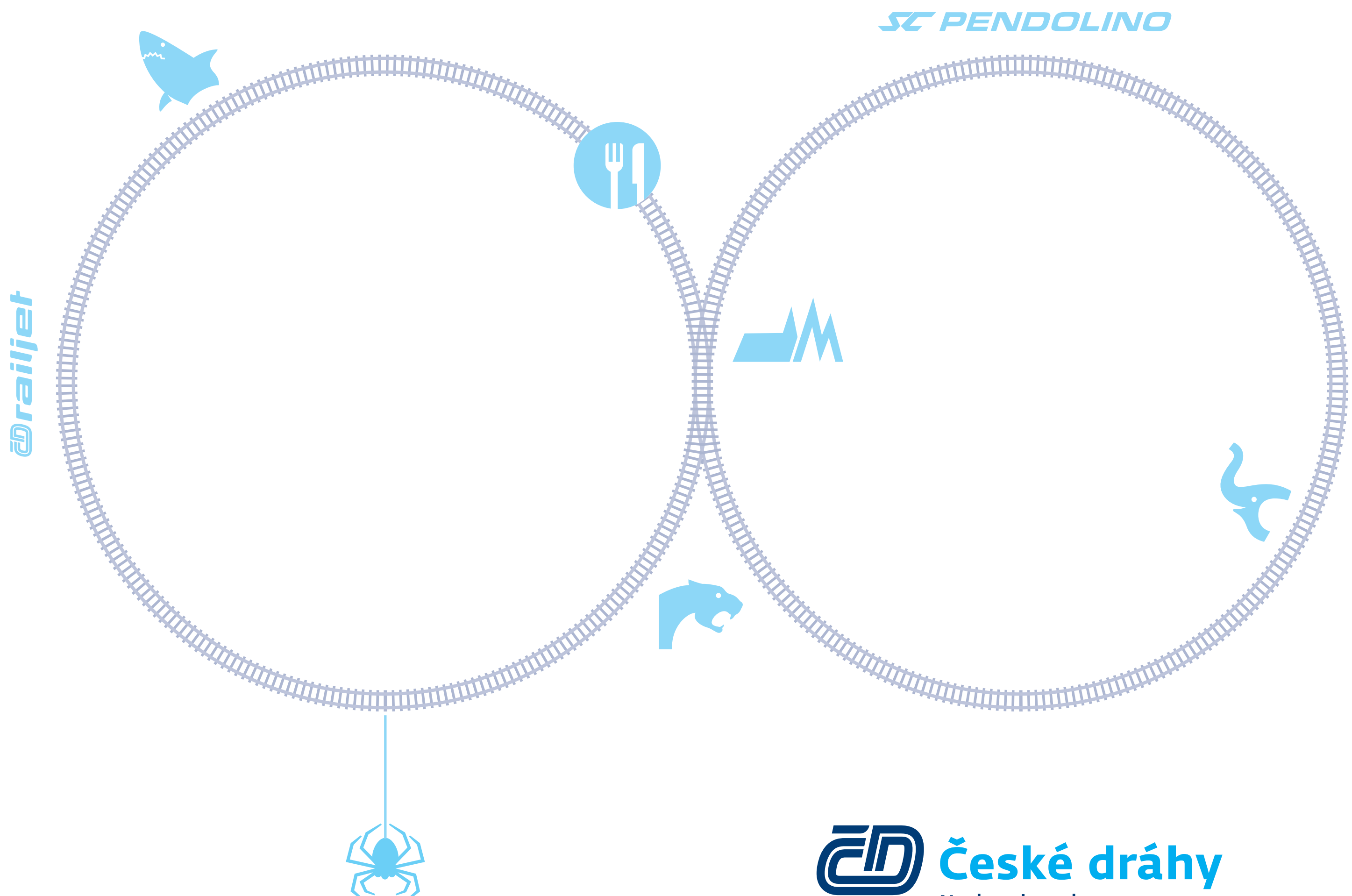
Interim Report of the České dráhy Group

2019



České dráhy
National carrier

Table of Contents

01

Key Indicators
of the ČD Group

Key indicators (CZK million)	Jan-Jun/2019	Jan-Jun/2018	DIFFERENCE
ČD Group			
Revenue *)	20,321	17,349	**2,972**
Other operating income *)	514	2 453	**(1 939)**
EBITDA (from continued operations)	4,808	4,282	**526**
EBIT (from continued operations)	1,176	1,233	**(57)**
Profit for the period	441	262	**179**
Total assets	101,353	87,192	**14,161**
CAPEX	3,561	2,463	**1,098**
Depreciation and amortisation	3,632	3,049	**583**
Leverage (%) (liabilities/total assets)	59.8	54.8	**5.0**
Current liquidity (%) (Current assets/Current liabilities)	121.4	97.3	**24.1**
ROCE (%) (EBIT/(total assets less current liabilities))	1.4	1.7	**(0.3)**
Average full time employees equivalent	23,501	23,366	**135**
Passenger transport (ČD, a.s.)			
Number of passengers (million)	91.6	89.4	**2.2**
Traffic performance (million passenger-kilometres)	4,195	3,928	**267**
Transport performance (million train-kilometres)	62.17	62.15	**0.02**
Average traffic distance (km)	46	44	**2**
Occupancy ratio (%)	30	29	**1**
Freight transport (ČD Cargo Group)			
Traffic volume (million tons)	33.4	33.5	**(0.1)**
Traffic performance (million tariff ton-kilometres)	5,902	6,308	**(406)**
Transport performance (billion gross ton-kilometres)	12.0	12.6	**(0.6)**

*) Change in the reporting of Revenue and Other operating income in 2019 due to the new standards; Chapter 2.1. Interim Consolidated Financial Statements as of 30 June 2019

02

Foreword of the Vice-Chairman of the Board of Directors

Dear ladies and gentlemen,

the first half of 2019 was successful for České dráhy. Both the parent company and all its subsidiaries were profitable. According to International Financial Reporting Standards (IFRS), the České dráhy Group achieved profit of CZK 441 million which is an increase by about 70% compared to the same period of last year.

