Total assets	12	518	13	543
Of which: long-term assets	*7*	*320*	*8*	*335*
short-term assets	*5*	*198*	*5*	*208*
Total liabilities	5	153	9	167
Of which: long-term liabilities	*1*	*63*	*-*	*64*
short-term liabilities	*4*	*90*	*9*	*103*
Net assets	7	365	4	376
The Company's share of net assets	**3**	**142**	**2**	**147**
Total income	5	553	164	722
Profit/(loss) for the period	1	16	34	51
The Company's share of profit	**-**	**6**	**17**	**23**

19. Inventories

(CZK million)	31 Dec 2020	31 Dec 2019
Spare parts for machinery and equipment	199	192
Spare parts for rolling stock and locomotives	1,114	1,039
Fuels, lubricants and other oil products	29	31
Work clothes, work shoes, protective devices	239	110
Other	112	92
Total cost	**1,693**	**1,464**
Impairment of inventories to their net realisable value *)	(51)	(53)
Total net book value	**1,642**	**1,411**

*) Amount of the inventories for which the allowance was accounted for is CZK 145 million as at 31 December 2020 and CZK 146 million as at 31 December 2019.

20. Trade Receivables

20.1. Aging of trade receivables

(CZK million)	Category	Before due date	1-30	Past due date (days) 31-90	91-180	181-365	Over 365	Total Past due date	Total
31 Dec 2020	Gross	1,068	10	4	2	2	101	119	1,187
	ECL provision	(17)	(1)	(1)	(2)	(2)	(101)	(107)	(124)
	Net	**1,051**	**9**	**3**	**-**	**-**	**-**	**12**	**1,063**
31 Dec 2019	Gross	1,275	23	4	1	7	103	138	1,413
	ECL provision	(32)	(1)	(3)	(1)	(7)	(103)	(115)	(147)
	Net	**1,243**	**22**	**1**	**-**	**-**	**-**	**23**	**1,266**

Information on receivables is disclosed in Note 33.10 Credit Risk Management.

21. Other Financial Assets

(CZK million)	31 Dec 2020	31 Dec 2019
Financial assets measured at fair value through other comprehensive income*)	414	452
Receivables from finance leases	80	79
Hedging derivatives *)	368	87
Loans within the ČD Group	387	518
Restricted cash	274	113
Other	60	-
Total non-current financial assets	**1,583**	**1,249**
Hedging derivatives *)	1	4
Group cash pooling	135	222
Claims for damages and losses	46	52
Loans within the ČD Group	75	320
Restricted cash	-	98
Other	313	25
Total current financial assets	**570**	**721**
Total	**2,153**	**1,970**

*) Hedging derivatives and financial assets in fair value though other comprehensive income are measured at fair value; other financial assets are measured at amortised cost.

As at 31 December 2020, other current financial assets include the expected compensation from the insurance company in the amount of CZK 300 million.

Restricted cash comprises the funds that the Company is obliged to have deposited in special bank accounts and which can be disposed of only if the circumstances with which they are connected are fulfilled.

Movement in expected credit loss provision for other financial assets:

(CZK million)	2020	2019
Provision as at 1 January	7	19
Creation of provision – other financial assets	-	1
Use of provision – other financial assets	(1)	(13)
Expected credit loss provision as at 31 December	**6**	**7**

21.1. Receivables from financial lease

The Company leased the station buildings at Brno - hlavní nádraží (Brno - main railway station) in the form financial lease.

Analysis of receivables' maturity from lease payments:

(CZK million)	31 Dec 2020	31 Dec 2019
1st year	17	17
2nd year	17	17
3rd year	17	17
4th year	17	17
5th year	17	17
Over 5 years	383	413
Undiscounted lease payments	**468**	**498**
Less: unrealised financial gain	(388)	(419)
Present value of lease payments receivable	**80**	**79**
Expected credit loss provision	-	-
Net investment in lease	**80**	**79**
In the statement of financial position as:		
Other short-term financial assets	-	-
Other long-term financial assets	*80*	*79*
Total	**80**	**79**

Amounts recognised in the statement of profit and loss:

(CZK million)	2020	2019
Net income from financial lease investments	18	19

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

To measure expected credit losses, finance lease receivables are grouped based on shared credit risk characteristics and past due days. The expected loss rates are based on the payment profiles of the leases before the end of the reporting period and corresponding to the historical credit losses that occurred in that period.

None of the receivables from finance lease at the end of the reporting period is past due and, considering past experience with payment delays and the future prospects of the lessee's operations, the Company's management considers that no finance lease receivables are impaired.

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

22. Other Assets

(CZK million)	31 Dec 2020	31 Dec 2019
Total non-current	**3**	**2**
Prepayments	142	125
Tax receivables – VAT	643	432
Tax receivables – other (except for the corporate income tax)	7	6
Prepaid expenses	53	45
Subsidies (see Note 14)	30	863
Other	48	3
Total current	**923**	**1,474**
Total	**926**	**1,476**

23. Equity

23.1. Share capital

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

23.2. Capital contributions

(CZK million)	31 Dec 2020	31 Dec 2019
Share premium	16,440	16,440
Statutory reserve fund	116	114
Cash flow hedging reserve	583	1,007
Hedging costs	(194)	(215)
Fund from valuation of fin. assets at fair value through other comprehensive income	109	122
Actuarial gains and losses	7	-*
Total	**17,061**	**17,468**

* in 2019 recognised under Retained earnings

23.2.1. Statutory reserve fund

(CZK million)	31 Dec 2020	31 Dec 2019
Balance at the beginning of the year	114	112
Allocations to the statutory reserve fund	2	2
Balance at the year-end	**116**	**114**

Allocations to the statutory reserve fund are made in accordance with the Company's Articles of Association. The statutory reserve fund may only be used to cover losses.

23.2.2. Cash flow hedge reserve

(CZK million)	2020	2019
Balance at the beginning of the year	1,007	519
Revaluation gain/(loss)	(517)	523
Reclassification to profit or loss	93	(35)
Total change in the cash flow hedging reserve	**(424)**	**488**
Related income tax	-	-
Balance at the year-end	**583**	**1,007**

The cash-flow hedge 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 carrying amount in the hedged non-financial item in accordance with the relevant accounting policies.

Gains and losses reclassified from equity during the year are presented in Cost of services, raw materials and energy and Financial expense in the statement of profit and loss.

Reclassification of cash flow hedge reserve to profit or loss for each of risk exposures:

(CZK million)

Cross-currency interest rate swaps – hedging of bond funding in EUR with fix-rate	2020	2019
Balance at the beginning of the year	1,004	529
Change in fair value of hedging derivatives	(516)	523
Reclassification to profit or loss	95	(48)
Balance at the year-end	**583**	**1,004**

(CZK million)

Interest rate swaps – hedging of bonds and lease contracts with a variable rate	2020	2019
Balance at the beginning of the year	3	5
Change in fair value of hedging derivatives	(1)	-
Reclassification to profit or loss	(2)	(2)
Balance at the year-end	**-**	**3**

(CZK million)

Commodity options – diesel price hedging	2020	2019
Balance at the beginning of the year	-	(15)
Change in fair value of hedging derivatives	-	-
Reclassification to profit or loss	-	15
Balance at the year-end	**-**	**-**

23.2.3. Hedging accounting expenses

Hedge accounting expenses include accumulated gains and losses from changes in fair value excluded from the hedging derivatives related to the currency base margin of cross-currency interest rate swaps and time value of commodity options.

Changes in the fair value of the underlying currency of a financial instrument in respect of a hedged transaction-related item accumulated in the hedge expense fund are reclassified to profit or loss only when the hedged transaction affects profit or loss or is included as an adjustment to the non-financial hedged item. Changes in the fair value of the underlying currency spread of a financial instrument in respect of a hedged item associated with a time period accumulated in the hedge expense fund are amortized to profit or loss over the hedging relationship.

(CZK million)	31 Dec 2020	31 Dec 2019
Balance at the beginning of the year	(215)	(264)
Hedging expenses	21	49
Balance at the year-end	**(194)**	**(215)**

23.2.4. Fund from measurement of financial assets at fair value through other comprehensive income

Fund from the measurement of financial assets at fair value through other comprehensive income includes the accumulated net change in fair value of financial instruments remeasured through other comprehensive income, net of accumulated gains / losses transferred to retained earnings on derecognition.

(CZK million)	31 Dec 2020	31 Dec 2019
Balance at the beginning of the year	122	110
Revaluation	(13)	12
Balance at the year-end	**109**	**122**

24. Loans, Borrowings and Lease Liabilities

(CZK million)	31 Dec 2020	31 Dec 2019
Lease liabilities	174	151
Liabilities from leaseback	165	277
Group cash pooling	491	149
Issued bonds	311	300
Total short-term	**1,141**	**877**
Lease liabilities	779	791
Liabilities from leaseback	9	174
Bonds issued	31,126	30,075
Total long-term	**31,914**	**31,040**
Total	**33,055**	**31,917**

Borrowings are initially recognised at fair value less transaction costs. In the subsequent periods borrowings are recognised at amortised cost applying the effective interest rate method. All differences between consideration (less transaction costs) and the amount of payments are recognised in the profit or loss progressively over the borrowing period.

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.

24.1. Bonds issued

Issue date	Nominal value	Maturity in years	Public traded	Coupon	Carrying value as at 31 Dec 2020 CZK million	Carrying value as at 31 Dec 2019 CZK million
5 Nov 2014	EUR 30 million	10	No	2.875%	787	761
5 Nov 2014	EUR 150 million	15	No	3.50%	3,934	3,805
3 Jun 2015	EUR 37.7 million	7	No	1.89%	1,000	969
3 Jun 2015	EUR 77.5 million	20	No	3.00%	2,063	1,996
25 May 2016	EUR 400 million	7	Yes	1.875%	10,567	10,210
23 May 2019	EUR 500 million	7	Yes	1.50%	13,086	12,634
Total					**31,437**	**30,375**
- of which short term					*311*	*300*
- of which long-term					*31,126*	*30,075*

The Company did not breach any of the conditions of the loan agreements in the reporting period.

24.2. Lease liabilities

The Company recognised the lease liability as follows:

(CZK million)	Balance as at 31Dec 2020	Balance as at 31 Dec 2019
Short-term lease liabilities	174	151
Long-term lease liabilities	779	791
Total lease liabilities	**953**	**942**

Costs relating to short-term leases and low-value assets leases, that are not included in the above short-term lease liabilities, are included in the statement of profit and loss in Cost of services, raw materials and energy.

Total cash expenses related to leases amounted to CZK 561 million in 2020 and CZK 651 million in 2019.

The Company is not exposed to any significant liquidity risk with respect to lease liabilities. Lease liabilities are monitored by the Treasury department. The analysis of the maturity of lease liabilities is disclosed in Note 33.11.1.

24.3. Changes in financing liabilities

Changes in financing liabilities including changes arising from cash flows and non-cash changes are disclosed in the following table:

(CZK million)	**Lease liabilities – short-term**	**Lease liabilities – long-term**	**Group cash pooling**	**Issued bonds – short-term**	**Issued bonds – long-term**	**Total**
Note	24 *)	24 *)	24	24	24	24
Financing liabilities as at 1 Jan 2019	**434**	**1,352**	**57**	**8,036**	**17,752**	**27,631**
Cash flows from financing activities	**(433)**	**-**	**92**	**(7,644)**	**12,633**	**4,648**
Drawing off loans and borrowings	-	-	92	-	12,633	12,725
Repayments of loans and borrowings	-	-	-	(7 644)	-	(7 644)
Repayments of lease	(433)	-	-	-	-	(433)
Non-cash flows:						
Effect of exchange rate changes	-	-	-	(82)	(336)	(418)
Reclassification **)	427	(427)	-	-	-	-
Other non-cash movements	-	40	-	(10)	26	56
Financing liabilities as at 31 Dec 2019	**428**	**965**	**149**	**300**	**30,075**	**31,917**
Cash flows from financing activities	**(442)**	**-**	**342**	**-**	**-**	**(100)**
Drawdown of loans and borrowings	-	-	342	-	-	342
Repayments of loans and borrowings	-	-	-	-	-	-
Repayments of lease	(442)	-	-	-	-	(442)
Non-cash flows:						
Effect of exchange rate changes	-	22	-	26	998	1,046
Reclassification **)	339	(339)	-	-	-	-
Other non-cash movements	14	140	-	(15)	53	192
Financing liabilities as at 31 Dec 2020	**339**	**788**	**491**	**311**	**31,126**	**33,055**

*) Columns Lease liabilities refer to the lines 'Lease liabilities' and 'Leaseback liabilities' disclosed in Note 24.
**) Loans and borrowings classified in the previous period as long-term, which became short-term in the current period.

25. Provisions

(CZK million)	Balance as at 1 Jan 2019	Creation	Use	Release of unused part	Balance as at 31 Dec 2019	Creation	Use	Release of unused part	Balance as at 31 Dec 2020
Provision for legal disputes	392	-	274	113	5	700	-	3	702
out of which: long-term	-				-				-
Provision for employee benefits	234	16	16	-	234	76	67	-	243
out of which: long-term	*136*				*137*				*137*
Provision for onerous contracts	-	-	-	-	-	291	-	-	291
out of which: long-term	-				-				-
Provision for penalties	-	-	-	-	-	227	-	-	227
out of which: long-term	-				-				-
Other provisions	109	-	-	9	100	412	-	-	512
out of which: long-term	-				-				-
Total provisions	**735**	**16**	**290**	**122**	**339**	**1,706**	**67**	**3**	**1,975**
long-term	*136*				*137*				137
short-term	599				*202*				1,838

The provision for employee benefits includes the employees right for a financial contribution for anniversaries, financial contribution upon retirement and payment of medical treatment fees including wages during 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 and loss. Cash flows are discounted to the present value using the discount rate derived from the yield level of 10-year government bonds.

Following the expected impact of the covid-19 pandemic, the Company created a provision for onerous contracts in the amount of CZK 291 million in 2020. The provision was created for the otherwise uncompensated impact of the covid-19 pandemic in 2021, therefore exclusively for contracts in regional transportation concluded in the net regime (the risk of revenues is borne by the carrier. i.e. ČD).

Other provisions consist mainly of the provision for compensation for damage caused by a fire in Bohumín, which was created in the amount of an estimated damage. In connection with this provision, the Company recorded an expected compensation from the insurance company in the amount of CZK 300 million as at 31 December 2020. The expected compensation is disclosed in Note 21.

25.1. Provision for legal disputes

The Company recognises a provision for legal disputes according to the anticipated results of all ongoing legal disputes and the relating probable cash outflows of the Company.

Proceedings in the matter of alleged abuse of a dominant position on the Prague – Ostrava route

In January 2012 the Office for the Protection of Competition (the "OPC") initiated proceedings against ČD regarding the alleged abuse of ČD's dominant position on the Prague – Ostrava route in the form of inadequately low (predatory) prices in response to the entry of a new competitive railway carrier. In November 2016, proceedings were initiated by the European Commission (the "EC") concerning a possible infringement of Article 102 of the Treaty on the Functioning of the European Union (the "TFEU"). The OPC has suspended its investigation due to the initiation of an EU investigation.

In 2020, the EC issued a statement of objections significantly to disadvantage of ČD, with a further possible impact on the resolution of disputes with RegioJet and Leo Express concerning damages in connection with the operation of the Prague - Ostrava route (see Notes 32.1.2 and 32.1.4). The statement of objections is a procedural step in ongoing proceedings, which does not prejudge the final conclusions and the EC's decision in the case.

The management of the ČD has assessed the provision for legal disputes, including the assessment of the probable outcome, which is based on a number of estimates and assumptions as at the date of preparation of the financial statements and is therefore subject to substantial uncertainty. The provision of CZK 700 million was recognized based on the amount of revenues to which the potential infringement relates, the estimated duration of the potential infringement and the opinion of external advisors on the estimated percentage applied to the relevant revenues in the range of 5 – 10%. The provision amount represents the estimated costs to settle the fine for the alleged infringement and related expenses and constitutes the ČD's management best estimate of the liability. ČD does not expect any compensation from third parties in connection with these proceedings.

As at 31 December 2020, and through the date of these financial statements, no final decision has been received from the EC on this matter. In the opinion of ČD's management, it has not yet been proven that ČD has breached Article 102 TFEU. ČD's intention is to vigorously defend itself in this matter, including all available appeal routes, if necessary.

Sensitivity analysis
The actual costs to settle the potential fine may differ from the estimates and underlying assumptions of ČD's management. In accordance with EU legislation, when determining the amount of a fine for an infringement of the competition rules, the basic amount of the fine is derived from the amount of revenues up to 30%, depending on the degree of gravity of the infringement. However, the amount of the fine shall not, in any event, exceed 10% of ČD's total turnover for the accounting period preceding the EC's final decision. Should the percentage applied by ČD to the relevant revenues be by lower (higher) by 1%, the provision for legal disputes would decrease (increase) by CZK 95 million. Should the duration of a potential infringement be shorter (longer) by one year, the provision for legal disputes would decrease (increase) by CZK 86 million. It is impracticable to determine uncertainties regarding the timing of any possible future outflows. Based on the available information, there is a relatively high probability that the results in the next accounting period will be different from the assumptions used by ČD's management and the provision for legal disputes will require a significant adjustment.

25.2. Provision for penalty

Since early 2014, the Audit Body of the Ministry of Finance of the Czech Republic (the "Audit Body") has been conducting a due audit of operations at ČD 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. Following the audits carried out by the Audit Body, individual Regional Councils of the Cohesion Region issued payment orders in the total amount of CZK 549 million. ČD disagreed with the mentioned orders and appealed against them to the Ministry of Finance. In June 2018, the Ministry of Finance took a decision regarding one case and CZK 272 million payment was reduced to CZK 68 million. ČD lodged an administrative complaint against this decision with a suspensive effect. At the same time one more payment order of CZK 34 million was issued in 2019, so the total amount of payment orders as at 31 December 2019 was CZK 379 million. At the end of 2020 and in the first quarter of 2021, the Ministry of Finance ruled against ČD in six other cases. In these cases, a withdrawal of funds and the filing of an administrative complaint took place. In 2020, a subsidy of CZK 43 million was returned on the basis of the ROP Morava payment order. The remaining appeal proceedings before the Ministry of Finance are still ongoing and therefore the payment orders are not final yet. Thus, ČD was not obliged to pay the payment orders in the remaining cases. At the same time, a penalty payment of 100% was issued for one project, to which an application for deferment of payment was submitted, as well as to which the already filed administrative complaint was extended.

As of 31 December 2020, the Company recognised liability of CZK 336 million (31 December 2019: CZK 379 million) for the partial return of subsidy which is presented in Other liabilities and contract liabilities. As of 31 December, the Company recognised the provision for potential penalties for a breach of budgetary discipline of CZK 227 million. Based on available information, it is impracticable to determine uncertainties regarding the timing of any possible future outflows. ČD does not expect any compensation from third parties in connection to these proceedings.

Information on other legal disputes is provided in Note 32.1.

26. Other Financial Liabilities

(CZK million)	31 Dec 2020	31 Dec 2019
Financial derivatives *)	60	35
Other	128	150
Total long-term	**188**	**185**
Financial derivatives *)	204	212
Other	31	36
Total short-term	**235**	**248**
Total	**423**	**433**

*) Financial derivatives are measured at fair value, other financial liabilities are measured at amortized cost.

27. Other Liabilities and Contract Liabilities

(CZK million)	31 Dec 2020	31 Dec 2019
Total long-term	**77**	**-**
Advances received	3	3
Payables to employees	969	1 012
Liabilities for social security and health insurance	272	302
Tax liabilities - tax withheld from employees	93	104
Repayment of part of subsidy within ROP project *)	336	379
Contract liabilities	208	270
Refund liabilities	33	9
Other	53	97
Total short-term	**1,967**	**2,176**
Total	**2,044**	**2,176**

*) Detail for subsidy repayment is included in Note 14.1 and 25.2.

Other long-term liabilities as at 31 December 2020 represent investment subsidies in the total amount of CZK 77 million.

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

28. Related Parties

28.1. Income generated from subsidiaries and associates

(CZK million)

2020	Commission on inventory sales	Sale of services	Other income*)	Total
ČD – Telematika a.s.	-	2	5	7
Výzkumný Ústav Železniční, a.s.	-	5	-	5
DPOV, a.s.	21	60	31	112
ČD Cargo, a.s.	8	190	4	202
ČD – Informační Systémy, a.s.	-	17	20	37
JLV, a.s.	-	3	-	3
Dopravní vzdělávací institut, a.s.	-	7	-	7
ČD travel, s.r.o.	-	0	-	-
Total	**29**	**284**	**60**	**373**

*) including financial income

(CZK million)

2019	Commission on inventory sales	Sale of services	Other income*)	Total
ČD – Telematika a.s.	-	2	6	8
Výzkumný Ústav Železniční, a.s.	-	4	1	5
DPOV, a.s.	23	61	21	105
ČD Cargo, a.s.	8	199	3	210
ČD – Informační Systémy, a.s.	-	17	26	43
JLV, a.s.	-	2	-	2
Dopravní vzdělávací institut, a.s.	-	6	-	6
ČD travel, s.r.o.	-	1	-	1
Total	**31**	**292**	**57**	**380**

*) including financial income

28.2. Purchases from subsidiaries and associates

(CZK million)

2020	Purchase of material	Services	Total
ČD – Telematika a.s.	-	62	62
DPOV, a.s.	1	37	38
ČD Cargo, a.s.	2	26	28
ČD – Informační Systémy, a.s.	2	285	287
JLV, a.s.	-	127	127
Dopravní vzdělávací institut, a.s.	-	61	61
ODP-software, spol. s r.o.	-	9	9
ČD relax s.r.o.	-	15	15
CHAPS spol. s r.o.	-	6	6
Total	**5**	**628**	**633**

(CZK million)

2019	Purchase of material	Services	Total
ČD – Telematika a.s.	8	67	75
DPOV, a.s.	8	165	173
ČD Cargo, a.s.	1	20	21
ČD – Informační Systémy, a.s.	2	273	275
JLV, a.s.	-	204	204
Dopravní vzdělávací institut, a.s.	-	62	62
ODP-software, spol. s r.o.	4	11	15
ČD relax s.r.o.	-	28	28
CHAPS spol. s r.o.	-	8	8
Total	**23**	**838**	**861**

Subsidiaries and associates use the services provided by the Company under the conditions applicable to other customers. On the cost side, the Company purchases services, materials and energy from subsidiaries and associates under the same conditions as other customers.

28.3. Purchases and sales of intangible and tangible fixed assets from/to subsidiaries and associates

During 2020 and 2019, no sales of tangible and intangible fixed assets to related parties were made.

(CZK million)

Purchases	Intangible fixed assets 2020	Tangible fixed assets 2020	Intangible fixed assets 2019	Tangible fixed assets 2019
ČD – Telematika a.s.	-	26	1	3
Výzkumný Ústav Železniční, a.s.	-	-	-	25
DPOV, a.s.	-	1,821	-	1,774
ODP-software, spol. s r.o.	3	-	-	-
ČD – Informační Systémy, a.s.	109	6	116	-
CHAPS spol. s r.o.	1	-	1	-
Total	**113**	**1,853**	**118**	**1,802**

Purchases of fixed assets from DPOV, a.s. include the purchases of railway vehicle components – major periodical repairs.