In the spring, joint-stock company České dráhy, whose main business is passenger rail transport, maintained international investment rating of Moody's agency at the Baa2 level with stable outlook and issued new Eurobonds at record low interest rates. The number of train passengers grew, and especially on main long-distance lines with double-digit increases. All key performance indicators have increased, i.e. average transport distance, transport performance and occupancy of our connections. People travel with us over longer distances and more and more often choose České dráhy connections for business and leisure travel. However, higher sales are counterbalanced by more expensive inputs. For example, we paid by CZK 225 million more for electricity than last year due to increased unit prices. Nevertheless, the passenger transport segment reported a year-on-year increase by nearly half a billion and recorded a profit of CZK 85 million.

Freight transportation revenues grew at both domestic transport market and abroad. The planned development of international transport under the ČD Cargo brand has continued successfully. In addition to Poland, where ČD Cargo is a fully established carrier, our freight trains already operate in Austria and some other countries. Increases were mainly noted in transport of coal, agricultural products and combined cargo. The freight transport segment recorded a profit of CZK 270 million for the period January to June 2019. The slight year-over-year decline is due to rising electricity prices, higher depreciation from new investments and increased personnel costs resulting from the overall labour market situation in the Czech Republic.

Both largest companies of the České dráhy Group have continually invested in fleet renewal and service development. This is a prerequisite for their further growth in the open freight and passenger transportation market. Our ambition is to further increase the operational efficiency of all České dráhy Group companies and to maintain positive financial results.

Radek Dvořák
Vice-Chairman of the Board of Directors
České dráhy, a.s.

03

Responsibility for the Interim Report of the ČD Group

Declaration

The persons responsible for preparing the Interim Report of the issuer declare that, to the best of their knowledge, the consolidated interim report gives a true and fair view of the financial position, business activity and performance of the issuer and its Group for the six months ended and the outlook for future development of the financial position, business activity and performance of the issuer and its Group.