28.4. Outstanding balances at the end of the reporting period with subsidiaries and associates

(CZK million)

31 December 2020	Receivables	Liabilities
ČD – Telematika a.s.	427	15
Výzkumný Ústav Železniční, a.s.	2	-
DPOV, a.s.	68	298
ČD Cargo, a.s.	90	3
JLV, a.s.	-	20
ČD – Informační Systémy, a.s.	4	119
Dopravní vzdělávací institut, a.s.	1	3
ČD travel, s.r.o.	-	8
ODP-software, spol. s r.o.	-	13
CHAPS spol. s r.o.	-	2
Total	**592**	**481**

(CZK million)

31 December 2019	Receivables	Liabilities
ČD – Telematika a.s.	8	28
Výzkumný Ústav Železniční, a.s.	1	-
DPOV, a.s.	51	391
ČD Cargo, a.s.	99	6
JLV, a.s.	-	63
ČD – Informační Systémy, a.s.	5	92
Dopravní vzdělávací institut, a.s.	-	3
ODP-software, spol. s r.o.	-	6
ČD relax s.r.o.	-	2
CHAPS spol. s r.o.	-	3
Total	**164**	**594**

Outstanding balances are not secured and will be settled by bank transfer. No warranties were granted or accepted. In accordance with IFRS 9, impairment losses on receivables from related parties were assessed as immaterial.

28.5. Contractual obligations relating to expenses

As at the date of preparation of the financial statements, the Company concluded contracts with related parties for the purchase of land, buildings and equipment:

(CZK million)	31 Dec 2020	31 Dec 2019
ČD – Telematika a.s.	725	508
DPOV, a.s.	761	685
ČD – Informační Systémy, a.s.	123	29
Total	**1,609**	**1,222**

28.6. Loans to related parties

(CZK million)

Counterparty	Amount of loan provided	Date of supply	Maturity	Interest rate	Book value as at 31 Dec 2020	Book value as at 31 Dec 2019
ČD Cargo, a.s.	540	17 Oct 2016	Monthly payment till 17 Oct 2023	6M EURIBOR plus margin 1.00% p.a.	212	278
ČD – Informační Systémy, a.s.	400	27 Sep 2017	27 Sep 2027	3M Pribor + 5.4% p.a.	250	310
ČD Cargo, a.s.	250	19 Dec 2019	18 Mar 2020	2.3% p.a.	-	250
Celkem					**462**	**838**

28.7. Key management members compensation

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

(CZK million)

2020	Board of Directors	Supervisory Board	Steering committee
Remuneration of members of statutory bodies	22	3	-
Other short-term employee benefits	5	2	-
Total	**27**	**5**	**-**
Number of key management members	**5**	**9**	**5***

*) during 2020 there were 7 members; as at 31 December 2020 only 5 members (2 vacancies)

(CZK million)

2019	Board of Directors	Supervisory Board	Steering committee
Remuneration of members of statutory bodies	30	3	-
Other short-term employee benefits	7	2	-
Total	**37**	**5**	**-**
Number of key management members	**5**	**9**	**7**

The Company's management had the possibility to use benefit-in-kind remuneration in the form of the use of Company cars for private purposes.

28.8. Transactions with companies controlled by the state

The Company is fully owned by the Czech Republic. In concordance with the exception given by the IAS 24 standard - Related Party Disclosures, the Company does not disclose quantitative information concerning the individually insignificant transactions with companies controlled by the state. Material transactions with related parties identified by the Company are presented below: orderers of transport in public services (regions and the Ministry of Transport), the government organization SŽ and the ČEZ group.

(CZK million)

Income and compensation	Counterparty	2020	2019
Income from rental property	SŽ	21	22
Payment for substitute bus service	SŽ	418	883
Other income	SŽ	114	103
Payments from public services orderers – state budget	state - Ministry of Transport	4,272	4,266
Compensation of 75% discount fares	state - Ministry of Transport	1,046	2,329
Payments from public services orderers – region budgets	regions	11,177	9,964

(CZK million)

Expenses	Counterparty	2020	2019
Use of railway route and allocated capacity of the railway	SŽ	1,659	1,868
Consumption of traction energy	SŽ	1,495	1,663
Other costs	SŽ	137	158

(CZK million)

Receivables	Counterparty	31 Dec 2020	31 Dec 2019
Payment for substitute bus service	SŽ	-	75
Public service obligation	state - Ministry of Transport	15	1
Compensation of 75% discount fares	state - Ministry of Transport	70	179
Public service obligation	regions	221	210

(CZK million)

Liabilities	Counterparty	31 Dec 2020	31 Dec 2019
Use of railway route and allocated capacity of the railway	SŽ	361	418
Consumption of traction energy	SŽ	34	72
Lease liabilities	SŽ	210	214

State institutions, companies and other parties controlled by the state use the services provided by the Company under the same conditions applicable to other customers. On the cost side, the Company purchases some services and other supplies (water, energy, etc.) from companies controlled by the state under the conditions applicable to other customers.

29. Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position are measured at amortised cost and are tested for impairment according to IFRS 9. The Company considers estimated impairment of cash and cash equivalents immaterial due to high quality credit-ratings of cooperating banks confirmed by the external investment rating.

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

(CZK million)	31 Dec 2020	31 Dec 2019
Cash on hand and cash in transit	30	64
Cash at banks *)	4,093	4,339
Depository promissory notes *)	-	2,199
Total)**	**4,123**	**6,602**

*) The Company's contractual parties are banks with high credit-ratings (the investment grade is required) with which the Company cooperates on the basis of long-term and stable relations.
**) According to IFRS 9, impairment losses on cash and cash equivalents were considered immaterial by the Company.

30. Contracts for Operating Lease

Operating leases contracts in which the Company acts as a lessor relate to investment property and movable assets held by the Company with various lease periods.

Maturity analysis of non-cancellable operating lease contracts:

(CZK million)	31 Dec 2020	31 Dec 2019
1st year	46	45
2nd year	47	46
3rd year	48	46
4th year	49	47
5th year	50	47
Over 5 years	102	146
Total	**342**	**377**

In 2020, income from operating leases recognised in profit or loss amounted to CZK 340 million (in 2019: CZK 332 million), out of which the income from investments property was at CZK 269 million in 2020 (in 2019: CZK 260 million).

Direct operating expenses related to investment properties were CZK 109 million in 2020 (in 2019: CZK 109 million).

31. Contractual Obligations Relating to Expenses

As at the balance sheet date, the Company concluded contracts for the purchase of fixed assets in the amount of CZK 20,666 million.

(CZK million)	31 Dec 2020
Unpaid supplies agreed for 2021	7,803
Unpaid supplies agreed for the subsequent years	8,650
As at 31 December 2020 was paid	4,213
Total	**20,666**

Investments in rolling stock of CZK 15,780 million represent a substantial part of the obligations relating to expenses.

32. 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 at 31 December 2020 was CHF 20.8 million (CZK 505 million as at 31 December 2020). 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.

The aggregate costs of clean-ups were CZK 23 million in 2020 and CZK 23 million in 2019. 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.

32.1. Legal disputes

32.1.1. Railway freight transportation market

The Office for the Protection of Competition (OPC) imposed a fine on ČD for abusing its position on the market in the area of freight transportation of significant amounts of natural resources and raw materials of approximately CZK 250 million. Based on ČD's defence, the case was passed to the Administrative Court. The Supreme Administrative Court dismissed the OPC's appeal in December 2017. The case is finally resolved at the level of the administrative courts in ČD's favour and returned to the OPC, back to the first instance. In June 2018, the OPC issued a new first instance decision, which significantly reduced the scope of sanctioned proceedings against ČD and imposed a significantly lower fine of approximately CZK 15.6 million. In July 2018, ČD appealed against this decision. The chairman of OPC dismissed the appeal and the fine in amount of approximately CZK 15.6 million became final. ČD, a.s. disagrees with the mentioned fine and appealed against it. However, due to the fact that the decision was final and' apparently, the court would not grant the suspensive effect, the fine was paid within the due date. If the administrative court accepts the appeal, the amount will be recovered. Administrative proceedings against a decision establishing an obligation to pay a fine are ongoing.

32.1.2. Legal action by LEO Express for the compensation of damage

In July 2014, LEO Express filed a legal action for compensation of damage amounting to approximately CZK 419 million which was allegedly caused to LEO Express by ČD, a.s. and its pricing policy. The first-instance court rejected LEO Express's legal action. At the end of December 2016, Leo Express filed a new legal action against ČD for the approximate amount of CZK 434 million with accessories and for a similar reason. In March 2018, the High Court in Prague cancelled the judgment dismissing the first LEO Express claim for damages and returned the case to the Municipal Court in Prague for further proceedings. In the first action, LEO Express seeks, after partial withdrawal, payment of approximately CZK 34 million and payment of approximately CZK 434 million in the second action. The proceedings were suspended pending a decision of the European Commission ("EC") concerning the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 25.1. In 2020, the EC issued a statement of objections significantly to the disadvantage of ČD, with a further possible impact on the resolution of disputes with LEO Express. At the same time, there is a parallel dispute over the disclosure of certain documents on the applicant's file. Based on the available information, it is impracticable to determine uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since it is impossible to reliably measure a possible liability, a provision has not been recognised.

32.1.3. RegioJet legal action for the return of allegedly prohibited public support (the defendants being ČD, SŽ, and the Czech Republic represented by the Czech Ministry of Transport)

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 SŽ in 2008 for CZK 12 billion, were allegedly overstated by this amount. On 6 February 2019, the Court of First Instance dismissed the RegioJet legal action in its entirety. RegioJet appealed to the High Court against the decision of the Court of First Instance. The appeal was dismissed by the Supreme Court and the judgment in favour of ČD became final on 30 November 2020 and in the judgment on costs on 16 December 2020. Within the time limit for filing an extraordinary appeal, RegioJet appealed to the Supreme Court.

32.1.4. RegioJet's call for the payment of compensation for detriment

RegioJet sent a pre-trial call to ČD for the payment of the compensation for the damages dated 10 April 2015 in which it seeks payment of about CZK 717 million. The alleged damages were caused by ČD's sanction activities in operating the Prague – Ostrava route, involving the application of dumping prices. ČD refused to pay for the damages. RegioJet filed a legal action seeking the payment of compensation of approximately CZK 717 million with accrued interest and charges that resulted in legal proceedings being initiated in the matter. During the course of a judicial proceeding in the first instance, the trial was interrupted until the EC decision on the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 25.1. In 2020, the EC issued a statement of objections significantly to the disadvantage of ČD, with a further possible impact on the resolution of disputes with RegioJet. At the same time, there is a parallel dispute over the disclosure of certain documents on the applicant's file. Based on the available information, it is impracticable to determine uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since it is impossible to reliably measure a possible liability, a provision has not been recognised.

32.1.5. Legal action by Grandi Stazioni Česká republika, s.r.o. against SŽ and ČD compensation of pre-contractual obligation

In August 2017, Grandi Stazioni Czech Republic, s.r.o. ("GS") filed a lawsuit with the District Court in Prague 1, in which it seeks payment of CZK 1,255.6 million for the payment of compensation of a pre-contractual obligation. The GS's alleged damage was caused by the failure to apply Amendment No. 5 to the lease agreement regarding the lease and revitalisation of Prague - Main Railway Station - Praha Hlavní nádraží.

Action brought by Grandi Stazioni Czech Republic, s.r.o. against SŽ and ČD for damages from pre-contractual liability was rejected by the District Court for Prague 1 on 13 August 2019. GS appealed against the decision of the Prague 1 District Court on 2 December 2019. On 29 April 2020, the Municipal Court in Prague, acting as appeal court, upheld the decision of the District Court for Prague 1. GS did not file an appeal. GS lodged a constitutional complaint in the statement of costs, which was rejected. The dispute has been already definitively closed.

32.1.6. Proceedings in the matter of a possible abuse of the dominant position on the routes Pardubice - Liberec and Pilsner - Most

In April 2016, the Office for the Protection of Competition (OPC) initiated administrative proceedings. The alleged violation of competition rules were charged against ČD for the reason that, during the tender held in 2005 concerning the railway transport and provision of public services on the route Pardubice-Liberec-Pilsner-Most for the duration of the 2006/2007 timetable, they presented a price offer which did not cover the costs of service provision on the routes in question. In accordance with the agreement, ČD provided the service on the stated routes until the end of the 2013/2014 timetable.

On 14 December 2017, OPC imposed a fine of CZK 368 million on ČD. ČD filed an appeal against this decision, which was on 15 July 2019 by II grade decision was rejected and a fine of CZK 275 million was imposed on ČD. An administrative action was brought against the decision. The application for the suspension of the action was not granted and ČD paid the fine. If ČD agrees with the court in the proceedings on the merits, the fine paid by ČD will be returned. Administrative action is pending.

32.1.7. Alleged cartel agreement between ČD, ZSSK and ÖBB for the sale of the disposed railway vehicles

In June 2016, the European commission ("EC") performed a local investigation in the headquarters of ČD for the suspicion of the cartel agreement made for the mutual sale of railway vehicles. EC investigates if ČD, ZSSK and ÖBB have concluded a prohibited agreement on of sale of the disposed railway vehicles limitation, for the purposes of restricting the entrance of new transporters to the market. ČD denies that it entered into a cartel agreement. Currently, the case is in the stage of a formally initiated administrative proceeding, where the next step of the EC is awaited and the further procedure of ČD will follow accordingly. Based on the available information, it is impracticable to determine uncertainties regarding the amount or timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since it is impossible to reliably measure a possible liability, a provision has not been recognised.

32.1.8. Legal action by CB Station Development, a.s. against ČD

This is a real estate project, within the framework of which 3 lawsuits were filed against ČD by Station CB and EZ holding companies. The actions are aimed at determining ČD's obligation to conclude a sales contract with the claimants on the basis of a previous agreement on a future contract. CBSD claims its claims against ČD with a contractual penalty of CZK 100 million. Claims for other damages (damages, pre-contractual liability) are also possible. Court proceedings are pending in I. degree. Based on the available information, it is impracticable to determine uncertainties regarding the timing of any future outflows. ČD does not expect compensation from third parties in connection with these proceedings. Since the Company's management believes it is currently unlikely that an outflow if funds will be required to settle the obligation, a provision has not been recognised as of 31 December 2020.

33. Financial Instruments

33.1. Capital risk management

The Company's main objective in capital risk management is to maintain the rating at the investment grade and maintain a balanced ratio between equity and debt. The Company uses issues of bonds as a principal source of long-term financing.

The capital structure of the Company consists of net debt (borrowings less cash and cash equivalents) and Company's equity (includes share capital, reserves and other funds, retained earnings/accumulated losses).

(CZK million)

Net debt		**31 Dec 2020**	**31 Dec 2019**
Loans, borrowings and lease liabilities	24	33,055	31,917
Cash and cash equivalents	29	(4,123)	(6,602)
Total net debt		**28,932**	**25,315**
Equity			
Share capital	23	20,000	20,000
Capital contributions	23	17,061	17,468
Retained earnings/ (accumulated loss)	23	(1,571)	2,217
Total equity		**35,490**	**39,685**
Total managed equity		**64,422**	**65,000**

The Company does not have any capital requirements set by external entities.

The Board of Directors and the supervisory Board of the Company are regularly informed about the development of debt. Any additional debt is a subject to their approval.

33.2. Categories of financial instruments

(CZK million)

Category of financial assets	Class of financial assets		31.12.2020	31.12.2019
Financial assets measured at amortised cost	Trade receivables	20	1,063	1,266
	Cash and cash equivalents	29	4,123	6,602
	Receivables from financial leases	21	80	79
	Loans in the ČD Group	21	597	1,060
	Other	21	693	288
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting	21	369	91
Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through other comprehensive income	21	414	452
	Total		**7,339**	**9,838**

(CZK million)

Classification of financial liabilities	Class of financial liabilities		31.12.2020	31.12.2019
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting	26	264	247
Financial liabilities measured at amortised cost	Loans, borrowings and lease liabilities	24	33,055	31,917
	Trade payables		2,661	3,375
	Other	26	159	186
	Total		**36,139**	**35,725**

Income from individual categories of financial assets is as follows:

(CZK million)

	2020	2019	Reported in the statement of profit and loss line
Interest on cash and cash equivalents	44	81	Financial income
Interest on cash pooling and on loans granted	27	35	Financial income
Interest on leasing receivables	18	19	Financial income
Dividends from available-for-sale financial assets	3	2	Other operating income
Total	**92**	**137**	

Impairment losses on financial assets are disclosed in Note 20 Trade receivables and 33.10 Credit risk management. Other classes of financial assets are not significantly impaired.

33.3. Fair value of financial instruments

(CZK million)

Financial assets	Level	Fair value as at 31 Dec 2020	Carrying value as at 31 Dec 2020	Fair value as at 31 Dec 2019	Carrying value as at 31 Dec 2019
Measured at fair value		**783**	**783**	**543**	**543**
Derivative instruments in designated hedge accounting relationships	Level 2	369	369	91	91
Financial assets at fair value through other comprehensive income	Level 2	414	414	452	452
Measured at amortized cost		**862**	**876**	**780**	**780**
Loans	Level 2	542	542	667	667
Other financial assets - long-term	Level 2	320	334	113	113
Total		**1,645**	**1,659**	**1,323**	**1,323**

(CZK million)

Financial liabilities	Level	Fair value as at 31 Dec 2020	Carrying value as at 31 Dec 2020	Fair value as at 31 Dec 2019	Carrying value as at 31 Dec 2019
Measured at fair value		**264**	**264**	**247**	**247**
Derivative instruments in designated hedge accounting relationships	Level 2	264	264	247	247
Measured at amortised cost		**32,764**	**31,565**	**31,122**	**30,525**
Issued bonds	*Level 2*	*8,733*	*7,784*	*8,196*	*7,531*
Issued bonds (publicly traded)	*Level 1*	*23,916*	*23,653*	*22,776*	*22,844*
Other financial liabilities	*Level 2*	*115*	*128*	*150*	*150*
Total		**33,082**	**31,829**	**31,369**	**30,772**

Cash and cash equivalents, trade receivables and trade payables, receivables payables from cash-pooling, and other current financial assets and other current financial liabilities are not shown in the table because their fair value is equal to the carrying value due to their short-term maturity.

In 2019 and 2020, there were no transfers of financial instruments between levels.

The Company determines the fair value of the financial derivatives using own pricing model of discounted cash flows using observable market assumptions. The fair value of the financial derivatives is classified as Level 2 in the hierarchy of fair values.

33.4. Valuation procedures used to determine fair value

Fair values of financial assets and financial liabilities are determined as follows:

- the fair value of interest rate swaps is calculated using valuation model on the basis of on discounted future cash flows,
- the fair value of inter-currency interest rate swaps is calculated using valuation model on the basis of discounted future cash flows in respective currencies.

The fair values of financial assets and financial liabilities that are not measured at fair value but are required to be disclosed are determined as follows:

- the fair value of the bonds is determined on the basis of quoted market prices, if exist. If quoted market prices do not exist, the fair value is determined using valuation model on the basis of quoted market prices of comparable bonds,
- the fair value of other long-term financial assets and liabilities is calculated using the discounted cash flow method.

Future cash flows are discounted with a discount rate derived from the incremental borrowing rate.

33.5. Fair value measurement recognized in the statement of financial position

Financial instruments measured at fair value are allocated to levels 1 to 3 according to the extent to which the fair value can be ascertained or verified:

- fair value measurements at level 1 are valuations, which are determined based on unadjusted quoted prices of the same assets or liabilities in active markets,
- the fair value measurement at level 2 are valuations, which are determined based on inputs other than quoted prices used at level 1; this information can be obtained from the asset or liability directly (i.e. prices) or indirectly (i.e. data derived from prices),
- fair value measurement at Level 3 are valuations based on valuation techniques that use asset or liability information that is not derived from observable market data (unverifiable inputs).

All financial instruments measured at fair value as at 31 December 2020 and 31 December 2019 are included in Level 2.

33.6. Financial risk management objectives

The Company manages financial risks through internal risk reports which include risk analysis based on their significance. Financial risks include market risk (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

33.7. 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 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 not exceeding 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 million)

31 December 2020	**EUR**	**Other**	**Total**
Financial assets	945	2	947
Financial liabilities	(32,016)	-	(32,016)
Total	**(31,071)**	**2**	**(31,069)**

(CZK million)

31 December 2019	**EUR**	**Other**	**Total**
Financial assets	790	2	792
Financial liabilities	(31,312)	-	(31,312)
Total	**(30,522)**	**2**	**(30,520)**

33.7.1. 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 and weakening of the Czech currency by CZK 1 against EUR would have on the profit (loss) and other comprehensive income. A positive number indicates an increase in profit (decrease in loss) and other comprehensive income, a negative number indicates the decrease in profit (increase in loss) and other comprehensive income:

	Strengthening of the Czech currency by CZK 1 against EUR		Weakening of the Czech currency by CZK 1 against EUR	
(CZK million)	**2020**	**2019**	**2020**	**2019**
Translation of items denominated in foreign currencies at the end of the period	1,184	1,201	(1,184)	(1,201)
Change in the fair value of derivatives at the end of the period	(799)	(799)	799	799
Total impact on the profit/ loss for the period	**385**	**402**	**(385)**	**(402)**
Change in the fair value of derivatives at the end of the period *)	(121)	(116)	121	116
Total impact on other comprehensive income	**(121)**	**(116)**	**121**	**116**

* Financial derivatives used in hedge accounting

33.7.2. 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 bond funding in EUR using hedge ratio 1:1.

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

– swaps' nominal values are equal to the nominal values of volume of bond.
– both transactions are contracted in the same currencies.
– maturity of interest rate swaps payment and interest bond payment are equal.
– swaps were contracted at market prices (without bonuses), the fair value of derivatives is nil as of the contract date.
– swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options)
– the Company does not expect the early bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

– termination of the cross-currency interest rate swap by the counterparty,
– significant decrease in the Company's or the counterparty's creditworthiness.

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 2020	Nominal value (EUR million)	Collected interest rate (annual)	Nominal value (CZK million)	Average paid interest rate (annual)	Fair value of assets (liabilities) CZK million
Up to 1 year	792	2.00 %	(20,963)	2.92 %	(202)
1 to 5 years	792	2.01 %	(20,963)	2.97 %	104
Over 5 years	666	1.98 %	(17,498)	3.09 %	203
Total					**105**

31 Dec 2019	Nominal value (EUR million)	Collected interest rate (annual)	Nominal value (CZK million)	Average paid interest rate (annual)	Fair value of assets (liabilities) CZK million
Up to 1 year	792	2.00 %	(20,963)	2.92 %	(211)
1 to 5 years	792	2.01 %	(20,963)	2.97 %	276
Over 5 years	666	1.98 %	(17,498)	3.09 %	(225)
Total					**(160)**

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 and loss.

33.7.3. The expected realisation of hedged items by cross-currency interest rate swaps

Expected cash flows of hedged foreign currency bonds are listed in Note 33.11.1 in tables with remaining contractual maturities of financial liabilities in the line Fixed interest rate instruments.