Prague, 27 August 2019

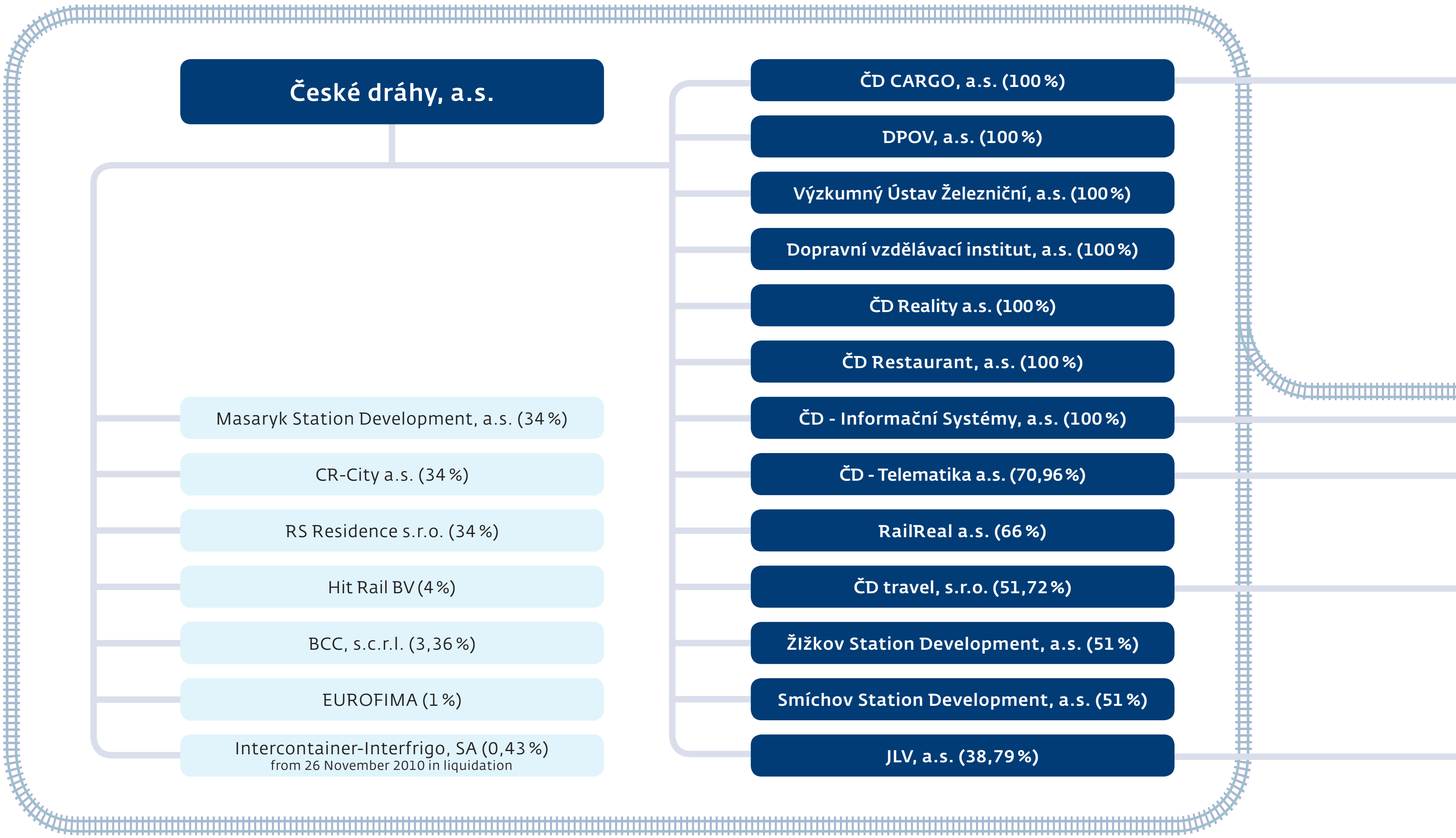
Radek Dvořák
Vice-Chairman of the Board
of Directors
České dráhy, a.s.

Patrik Horný
Member of the Board
of Directors responsible
for the Economics department
České dráhy, a.s.