33.8. Interest rate risk management

The Company manages 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.

33.8.1. 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,
- change in the fair value of concluded financial derivatives.

The following table shows the impact that an increase/decrease in interest rates of 100 basis points would have on the profit (loss) and other comprehensive income. A positive value indicates the increase in profit (decrease in loss)and other comprehensive income, a negative value indicates the decrease in profit (increase in loss) and other comprehensive income:

	Increase in interest rates of 100 basis points		Decrease in interest rates of 100 basis points	
(CZK million)	**2020**	**2019**	**2020**	**2019**
Interest from loans and lease with variable rate for the period	(1)	2	1	(2)
Total impact on the profit / loss for the period	**(1)**	**2**	**1**	**(2)**
Change in the fair value of derivatives at the end of the period*)	(42)	(52)	46	33
Total impact on other comprehensive income	**(42)**	**(52)**	**46**	**33**

* Financial derivatives used in hedge accounting

33.8.2. Interest rate swap contracts

In accordance with currency risk management requirements, the Company has entered into interest rate swap contracts which reduces the risk of leaseback loans contracted variably and bonds with variable interest rates.

The hedge ratio is determined at 1:1.

The economic relationship between the hedging instrument and the hedged item is described according to the following parameters:

– nominal values of the swaps are equal to the nominal value of the relevant leaseback loan,
– both transactions are contracted in the same currencies,
– maturity of interest rate swaps payments and interest leaseback loans payments are equal
– swaps were contracted at market prices (without bonuses), the fair value of derivatives is nil as at the contract date,
– swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options),
– the Company does not expect the early leaseback loan repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

– early repayment of the remaining value of the leaseback,
– termination of the interest rate swap by the counterparty,
– significant decrease in the Company's or the counterparty's creditworthiness.

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

	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value in CZK million as at 31 Dec 2020
Up to 1 year	Leases	1.23%	CZK 109 million	-
Total				**-**

	Hedging of interest rate from	Average contracted fixed interest rate	Principal	Fair value in CZK million as at 31 Dec 2019
Up to 1 year	Leases	1.23%	CZK 305 million	3
1 to 5 years	Leases	1.23%	CZK 109 million	1
Total				**4**

The Company settles the difference between fixed and floating interest rates on a net basis. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating interest rates on debt affect the profit or loss. Gains and losses reclassified during the year from the equity are included in Other interest expense which is part of Financial expenses in the statement of profit and loss.

33.8.3. The expected realization of the hedged items with interest rate swaps

The expected hedged cash flows from interest on variable rate loans are stated in Note 33.11.1 in the tables remaining contractual maturities of financial liabilities in Financial lease liabilities and Float interest rate instruments.

33.9. 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, are significant cost items of the Company. The Company manages this risk using the following instruments:

– negotiating a fixed price of electricity always for the following calendar year;
– conclusion of contracts with public transport customers so that possible price increase of the above- mentioned commodities is reflected in the amount of received payments.

33.10. Credit risk management

The Company is exposed to credit risk, which is that one party of the financial instrument will cause financial losses to the other party by failing to meet its obligations. Credit risk arises as a result of the Company's business operations and financial market activities. The Company's credit risk quantification is based on a number of primary criteria, where the threat of counterparty default during a transaction is the main determinant due to possible negative impact on the Company's economic results and cash flows. The Company analyses the counterparties using both, internal departments and external information services. Any counterparty insolvency may result in imminent losses with an adverse impact on the Company's business.

Sources of credit risks related to threat of a counterparty default during transaction were recognised by the Company as follows:

- financial institutions,
- employees or tenants – natural persons to whom the receivable arises,
- corporate customers,
- entities in the Group as borrowers in case of loans from ČD,
- the state and regions as public service payers.

Hence, the approval of business operations with new counterparties is a subject to standardized approval procedures by designated departments. The credit risk management includes assets and receivables management, when standard financial instruments, such as prepayments and bank guarantees are used in order to reduce the risk.

Financial assets that the Company exposes to potential credit risk include cash and cash equivalents, trade receivables, loans granted within the Group and financial derivative contracts. The Company's cash is deposited in prestigious domestic financial institutions. Intercompany loans do not bear significant credit risk as such companies' exposure and rating is monitoring within the Group.

The Company is mainly exposed to the following credit risk categories due to its business activities:

- direct credit risk,
- credit equivalent risk.

Most frequently, the direct credit risk arises from receivables from ongoing trading relationships, particularly from supplier loans granted. The quality credit-ratings of the customers are assessed individually, based on their financial position, previous experiences and other factors.

To measure expected credit losses using the simplified approach, current receivables are classified according to common features relating to credit risk and by maturity. Based on this measurement, the Company assesses rate of the expected credit losses for trade receivables.

Expected credit loss rates are determined based on the payment profile and sales over the 5-year period preceding 31 December 2020 and 31 December 2019, respectively, on the basis of past actual credit losses. The Company analysed the number of macroeconomic variables (gross domestic product, industrial production indexes, etc.) together with the possible correlation with the customer's solvency. However, since no correlation was identified, the Company considers rather the individual customer's creditworthiness.

The following table states the impairment of the current receivables:

(CZK million) As at 31 December 2020	Before due date	Past due date (days) 1 – 30	31 – 90	91–180	181-365	Over 365	Total
Expected credit loss rate	2 %	10 %	25 %	100 %	100 %	100 %	
Current trade receivables – gross	1,068	10	4	2	2	101	1,187
Expected credit loss	**17**	**1**	**1**	**2**	**2**	**101**	**124**

(CZK million) As at 31 December 2019	Before due date	Past due date (days) 1 – 30	31 – 90	91–180	181-365	Over 365	Total
Expected credit loss rate	3 %	4 %	75 %	100 %	100 %	100 %	
Current trade receivables – gross	1,275	23	4	1	7	103	1,413
Expected credit loss	**32**	**1**	**3**	**1**	**7**	**103**	**147**

Movement in provision for doubtful accounts receivable:

(CZK million)	2020	2019
Provision as at 1 January	147	152
Recognition of provision – trade receivable	15	28
Use of provision – trade receivable	(38)	(33)
Expected credit loss provision as at 31 December	**124**	**147**

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 case of payments from public service orderers from the state budget or regional budgets, the risk is low due to the state's high credit rating (see Note 28.8.). In other transactions, the Company seeks to deal only with creditworthy counterparties which the Company assesses individually on an ongoing basis using publicly available information. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

Financial assets:

(CZK million)

As at 31 December 2020		Before due date, not impaired	Before due date, impaired	Past due date, not impaired	Past due date, impaired	Impairment	Total
Trade receivables*)	20	1,051	17	12	107	(124)	1,063
Cash and cash equivalents	29	4,123	-	-	-	-	4,123
Receivables from finance leases	21	80	-	-	-	-	80
Loans in the ČD Group	21	597	-	-	-	-	597
Financial derivatives used in hedge accounting	21	369	-	-	-	-	369
Other	21	693	-	-	6	(6)	693
Total		**6,913**	**17**	**12**	**113**	**(130)**	**6,925**

(CZK million)

As at 31 December 2019		Before due date, not impaired	Before due date, impaired	Past due date, not impaired	Past due date, impaired	Impairment	Total
Trade receivables*)	20	1,243	32	23	115	(147)	1,266
Cash and cash equivalents	29	6,602	-	-	-	-	6,602
Receivables from finance leases	21	79	-	-	-	-	79
Loans in the ČD Group	21	1,060	-	-	-	-	1,060
Financial derivatives used in hedge accounting	21	91	-	-	-	-	91
Other	21	288	-	-	5	(5)	288
Total		**9,363**	**32**	**23**	**120**	**(152)**	**9,386**

*) Aging of trade receivables is disclosed in Note 20.1.

The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with credit ratings assigned on the investment grade. Due to that fact, the impact of impairment of cash is considered immaterial.

(CZK million)

Bank	Rating	Bank balances as at 31 Dec 2020	Bills deposits as at 31 Dec 2020	Bank balances as at 31 Dec 2019	Bills deposits as at 31 Dec 2019
Komerční banka	A1	1,259	-	116	1,996*)
ČSOB	A1	431	-	995	203**)
Citibank	Aa3	2,001	-	198	-
ING bank	Aa3	401	-	2,019	-
Česká spořitelna	A1	1	-	1,011	-
Total		**4,093**	**-**	**4,339**	**2,199**

*) The issuer of a bill of exchange of CZK 996 million is company ČEZ, a. s.
**) The issuer of a bill of exchange of EUR 8 million is company ČSOB Leasing, a. s.

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.

The Company does not recognise any pledged assets as at 31 December 2020 and 31 December 2019.

33.11. Liquidity risk management

The Company manages its liquidity risk through planning future cash flows and provision of short-term funding with reputable financial institutions (promissory notes programme and agreed overdraft loans), with the minimum period of 12 months. In order to secure sufficient short-term liquidity, the Company has contracted committed credit facilities so that its available funds exceed its expected short-term expenditures. The liquidity is monitored by the Moody´s rating agency on an ongoing basis.

33.11.1. Liquidity rate risk tables

The following tables demonstrate the Company's remaining contractual maturity of financial liabilities. The tables have been drawn up based on the undiscounted cash flows from financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that instruments carry the floating interest, the undiscounted amount is derived from interest rate curves at the end of the reporting period and may change, if interest rates differ from the determined estimates.

(CZK million)

31 December 2020	**Up to 1 month**	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Non-interest bearing	1,739	882	72	80	47	2,820
Derivatives	-	-	2	141	-	143
Incoming cash flows	-	-	*70*	*3,469*	-	*3,539*
Outgoing cash flows	-	-	*72*	*3,610*	-	*3,682*
Finance lease liabilities	24	27	146	655	178	1,030
Leaseback liabilities	24	44	100	8	-	176
Float interest rate instruments	491	-	-	-	-	491
Fixed interest rate instruments	-	-	634	14,338	20,451	35,423
Total	**2,278**	**953**	**954**	**15,222**	**20,676**	**40,083**

(CZK million)

31 December 2019	**Up to 1 month**	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Non-interest bearing	1,661	1,381	431	36	50	3,559
Derivatives	-	-	209	981	1,079	2,269
Incoming cash flows	-	-	*375*	*3,158*	*18,096*	*21,629*
Outgoing cash flows	-	-	*584*	*4,139*	*19,175*	*23,898*
Finance lease	22	26	123	569	264	1,004
Leaseback liabilities	25	49	221	178	-	473
Float interest rate instruments	149	-	-	-	-	149
Fixed interest rate instruments	-	-	614	14,112	20,184	34,910
Total	**1,857**	**1,456**	**1,598**	**15,876**	**21,577**	**42,364**

The following tables demonstrate the Company's expected maturity of 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 million)

31 December 2020	**Up to 1 month**	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Non-interest bearing	2,738	275	406	60	414	3,893
Finance lease assets	4	-	13	68	383	468
Fixed interest rate instruments	2,400	-	-	-	-	2,400
Float interest rate instruments	141	16	68	195	275	695
Hedging derivatives	-	-	(194)	(779)	(289)	(1,262)
Incoming cash flows	-	-	*347*	*1,386*	*18,344*	*20,077*
Outgoing cash flows	-	-	*541*	*2,165*	*18,633*	*21,339*
Total	**5,283**	**291**	**293**	**(456)**	**783**	**6,194**

(CZK million)

31 December 2019	**Up to 1 month**	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Non-interest bearing	2,355	380	222	-	452	3,409
Finance lease assets	4	-	13	70	413	500
Fixed interest rate instruments	4,203	1,247	-	-	-	5,450
Float interest rate instruments	228	18	73	301	375	995
Hedging derivatives	-	1	3	(96)	-	(92)
Incoming cash flows	-	*1*	*31*	*1,611*	-	*1,643*
Outgoing cash flows	-	-	*28*	*1,707*	-	*1,735*
Total	**6,790**	**1,646**	**311**	**275**	**1,240**	**10,262**

33.11.2 Financing facilities

The Company has access to the following credit facilities:

(CZK million)

Bank overdrafts	ČSOB	KB	Total
Loan facility as at 1 Jan 2019	**700**	**1,500**	**2,200**
Unused amount as at 1 Jan 2019	**700**	**1,500**	**2,200**
Change of loan facility in 2019	-	-	-
Loan facility as at 31 Dec 2019	**700**	**1,500**	**2,200**
Unused amount as at 31 Dec 2019	**700**	**1,500**	**2,200**
Change of loan facility in 2020	-	-	-
Loan facility as at 31 Dec 2020	**700**	**1,500**	**2,200**
Unused amount as at 31 Dec 2020	**700**	**1,500**	**2,200**

(CZK million)

Promissory notes programme	ČSOB	Citibank	ING	KB	Česká spořitelna	Total
Loan facility as at 1 Jan 2019	**1,700**	**-**	**3,000**	**950**	**2,250**	**7,900**
Unused amount as at 1 Jan 2019	**1,700**	**-**	**3,000**	**950**	**2,250**	**7,900**
Change of loan facility in 2019	300	-	(1,500)	(450)	-	(1,650)
Loan facility as at 31 Dec 2019	**2,000**	**-**	**1,500**	**500**	**2,250**	**6,250**
Unused amount as at 31 Dec 2019	**2,000**	**-**	**1,500**	**500**	**2,250**	**6,250**
Change of loan facility In 2020	-	-	-	-	(250)	(250)
Loan facility as at 31 Dec 2020	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**
Unused amount as at 31 Dec 2020	**2,000**	**-**	**1,500**	**500**	**2,000**	**6,000**

(CZK million)

Revolving loan	Citibank	Total
Loan facility as at 1 Jan 2019	**2,000**	**2,000**
Unused amount as at 1 Jan 2019	**2,000**	**2,000**
Change of loan facility in 2019	(500)	(500)
Loan facility as at 31 Dec 2019	**1,500**	**1,500**
Unused amount as at 31 Dec 2019	**1,500**	**1,500**
Change of loan facility in 2020	-	-
Loan facility as at 31 Dec 2020	**1,500**	**1,500**
Unused amount as at 31 Dec 2020	**1,500**	**1,500**

34. Post Balance Sheet Events

In 2021, the impact of measures due to the covid-19 pandemic continues, and a significant reduction in population mobility has had an impact on the reduction in passenger transport revenues at the beginning of 2021. The company has implemented a plan to reduce the impact of the covid-19 pandemic in terms of operating and personnel costs, which it has already begun to implement. In addition, the company also received subsidies from the Antivirus program and subsidies for protective equipment. In March and April 2021, in order to secure resources for implementation of planned investments, the Company entered into agreements for long-term bank credit facilities of up to CZK 8.5 billion. None of these credit facilities has been used as of the date of approval of the standalone financial statements.

35. Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorised for issue on 13 April 2021.

PROVIDING INFORMATION

PURSUANT TO ACT NO. 106/1999 COLL., ON FREE ACCESS TO INFORMATION FOR 2020

Pursuant to Section 18 of Act No. 106/1999 Coll., on Free Access to Information, as amended (hereinafter the "Act") České dráhy, a.s. (hereinafter the "ČD"), hereby publishes its Annual Report on its activities in providing information pursuant to the Act in 2020.

In the period before 2 March 2020, with regard to the judgement of the Municipal Court in Prague, File no. 8 A 80/2017–50 dated 28 September 2017, the Company ČD did not consider itself as an obligatory subject according to the Act, and therefore did not provide information according to the Act.

However, on 2 March 2020, the Supreme Administrative Court stated in the judgement File no. 8 As 145/2018-61 dated 27 February 2020 that ČD is, in accordance with settled case law, considered as a mandatory subject under the Act.

Agenda statistics according to the Act – period from March to December 2020:

a) During the period above, 62 requests for information were processed by ČD.

b) In 10 cases, the applicant was requested to complete the application in accordance with the provisions of Section 14 paragraph 5 (a) of the Act.

c) In 18 cases, the information was provided to the required extent in accordance with the provisions of Section 14 paragraph 5 (d) of the Act.

d) In 19 cases, the application was partially rejected / the information was not provided to the required extent in accordance with the provisions of Section 15 of the Act.

e) In 14 cases, the application was rejected in accordance with the provisions of Section 15 of the Act.

f) In 7 cases, the application was postponed as it did not apply to the scope of ČD in accordance with the provisions of Section 14 paragraph 5 (c) of the Act.

g) In 6 cases, a complaint was filed against the manner of the application processing pursuant to the provisions of Section 16a of the Act, which was submitted to the Office for Personal Data Protection (the "Office") in accordance with the provisions of Section 20 paragraph 5.

h) In 7 cases, an appeal was filed against the decision of ČD in accordance the provisions of Section 16 of the Act, on which the Office decided.

i) In 3 cases, ČD, as a party concerned by application in the proceedings of providing application, commented on the notification sent from the Regional Authorities (Regional Authority of the Central Bohemian Region, Regional Authority of the Vysočina Region, Regional Authority of the South Moravian Region).

j) In 1 case, ČD as a party concerned by application in the proceedings of providing application, commented on the notification sent from the Ministry of the Interior.

k) In 1 case, the applicant filed a cassation complaint. ČD is in the position of a person involved in the proceedings.

l) For lawsuits filed between 2016 and 2019:

: 1 lawsuit against ČD as a direct defendant was upheld by the court and the case was returned by the ČD court for further proceedings, which are still ongoing.

: 2 cassation complaints submitted by ČD to the Supreme Administrative Court were rejected.

: The remaining lawsuits have not yet been settled by the court.

m) in accordance with the provisions of Section 18 paragraph 1 (c) of the Act, we list the relevant parts of the judgments received:

- judgment of the Supreme Administrative Court File no. 8 As 145/2018-61 dated 27 February 2020, in which the SAC stated that ČD is considered a mandatory subject under the Act in accordance with settled case law:

„[32] According to the complainant's reference to the judgement of the Municipal Court in Prague in case no. 8 A 80/2017, it is necessary to remind first of all that the case law of regional courts is unified by the Supreme Administrative Court (Section 12 of the Administrative Procedure Code). It concluded in its case law that the complainant was a mandatory subject. The different judgement of the Municipal Court, which was not challenged by the cassation complaint, does not call into question the conclusions of the Supreme Administrative Court and the complainant could not be convinced in this situation that the case law unified by the Supreme Administrative Court will follow the direction indicated by the Municipal Court in the present judgment. In the present case (as part of the assessment of whether the conditions of the proceedings are met), it can be stated that the Municipal Court did not fully address the criteria set out in the Prague Airport judgment, which is essential for assessing whether the complainant is a mandatory subject. The conclusions of the Municipal Court do not correspond to the conclusions of the case law based on this judgment. The court relied exclusively on ČEZ's judgment, which, however, relates to resolving the question of whether the state or another public corporation has a 100% ownership interest in the company, not to examining the conditions for the predominance of features typical of a public institution. Paragraph 76 is then removed from the context of the reasoning of ČEZ's judgment; it cannot be inferred from it how the Municipal Court decided that competitors in the market for products or services are not mandatory subjects. The court did not find the operation of railway transport as sufficient public interest without materially addressing the public purpose of the provided railway transport. The fact that the complainant does not manage state property, does not preclude her from being a mandatory subject (see the relevant criteria in the Prague Airport judgment). The manner in which the complainant was formed was also assessed by the Municipal Court strictly in accordance with paragraph 70 of the ČEZ judgment, while the court neglected that the establishment of a joint-stock company on the basis of a special law was given only as an example. Paragraph 70 of the ČEZ judgment merely states that such a joint-stock company - „which was established by a special law governing its activities, and whose sole shareholder is the state to which it decides on its dissolution" - is an example of a commercial company reasonably regarded as a public entity, but not as the only possible example according to 8 As 145/2018-66 (see the judgment of the Constitutional Court file no. I. ÚS 1262/17). The other criteria mentioned in the Prague Airport judgment are not settled by the complainant's dispute. <u>In accordance with the settled case law cited above, the Supreme Administrative Court therefore finds that the complainant is a mandatory subject within the meaning of Section 2 paragraph 1 of the Act on Free Access to Information."</u>

- judgment of the Supreme Administrative Court No. 3A 51/2017 - 56 dated 1 April 2020, in which the SAC returned the case to ČD for further proceedings (ČD subsequently issued a new decision in the matter, which provided the requested information to the applicant in accordance with the Act, and provided in the paragraph below):

„44. According to the settled case law of administrative courts on the issue of providing information containing trade secrets, the concept of trade secrets consists of several cumulative features (competitive significance, identifiability, valuableness, normal unavailability in relevant business circles, connection with the trade, adequate confidentiality of the facts constituting trade secrets). <u>If the mandatory subject intends to apply Section 9 paragraph 1 of the Information Act and reject a request for information on its basis, is obliged to deal adequately with the existence and nature of these features in the justification of the decision to reject (part of) the request for information.</u> Therefore, the conclusion of the mandatory subject to reject the request due to the restriction of the right to information based on the fact that the requested information is a trade secret must be duly substantiated in the decision of the mandatory subject. For the sake of brevity, the local court refers here to the conclusions expressed in the judgments of the Supreme Administrative Court of 27 March 2008, No. 7 As 24/2007-106, of 9 December 2004, No. 7 A 118/2002-37, published under No. 654/2005 Coll. SAC, or in the judgment of the local court of 30 July 2013, file no. 11 A 90/2012-39. „

- judgment of the Supreme Administrative Court No. 5A 293/2018 - 51 dated 21 December 2020, in which the SAC rejected the cassation complaint of ČD:

[28] Regarding the question of the admissibility of the lawsuit against the decision of the complainant's chairman of the board of directors, the Municipal Court dealt with it very thoroughly and carefully analysed the conclusions of the case law known to it at the time of its decision. The Municipal Court did not fail to mention the fact that a question was submitted to the Extended Chamber of the Supreme Administrative Court. The answer to this question was intended to clarify, inter alia, whether in the case of a request for information, an lawsuit may be filed against the annulling decision of the appellate body in order for the applicant to break out of the so-called „ping-pong" process. The Municipal Court did not interrupt the proceedings due to this fact. It assessed the admissibility of the lawsuit according to the opinion that prevailed in the case law at the time, i.e. that the lawsuit against the annulling decision of the appellate body is admissible (cf. the already mentioned judgment of 28 January 2015, file no. 6 As 113/2014 - 35). The outcome of the proceedings before the Extended Chamber of the Supreme Administrative Court could not alter the fact that the applicant was right to rely on the prevailing view that his lawsuit was admissible. Opposite verdict would be surprising and unfair to the applicant.