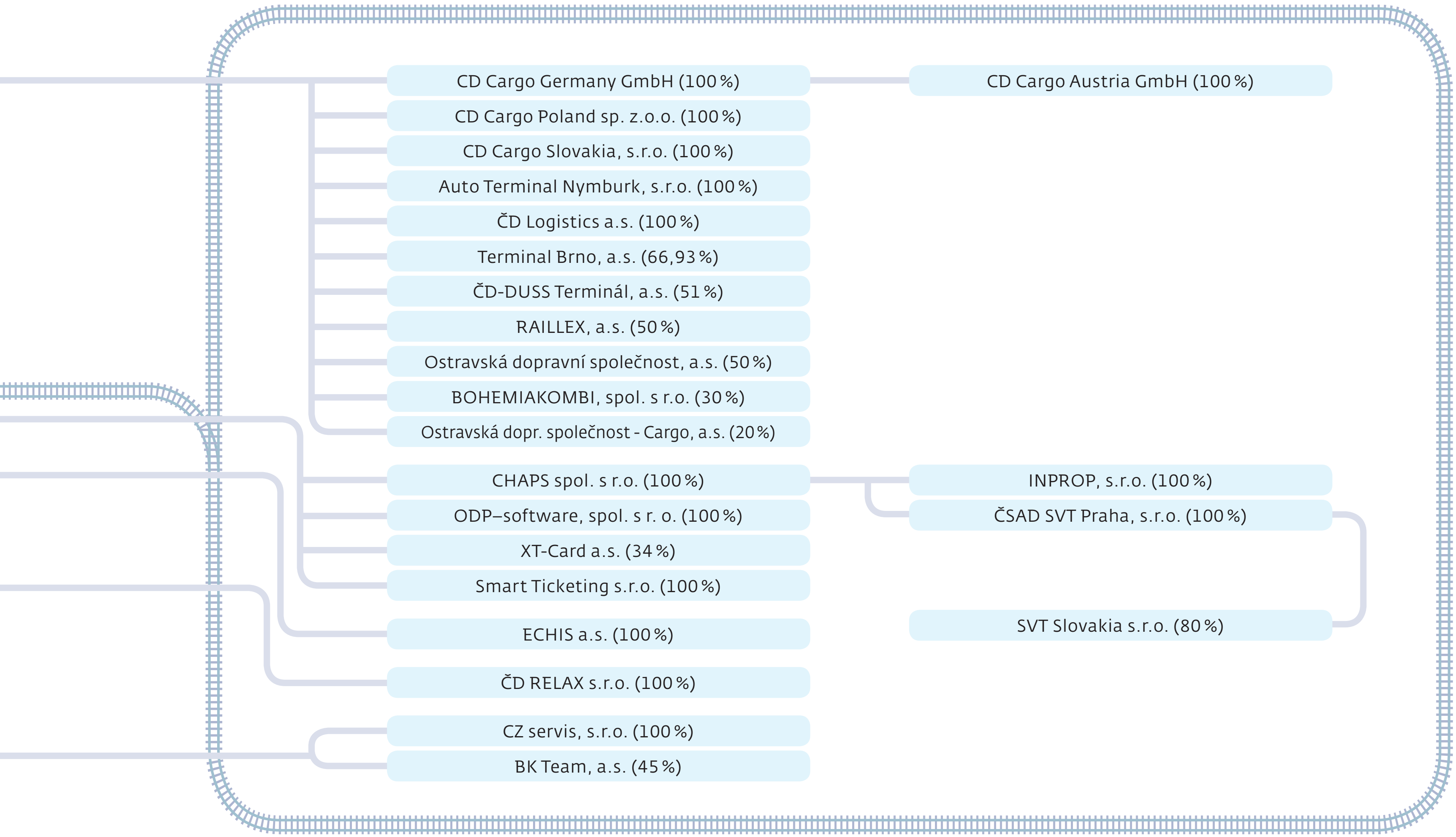
This report was not audited.

04

Overview of the Investment Shares
Held by the ČD Group



as at 30 June 2019



05

Information on Business Activities of the ČD Group for the Period of six Months Ended 30 June 2019

Economic Results

Profit/Loss by Segment

[CZK mil]		Passenger transport	Freight transport	Asset management	Other	Elimination	Total
Revenue	Jan-Jun/2019	12,354	6,680	185	2,529	(1,427)	20,321
	Jan-Jun/2018	11,212	6,168	-	-	(31)	17,349
Other operating income	Jan-Jun/2019	460	232	81	255	(514)	514
	Jan-Jun/2018	852	367	523	2,851	(2,140)	2,435
Purchased consumables and services	Jan-Jun/2019	(4,964)	(2,937)	(107)	(1,489)	1,195	(8,302)
	Jan-Jun/2018	(4,810)	(3,073)	(96)	(1,526)	1,241	(8,264)
Staff costs	Jan-Jun/2019	(4,553)	(2,237)	(101)	(620)	121	(7,390)
	Jan-Jun/2018	(4,219)	(2,117)	(85)	(592)	150	(6,863)
EBITDA from continued operations	Jan-Jun/2019	2,853	1,582	70	643	(340)	4,808
	Jan-Jun/2018	2,607	1,140	355	697	(517)	4,282
Depreciation and amortization	Jan-Jun/2019	(2,431)	(985)	(47)	(195)	26	(3,632)
	Jan-Jun/2018	(2,294)	(581)	(42)	(173)	41	(3,049)
EBIT from continued operations	Jan-Jun/2019	422	597	23	448	(314)	1,176
	Jan-Jun/2018	313	559	313	524	(476)	1,233
Profit (loss) for the period from continued operations	Jan-Jun/2019	85	270	34	369	(317)	441
	Jan-Jun/2018	(388)	350	322	466	(488)	262