[29] The Supreme Administrative Court agrees with this procedure of the Municipal Court. This is despite the fact that, after the Municipal Court has already ruled, the Extended Chamber, leaned in judgment of 24 October 2018, No. 7 As 192/2017 - 35, published under No. 3834/2019 Coll. SAC, toward the opposite (then minority) opinion. The Extended Chamber concluded that the unsuccessful applicant for information could bring a lawsuit directly against the decision of the mandatory subject, by which the mandatory subject again refused to provide the requested information after the appeal body had annulled its refusal decision. However, it is not possible to bring a lawsuit against an annulling decision of an appellate body, as such a decision does not in any way curtail the applicant's rights. However, as the Extended Chamber also stated, a change in legal opinion in the case law cannot have retrospective effect on the parties to the proceedings, who have relied on the current prevailing case law. In such a situation, the applicant would only later find that he had brought a lawsuit against the wrong decision. However, he could not file it against the refusal of the mandatory subject due to the already expired procedural deadlines. The applicant would thus be deprived of access to the court, although he did not err in any way (the same opinion is held, for example, by the Supreme Administrative Court in the judgment of 28 November 2019, no. 7 As 71/2018 - 34). The Supreme Administrative Court is therefore convinced that the Municipal Court correctly declared the lawsuit admissible in this case.

n) The mandatory subject incurred an amount of CZK 18,028 in connection with court proceedings on rights and obligations under the Act to reimburse the costs of proceedings.

o) List of exclusive licenses, including a justification of the necessity to grant exclusive license:

In the period under review, none of the application procedure under the provisions of the license or sub-license agreement in providing information were adhered to.

INFORMATION ON PERSONS

RESPONSIBLE FOR THE ČD GROUP 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 2020, 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.

Prague, 13 April 2021

Ivan Bednárik
Chairman of the Board
of Directors
České dráhy, a.s.

Václav Nebeský
Vice-Chairman of the Board
of Directors
České dráhy, a.s.

REPORT ON RELATIONS

BETWEEN THE CONTROLLING PARTY AND THE CONTROLLED PARTY AND BETWEEN THE CONTROLLED PARTY AND PARTIES CONTROLLED BY THE SAME CONTROLLING PARTY FOR THE YEAR 2020

The Board of Directors of České dráhy, a.s., with its registered office in Prague 1, Nábřeží L. Svobody 1222, company registration number 70994226, administered by the Municipal Court in Prague, Section B, File 8039, presents the following

Report on Relations between the Controlling Party and the Controlled Party and between the Controlled Party and Parties Controlled by the Same Controlling Party (hereinafter the "Report on Relations")

pursuant to Section 82 of Act 90/2012 Coll., the Corporations Act (the "Corporations Act") for the accounting period from 1 January 2020 to 31 December 2020.

I. The Controlling Party and the preparer the Report on Relations
The Controlling party, for the purposes of the Report on Relations, is the Czech Republic (hereinafter also the "State" or the "CR").

The Controlled party, for the purposes of the Report on Relations is České dráhy, a.s. (hereinafter the „Company" or „ČD"), with its registered office in Prague 1, Nábřeží L. Svobody 1222, company registration number 70994226, administered by the Municipal Court in Prague, Section B, File 8039.

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

II. Methods and Means of Control

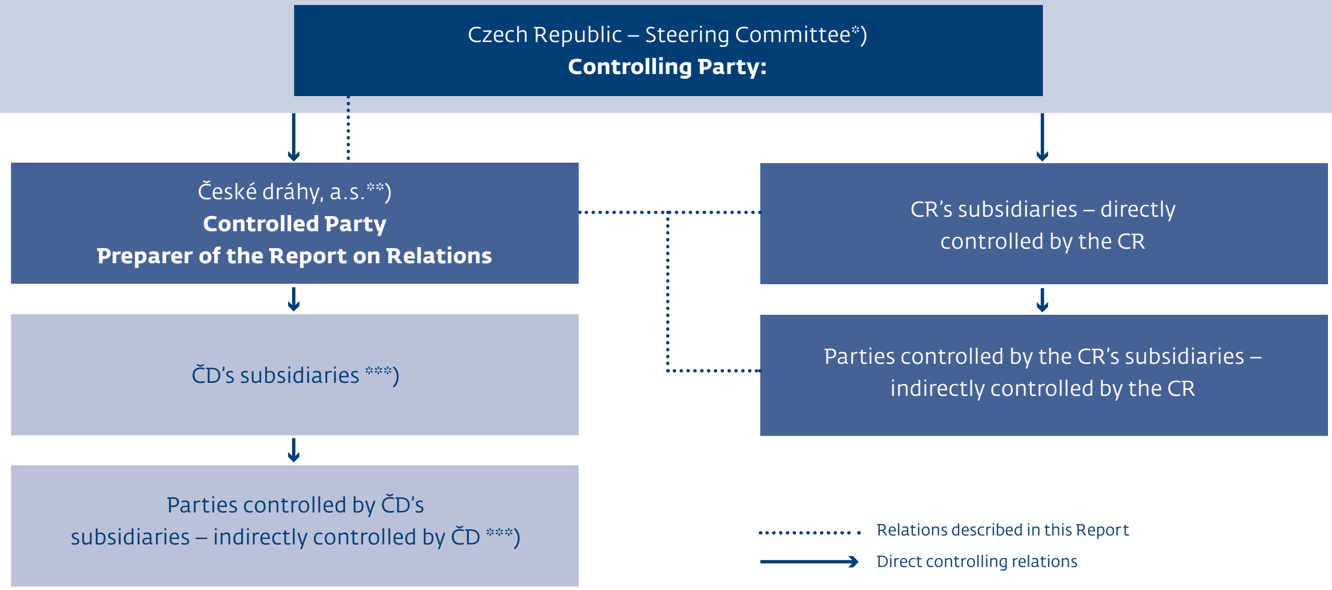
1) A directly controlled related party is a corporation in which the State has a share of voting rights of at least 40% of all the votes in a given corporation, unless another party or other parties acting jointly have the same or bigger share of voting rights in a given corporation.

2) An indirectly controlled related party is a corporation controlled by a party specified in paragraph 1).

The Report on Relations includes only such related parties of which the Company is aware (see Attachment no. 1) and with which the Company established relations in the reporting period that are described in this Report on Relations.

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

III. The Structure of Relations between the Company and the State and the Parties Controlled by the State



*) 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 parties controlled by the Czech Republic, České dráhy, a.s., fulfils the role of the national railway carrier in terms of Section 8, 9 and 17 of Act No. 77/2002 Coll., as amended.

***) The Board of Directors of ČD presents the list of all subsidiaries in relation to the Company České dráhy, a.s., within the Report on Relations (see Attachment no. 1)

The list of subsidiaries which concluded mutual contracts with České dráhy, a.s., valid in 2020:

ČD Cargo, a.s.
DPOV, a.s.
Výzkumný Ústav Železniční, a.s.
ČD Reality a.s.
ČD Restaurant, a.s.
ČD – Informační Systémy, a.s.
ODP-software, spol. s r. o.
CHAPS spol. s r.o.
INPROP, s.r.o.
ČSAD SVT Praha, s.r.o.
SVT Slovakia s.r.o.
Smart Ticketing s.r.o.
Tramex Rail s.r.o.
RailReal a.s.
ČD – Telematika a.s.
ECHIS a.s.
ČD travel, s.r.o.
ČD relax s.r.o.
Žižkov Station Development, a.s.
Smíchov Station Development, a.s.
Dopravní vzdělávací institut, a.s.

Relations between ČD and each of the subsidiaries listed above are presented individually in the Reports on Relations between the Controlling Party and the Controlled Party and between the Controlled Party and Parties Controlled by the Same Controlling Party for 2020 submitted separately by each of these subsidiaries.

IV. Mutual contracts between the Company and the State or the Companyand Related Parties

This list below outlines the contracts concluded between the Company and the State and the Company and its Related Parties that were valid in 2020.

ČEPRO, a.s.	
Contract reference number	**Contract description**
4600010961	Extra light heating oil LTO-E
4600016691	Supply of diesel fuel - service facility
4600017184	Extra-light fuel oil LTO-E 2020-2023
4500970888	Freight disinfection
4500964383	Disinfection
2657020017	Siding - plot of land Zeleneč
2927202209	Equipment siding
2937706306	Plot of land no. 855/20
2967271207	Siding – plot of a land no.12,.Nová Víska
2977408603	Plot of land Veselý nad Lužnicí
2977735207	Plot of land no. 3203/22, cadastral territory no. 722120

ČEZ Distribuce, a. s.	
Contract reference number	**Contract description**
4600017609	Electricity supplies - Louny, Říční
2927402414	1S44 powerhouse Olomouc
2927852807	Plot of land Ostrava
2947003102	Plot of land H. Králové
2947012007	Siding - plot of land Všestary

ČEZ ESCO, a.s.	
Contract reference number	**Contract description**
4600013566	Electricity supplies – Louny
4500982292	241-ZAP OVA Electricity supplies – Osoblaha
4500899568	Electricity Borová u Poličky

ČEZ Korporátní služby, s.r.o.	
Contract reference number	**Contract description**
2657003018	Surface reservation for placement of 2 hydrogeologist wells

ČEZ Prodej, a.s.	
Contract reference number	**Contract description**
4600008450	Electricity supplies – Ústí nad Labem
4600008487	Dodávka elektřiny Borová u Poličky
4600010444	Contract on joint services of electricity supplies
4600011357	Connection of sampling point
4600013585	Electricity supplies Svojšín 412061
4600013586	Electricity supplies Svojšín 412062
4600013835	Electricity supplies - Hlinsko
4600013836	Contract on joint services of electricity supplies

ČEZ Teplárenská, a.s.	
Contract reference number	**Contract description**
4600009554	Heat energy – Chomutov
4600009597	Heat energy – Hradiště UNL
4600009767	Heat energy – no. 68141501_1
4600010292	Heat energy – no. 68050003_1
4600013797	Heat energy – Trutnov
E296-OS-0015/12-A	Water and sewerage fees

ČEZ, a. s.	
Contract reference number	**Contract description**
4600008825	Water and sewerage fees
4600015237	Sales of drinking water ČD Kadaň Prunéřov
4500972297	Demineralized water technical freely

2937105107	Siding – plot of a land no. 2864/610
2937302207	Plot of land no. 4515/20 and 4177/23
2947007207	Plot of land no. 311/21 siding Dvůr Kr./L.
2947007307	Plot of land no. 1529 siding Poříčí u Trutnova
2667105020	Siding – Trmice no. 1493/1
2667105120	Siding – Bílina no. 2795
2977100708	Siding – plot of a land

Elektrárna Počerady, a.s.	
Contract reference number	**Contract description**
2967362307	Siding – Počerady no. 310/14 and 385/2

Letiště Praha, a. s.	
Contract reference number	**Contract description**
4500979809	Prague Airport – advertising cooperation

MARTIA a.s.	
Contract reference number	**Contract description**
4600012865	Management and maintenance of the boiler room - Chomutov

Ministry of Transport (Czech Republic)	
Contract reference number	**Contract description**
4600011555, 4501048529	Contract for the lease of commercial space
E060-57564/2018	Ministry of Transport - transport service R14A Pardubice - Liberec
E060-59346/2015-O16	SŽDC - transport services Brno-Břeclav-Olomouc
E057-55108/2019-O16	Czech Republic - Ministry of Transport, SVS-Ex2, R18
E057-58507/2019-O16	Czech Republic - Ministry of Transport SVS national transport
E057-58509/2019-O16	Czech Republic - Ministry of Transport SVS R29
E060-58315/2020-O16	Ministry of Transport, contract of carriage R27

SD - Kolejová doprava, a.s.	
Contract reference number	**Contract description**
E296-OS-0022/13-T	Heat and hot water supply
E296-OS-0026/13-A	Water, sewerage, storm water
2967105113	Building no. 354 Březno
2967346907	Siding – Chotějovice no. 224/6

Severočeské doly a.s.	
Contract reference number	**Contract description**
2667100215	Siding – Bílina no. 2251/1 and 2386

ENESA a.s.	
Contract reference number	**Contract description**
2637700119	Rental building 222 Havlíčkův Brod
4600017272	Lighting reconstruction

V. Other relations
The Company received payments from the Ministry of Transport for the operation of long-distance rail transport in the amount of CZK 5,318 million. The Company made no other legal acts in the interest, or at the instigation of the Controlling party or the Company's related parties that would involve assets exceeding in value 10% of the Company's equity, which is in amount of CZK 3,969 million according to the most recent financial statements - as at 31 December 2019.