Passenger Transport

In the period January - June 2019, the number of passengers transported equalled 91.6 million (year-over-year increase by 2.2 million) and the **traffic performance** reached 4,195 million passenger-kilometres (year-over-year increase by 267 million passenger-kilometres).

In the period January - June 2019, **transport performance** measured in gross ton-kilometres increased (year-over-year increase by 286 million gross ton-kilometres) while train kilometres remained at the same level year-over-year.

Revenues in passenger transport segment in the period January – June 2019 were positively influenced by increased revenues from passenger transportation as compared to the same period of 2018 (CZK 900 million, i.e. 22.4%) and higher payments from public service orders (CZK 52 million).

The year-over-year increase in revenues from **domestic transport** in the period January to June 2019 by CZK 833.8 million (i.e. 30.5%) was caused mainly by a CZK 1,081 million increase in revenues from compensation received from the Ministry of Transport for discounts provided (due to the reimbursement of state-ordered discounts) and an increase in revenues from ancillary services. On the other hand, sales of tickets and reservations decreased by CZK 197.3 million, i.e. 9.2 % as compared to the same period of 2018. Such decrease is caused by a reduction in passenger fare collection resulting from new price regulation. Revenues were also affected by a CZK 32.4 million decrease in revenues from ČD share in integrated transport system (IDS) compared to 2018 (i.e. by 7.0 %).

In the period from January to June 2019, **international transportation** recorded an increase compared to 2018 (CZK 38.1 million, i.e. 5.2%), especially from sales of international tickets and from ČD share in sales of international tickets abroad.

The increase in **personnel costs** is related to the terms of the collective agreement valid for 2019.

The year-on-year comparison of the passenger transport segment is also positively influenced by the improved financial result where negative effects of the weakening CZK/EUR exchange rate in relation to the revaluation of bond obligations was reflected in the financial result of the period January to June 2018.

In the first half of 2019, in the area of **capital expenditures** (Capex), the most significant items in the passenger transport segment include the supply of push-pull trainsets of independent traction, supply of Class 794 shunting diesel locomotives, transition of WR restaurant cars to ARmpee bistro cars, modernisation of ex ÖBB passenger cars and modernization of type 809, 810 railcars.

In the second half of 2019, we expect to maintain the positive development of passenger transportation revenues.

Freight Transport

In the freight transport segment, **the year-on-year increase in revenues realized on the domestic transport market and abroad** can be evaluated very positively. The planned development of international transportation under the ČD Cargo brand continues. Besides Poland, where ČD Cargo is already a fully established carrier, ČD Cargo trains can also be seen regularly in Austria and other countries. In particular, transport of coal, agricultural products and combined transport increased. In some commodities, however, the slowdown in economic growth in Europe is already having a negative impact. **In the first half of 2019, the ČD Cargo Group transported a total of 33.4 million tonnes of goods.** ČD Cargo provides complex services, therefore the revenues from services additional to transport - towing, logistic, terminal etc. are increasing as well.

The higher volume of revenues is driven by ongoing investments in the acquisition and modernization of locomotives and freight wagons. In the first half of 2019, three more interoperable Vectron electric locomotives were purchased. The freight wagons fleet was expanded to include additional flat wagons and large-capacity tanks. Also, revision repairs of approximately 1,800 freight wagons were carried out, which contributed to ensuring sufficient carring capacity of the carrier.

The freight transport segment achieved profit for the period January - June 2019 of CZK 270 million.

The slight year-on-year decline in profit was affected by the **rise in electricity prices, higher depreciation** from new investments and an **increase in personnel costs** due to growth in real wages of employees in accordance with the terms of the Collective Agreement for 2019 and the overall labor market situation in the Czech Republic.

In the second half of this year, ČD Cargo will continue to expand abroad in order to obtain a carrier license also in Germany. At the same time, the freight operator will continue to modernize the rail vehicles which is a necessary condition for its successful operation in the European transport market.

Asset Management

In the asset management segment, expected revenues from sale of redundant property were realised. Large sales for the first half of 2019 include sales in the cadastral area of Pilsen for CZK 44 million and Uhříněves for about CZK 7 million.

The preparatory phase of the ÚMVŽST (Regulation of property relations in railway stations) project is still ongoing, within which the geometric plans at individual railway stations are processed and recorded. A list of properties transferred to SŽDC, s.o. by means of sale will be created based on them. Currently a valuation methodology is being prepared with the participation of representatives of both parties.

06

Interim Consolidated Financial Statements

for the Period of six Months Ended 30 June 2019

Interim statement of profit or loss for the period ended 30 June 2019

CZK million	Period ended 30 June 2019 (unaudited)	Period ended 30 June 2018 (unaudited)
CONTINUING OPERATIONS		
Income	20,321	17,349
Other operating income	514	2,453
Purchased consumables nad services	(8,302)	(8,264)
Employee benefit costs	(7,390)	(6,863)
Depreciation and amortisation	(3,632)	(3,049)
Other operating expenses	(335)	(393)
Profit on operating activities	**1,176**	**1,233**
Financial expenses	(769)	(922)
Financial income	281	114
Share of income of joint ventures and associates	10	6
Profit before tax	**698**	**431**
Income tax	(257)	(169)
Profit for the period from continuing operations	**441**	**262**
Profit for the period	**441**	**262**
Attributable to equity holders of the parent Company	432	254
Attributable to non-controlling interests	9	8

Interim statement of other comprehensive income for the period ended 30 June 2019

CZK million	Period ended 30 June 2019 (unaudited)	Period ended 30 June 2018 (unaudited)
Profit for the period	441	262
Actuarial gains/losses on liabilities related to employee benefits	(20)	-
Remeasurement of financial assets at fair value through other comprehensive income	4	-
Other comprehensive income for the period (items that are not subsequently reclassified to profit or loss)	**(16)**	**-**
Exchange differences of foreign units translation	1	-
Cash-flow hedges	554	136
Reinsurance costs	(141)	-
Related income tax	(10)	16
Other comprehensive income for the period (items that may be reclassified to profit or loss)	**404**	**152**
Other comprehensive income for the period after tax	**388**	**152**
Total comprehensive income for the period	**829**	**414**
Attributable to equity holders of the parent Company	820	406
Attributable to non-controlling interests	9	8

Interim statement of financial position (balance sheet) as at 30 June 2019

CZK million	30 June 2019 (unaudited)	31 December 2018 (audited)
Property, plant and equipment	70,410	70,509
Investment property	607	611
Goodwill	141	141
Intangible assets	904	989
Right of use	3,902	*)
Investments in joint ventures and associates	190	200
Deferred tax asset	23	29
Trade receivables	1	1
Other financial assets	830	633
Other assets	5	5
Total non-current assets	**77,013**	**73,118**
Inventories	1,778	1,657
Trade receivables	3,395	3,611
Prepaid income tax	10	2
Other financial assets	427	800
Other assets	3,181	2,206
Cash and cash equivalents	15,549	3,438
Total current assets	**24,340**	**11,714**
TOTAL ASSETS	**101,353**	**84,832**
Share capital	20,000	20,000
Reserve and other funds	17,704	17,241
Retained earnings	2,436	2,183
Equity attributable to equity holders	**40,140**	**39,424**
Non-controlling interests	609	613
Total equity	**40,749**	**40,037**
Loans and borrowings	38,092	22,418
Deferred tax liability	1,860	1,683
Provisions	280	607
Other financial liabilities	185	519
Other liabilities	131	116
Total non-current liabilities	**40,548**	**25,343**
Trade payables	5,132	5,886
Loans and borrowings	10,635	9,051
Income tax payables	43	34
Provisions	762	851
Other financial liabilities	505	278
Other liabilities and contract liabilities	2,979	3,352
Total current liabilities	**20,056**	**19,452**
TOTAL LIABILITIES	**101,353**	**84,832**