VI. Other information
Confidentiality 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 party that is part of the structure of relations described in this Report on Relations. In addition, confidential information includes any business information that could, on its own or in connection with other information, cause damage to any party belonging to the structure of relations described in this Report on Relations. For this reason, the Report on Relations contains no information on the prices (or amounts) of construction work, supplies, services or the relevant volume of services.

VII. Declaration
All the above-specified contracts and amendments were concluded, and the performance and counter-performance were provided under arm's length conditions. No detriment occurred to the Company in the accounting period from the relations described in this Report on Relations nor other legal acts made in the interest, or at the instigation of the Controlling party or the related parties.

The statutory body states that the Company benefits notably from the relations described in this Report on Relations and that it is not aware of any disadvantages or significant risks arising to the Company from the relations described in this Report on Relations.

VIII. Conclusion
The Company's statutory body ensured preparation of the Report on Relations within the deadline stipulated by law. The Report on Relations was prepared to the best of the preparer's knowledge and belief, using available data and documents and taking all reasonable efforts. The scope of the Czech Republic's controlling relations was identified using the data provided by the shareholder. The Report was submitted for the review to the Supervisory Board which will provide its statement at the Company's Steering Committee.

Prague, 30 March 2021

Ivan Bednárik
Chairman of the Board
of Directors
České dráhy, a.s.

Václav Nebeský
Vice-Chairman of the Board
of Directors
České dráhy, a.s.

Attachment 11

List of related entities from 1 January 2020 to 31 December 2020

Related Entity	Identification Number	Share in %	Means of Control
Severočeské mlékárny, a.s. Teplice	48291749	40.78	Related entity directly controlled by the State.
MUFIS a.s.	60196696	49	Related entity directly controlled by the State.
Kongresové centrum Praha, a.s.	63080249	54.35	Related entity directly controlled by the State.
ČEZ, a. s.	45274649	69.78	Related entity directly controlled by the State.
ČEZ Distribuce, a. s.	24729035	100	Related entity indirectly controlled by the State through ČEZ, a. s.
ČEZ ESCO, a.s.	3592880	100	Related entity indirectly controlled by the State through ČEZ, a. s.
ČEZ Korporátní služby, s.r.o.	26206803	100	Related entity indirectly controlled by the State through ČEZ, a. s.
ČEZ Prodej, a.s.	27232433	100	Related entity indirectly controlled by the State through ČEZ, a. s.
ČEZ Teplárenská, a.s.	27309941	100	Related entity indirectly controlled by the State through ČEZ, a. s.
Elektrárna Počerady, a.s.	24288110	100	Related entity indirectly controlled by the State through ČEZ, a. s.
MARTIA a.s.	25006754	100	Related entity indirectly controlled by the State through ČEZ Teplárenská, a. s.
SD - Kolejová doprava, a.s.	25438107	100	Related entity indirectly controlled by the State through Severočeské doly a.s.
Severočeské doly a.s.	49901982	100	Related entity indirectly controlled by the State through ČEZ, a. s.
ENESA a.s.	27382052	100	Related entity indirectly controlled by the State through ČEZ ESCO, a.s.
Česká exportní banka, a.s.	63078333	84	Related entity directly controlled by the State.
HOLDING KLADNO, a.s. v likvidaci	45144419	96.85	Related entity directly controlled by the State.
Exportní garanční a pojišťovací společnost, a. s.	45279314	100	Related entity directly controlled by the State.
ČEPRO, a.s.	60193531	100	Related entity directly controlled by the State.
Letiště Praha, a.s.	28244532	100	Related entity directly controlled by the State.
GALILEO REAL, k.s.	26175291	100	Related entity directly controlled by the State.
IMOB a.s.	60197901	100	Related entity directly controlled by the State.
MERO ČR, a.s.	60193468	100	Related entity directly controlled by the State.
PRISKO a.s.	46355901	100	Related entity directly controlled by the State.
THERMAL – F, a.s.	25401726	100	Related entity directly controlled by the State.

Related Entity	Identification Number	Share in %	Means of Control
Výzkumný a zkušební letecký ústav, a.s.	10669	100	Related entity directly controlled by the State.
Ministerstvo dopravy	66003008	100	Related entity directly controlled by the State.
ČD – Telematika a.s.	61459445	70.96	Related entity indirectly controlled by the State through ČD, a.s.
Výzkumný Ústav Železniční, a.s.	27257258	100	Related entity indirectly controlled by the State through ČD, a.s.
DPOV, a.s.	27786331	100	Related entity indirectly controlled by the State through ČD, a.s.
ČD Cargo, a.s.	28196678	100	Related entity indirectly controlled by the State through ČD, a.s.
ČD – Informační Systémy, a.s.	24829871	100	Related entity indirectly controlled by the State through ČD, a.s.
Dopravní vzdělávací institut, a.s.	27378225	100	Related entity indirectly controlled by the State through ČD, a.s.
ČD travel, s.r.o.	27364976	51.72	Related entity indirectly controlled by the State through ČD, a.s.
CD Cargo Germany GmbH	HRB 73576	100	Related entity indirectly controlled by the State through ČD, a.s.
CD Cargo Austria GmbH	FN 291407s	100	Related entity indirectly controlled by the State through ČD, a.s.
CD Cargo Poland Sp. z o.o.	140769114	100	Related entity indirectly controlled by the State through ČD, a.s.
ČD Cargo Slovakia, s.r.o.	44349793	100	Related entity indirectly controlled by the State through ČD, a.s.
CD Cargo Hungary Korlátolt Felelősségű Társaság	09-09-031990	100	Related entity indirectly controlled by the State through ČD, a.s.
Auto Terminal Nymburk, s.r.o. v likvidaci	24234656	100	Related entity indirectly controlled by the State through ČD, a.s.
ČD Cargo Logistics, a.s.	27906931	100	Related entity indirectly controlled by the State through ČD, a.s.
Terminal Brno, a.s.	28295374	66.93	Related entity indirectly controlled by the State through ČD, a.s.
ČD-DUSS Terminál, a.s.	27316106	51	Related entity indirectly controlled by the State through ČD, a.s.
ODP-software, spol. s r. o.	61683809	100	Related entity indirectly controlled by the State through ČD, a.s.
ČD relax s.r.o.	5783623	100	Related entity indirectly controlled by the State through ČD, a.s.
CHAPS spol. s r.o.	47547022	100	Related entity indirectly controlled by the State through ČD, a.s.
ČSAD SVT Praha, s.r.o.	45805202	100	Related entity indirectly controlled by the State through ČD, a.s.
SVT Slovakia s.r.o.	36620602	80	Related entity indirectly controlled by the State through ČD, a.s.
INPROP, s.r.o.	31609066	100	Related entity indirectly controlled by the State through ČD, a.s.

Related Entity	Identification Number	Share in %	Means of Control
Smart Ticketing s.r.o.	2033011	100	Related entity indirectly controlled by the State through ČD, a.s.
Tramex Rail s.r.o.	26246422	100	Related entity indirectly controlled by the State through ČD, a.s.
Smíchov Station Development, a.s.	27244164	51	Related entity indirectly controlled by the State through ČD, a.s.
Žižkov Station Development, a.s.	28209915	51	Related entity indirectly controlled by the State through ČD, a.s.
Masaryk Station Development, a.s.	27185842	34	Related entity indirectly controlled by the State through ČD, a.s.
JLV, a.s.	45272298	38.79	Related entity indirectly controlled by the State through ČD, a.s.
RAILLEX, a.s.	27560589	50	Related entity indirectly controlled by the State through ČD, a.s.
BOHEMIAKOMBI, spol. s r.o.	45270589	30	Related entity indirectly controlled by the State through ČD, a.s.
Ostravská dopravní společnost, a.s.	60793171	50	Related entity indirectly controlled by the State through ČD, a.s.
Ostravská dopravní společnost - Cargo, a.s.	5663041	20	Related entity indirectly controlled by the State through ČD, a.s.
ECHIS a.s.	1533177	100	Related entity indirectly controlled by the State through ČD, a.s.

LIST OF USED ABBREVIATIONS

Abbreviation	Description
AO	Audit body
API	Application Programming Interface
BOZP	Occupational Safety and Health
CAPEX	Investment (capital) expenditures
CER	Community of European Railways
CIT	International Rail Transport Committee
ČD	České dráhy, a.s.
ČDC	ČD Cargo, a.s.
ČD-IS	ČD – Informační Systémy, a.s.
ČD-T	ČD – Telematika a.s.
ČNB	Czech National Bank
ČSN	Czech Technical Norm
ČSN EN	European norm
ČR	Czech Republic
DISOD	Dispatcher Information System for Passenger Transport
DPH	Value added tax
DPOV	Railway Rolling Stock Repair Works Company (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
EK	European Commission
ETCS	European Train Control System

Abbreviation	Description
EU	European Union
EUROFIMA	European Company for the Rolling Stock Financing
Ex	Long-haul passenger train of the express category
GŘ	General Directorate
GS	Grandi Stazioni
GSM-R	Global System for Mobile Communication – Railway
HDP	Gross domestic product
IAS	International Accounting Standards
ICT	Information and Communication Technology
IDS	Integrated transportation system
IFRS	International Financial Reporting Standards
IS	Information system
ISO	International Organisation for Standardisation
IS OPT	Information system of the Shipping revenue centre
IT	Information technologies
JLV	Sleeping and dining car company (Jídelní a lůžkové vozy, a.s.)
JŘ	Train timetable
KASO	Complex application of rounds
KN	Land register
MT	Ministry of Transport of the Czech Republic
MF	Ministry of Finance of the Czech Republic
MIMO	Incident system of ČD

Abbreviation	Description
MISOP	Modernisation of passenger transport information systems
MRD	Ministry of Regional Development of the Czech Republic
MD	Ministry of Defence of the Czech Republic
MIT	Ministry of Industry and Trade of the Czech Republic
NAD	Railway Replacement Bus Service
NNŽ	Žižkov freight railway station
OPT	Shipping revenue centre
OSŽD	Organisation for Railway Cooperation
ÖBB	Österreichische Bundesbahnen
PARIS	Sales and reservation information system
PHM	Fuel
PMDP	Pilsen City Transport Company
POP	Portable personal cash register
PROBIS	Operational business information system
PRIBOR	Prague Inter Bank Offered Rate
ROP	EU Regional Operational Programme

Abbreviation	Description
SAP	Bookkeeping system
SC	Passenger train category of highest quality (SuperCity)
SED	Validation of Electronic Documents
SŽ	Railway Transport Route Administration, state organisation (Správa železnic, státní organizace, prior SŽDC, s.o.)
TAČR	Technology Agency of the Czech Republic
TÚDC	Telematics and Diagnostics Centre
UIC	International Union of Railways
UNIPOK	Cash register system for ČD personal transport
ÚJV	Institute of Nuclear Research (Ústav jaderného výzkumu)
ÚMVŽST	Regulation of property relations in railway stations
ÚOHS	Office for Protection of Competition
VIM	Vendor Invoice Management
Vlkm	Train kilometres (sum of train and distance trains)
VUZ	Railway Research Institute (Výzkumný Ústav Železniční, a.s.)
ŽST	Railway station

IDENTIFICATION AND CONTACT INFORMATION

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

Registered office: Prague 1, Nábřeží L. Svobody 1222, postal code 110 15

Corporate ID: 70994226

Tax ID: CZ70994226

Registration court: Prague

File no: Section B, file 8039

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České dráhy, a.s.
2020