*) The right of use is newly recognized in accordance with IFRS 16 as of 1 January 2019

Interim statement of changes in equity for the period ended 30 June 2019

	Share capital CZK million	Reserve and other funds *) CZK million	Cash flow hedging reserve CZK million	Hedge accounting expenses CZK million	Remeasurement fund from assets at fair value through other comprehensive income CZK million	Retained earnings CZK million	Equity attributable to equity holders of the Parent CZK million	Non-controlling interests CZK million	Total equity CZK million
Balance as at 31 December 2017	**20,000**	**16,862**	**338**	**-**	**-**	**1,121**	**38,321**	**664**	**38,985**
Impact of implementation of IFRS 9 and IFRS 15	-	-	302	(300)	93	(52)	43	(5)	38
Balance as at 1 January 2018 (audited)	**20,000**	**16,862**	**640**	**(300)**	**93**	**1,069**	**38,364**	**659**	**39,023**
Comprehensive income									
Profit for the period	-	-	-	-	-	254	254	8	262
Other comprehensive income for the period	-	-	152	-	-	-	152	-	152
Total comprehensive income for the period	**-**	**-**	**152**	**-**	**-**	**254**	**406**	**8**	**414**
Transactions with owners									
Allocation to the reserve funds	-	61	-	-	-	(61)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(12)	(12)
Impact of the change in the consolidation group	-	(20)	-	-	-	5	(15)	(52)	(67)
Total transactions with owners for the period	**-**	**41**	**-**	**-**	**-**	**(56)**	**(15)**	**(64)**	**(79)**
Balance as at 30 June 2018 (unaudited), (adjusted) **)	**20,000**	**16,903**	**792**	**(300)**	**93**	**1,267**	**38,775**	**603**	**39,358**
Balance as at 31 December 2018 (audited)	**20,000**	**16,902**	**493**	**(264)**	**110**	**2,183**	**39,424**	**613**	**40,037**
Impact of implementation of IFRS 16	-	-	-	-	-	(104)	(104)	(1)	(105)
Balance as at 1 January 2019 (unaudited)	**20,000**	**16,902**	**493**	**(264)**	**110**	**2,079**	**39,320**	**612**	**39,932**
Comprehensive income									
Profit for the period	-	-	-	-	-	432	432	9	441
Other comprehensive income for the period	-	1	544	(141)	4	(20)	388	-	388
Total comprehensive income for the period	**-**	**1**	**544**	**(141)**	**4**	**412**	**820**	**9**	**829**
Transactions with owners									
Allocation to the reserve fund	-	55	-	-	-	(55)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(12)	(12)
Total transactions with owners for the period	**-**	**55**	**-**	**-**	**-**	**(55)**	**-**	**(12)**	**(12)**
Balance as at 30 June 2019 (unaudited)	**20,000**	**16,958**	**1,037**	**(405)**	**114**	**2,436**	**40,140**	**609**	**40,749**

*) Reserve and other funds include share premium in the amount of CZK 16,440 million (as at 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019).
**) The figures reflect the impact of the implementation of IFRS 9 and IFRS 15 as at 1 January 2019.

Interim cash-flow statement for the period ended 30 June 2019

CZK million	Period ended 30 June 2019 (unaudited)	Period ended 30 June 2018 (unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax for the period	**698**	**431**
Dividend income	(20)	-
Financial expenses - interests	592	557
Profit from the sale and disposal of non-current assets	(129)	(363)
Depreciation and amortisation of non-current assets	3,632	3,049
Reversal of impairment of property, plant and equipment, investment property and assets held for trade	(108)	(128)
Reversal of impairment of trade receivables	(19)	(26)
Change in provisions	(7)	(18)
Foreign exchange rate gains (losses)	(85)	232
Other	(53)	(7)
Cash flows from operating activities before changes in working capital	**4,501**	**3,727**
Decrease (increase) in trade receivables	(169)	(194)
Decrease (increase) in inventories	(124)	(69)
Decrease (increase) in other assets	(887)	(780)
Increase (decrease) in trade payables	(252)	136
Increase (decrease) in other liabilities and contract liabilites	(289)	(112)
Total changes in working capital	**(1,383)**	**(1,019)**
Cash flows from operating activities	**3,118**	**2,708**
Interest paid	(398)	(431)
Income tax paid	(71)	(85)
Dividends received	20	-
Net cash flows from operating activities	**2,669**	**2,192**

CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant and equipment	(3,482)	(2,388)
Proceeds from disposal of property, plant and equipment	152	491
Payments for investment property	(11)	(2)
Payments for intangible assets	(68)	(73)
Received interest	25	9
Net cash flows from investment activities	**(3,384)**	**(1,963)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	13,880	225
Repayments of loans and borrowings	(14)	(38)
Payment of financial leasing instalments	(1,040)	(467)
Impacts of changes in equity	-	(62)
Net cash flows from financing activities	**12,826**	**(342)**
Net increase (decrease) in cash and cash equivalents	**12,111**	**(113)**
Cash and cash equivalents at the beginning of the reporting period	3,438	7,801
Cash and cash equivalents at the end of the reporting period	**15,549**	**7,688**

Notes to the Interim Consolidated Financial Statements for the Period Ended 30 June 2019

1. General Information

1.1. General Information

The Parent Company České dráhy, a.s. (further as "the Company" or "ČD") was incorporated on 31 March 2002. The sole shareholder of the Company is the Czech Republic. The Parent Company's share capital is CZK 20,000 million. The Company's registered office is located in Prague 1, Nábř. L. Svobody 1222.

The Group has been principally engaged in operating railway transportation. In addition, the Group has been engaged in other activities related to its principal business activities.

The assets comprising railway routes are in the ownership of the State, not the Group. The management rights to these assets are executed by Správa železniční dopravní cesty, s.o. (further as "SŽDC"). SŽDC secures the operability and servicing of the railway routes and, since 1 July 2016, the management of the real estate property (railway stations).

1.2 Changes in the Consolidation Group

On 22 January 2019, the company ČD - Informační Systémy, a.s. established its subsidiary Smart Ticketing s.r.o.

2. Statement of Compliance and Significant Accounting Policies

The interim consolidated financial statements for the six months ended 30 June 2019 were prepared in accordance with IAS 34. They do not include all the information required to be disclosed in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

These interim consolidated financial statements were not audited by independent auditors.

These interim consolidated financial statements were prepared using the same accounting policies that were applied in the Consolidated Financial Statements of the Group for the year ended 31 December 2018, except for the adoption of new International Accounting Standards, see Note 2.1.

The Group applied no standards or interpretations adopted by the European Union before their effective date.

2.1 Changes in the Application of Accounting Policies and Adjustment of Reporting Methods

As at 1 January 2018, the Group adopted new International Financial Reporting Standards - IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. The impact of these standards is fully described in the consolidated financial statements for the year 2018 and included in the adjustments as at 31 December 2018. For the purpose of comparing the comparative period, only the impact on the consolidated income statement for the period ended 30 June 2018 is presented here.

Impact of application of IFRS 15 and IFRS 9 in comparable reporting period 1-6/2018:

(CZK million)	1-6/2018 without new IFRS	Impact of IFRS 15	Impact of IFRS 9	1-6/ 2018 with the effect of the new IFRS
Revenues	17,349	1,468	-	18,817
Other operating income	2,453	(1,582)	20	891
Purchased material and consumables	(8,264)	114	-	(8,150)

The Group changed the recognition of the following items in the income statement:

- Sales of other services, Commission for mediation of purchase of diesel and spare parts, Commissions on the sale of fare and other cash transactions, Rental income (not related to customer contracts) reported in Revenues were initially recognized as part of Other operating income in the comparable period (6/2018: CZK 1,468 million). As at 30 June 2019 this amount was CZK 1,736 million.

- Costs of replacement bus service reported in the Purchased consumables and services, were decreased by reimbursement for replacement bus service. Compensation for replacement bus service was initially recognized as part of Other operating income (6/2018: CZK 114 million). As at 30 June 2019 this amount was CZK 238 million.

- Revenue was decreased by the cost of contractual penalties and interest on arrears representing a variable portion of the consideration for a single public service obligation that was initially recognized as part of Other operating expenses during the comparable period (6/2018: CZK 0 million). As at 30 June 2019 this amount was CZK 7 million.

In addition, the Group adopted the new requirements of IFRS 16 (Leases) with a modified retrospective approach effective from 1 January 2019.

IFRS 16 amends the Group's accounting for leases previously classified as operating leases under IAS 17 and recognized in the off-balance sheet. The Group thus changed the recognition of a significant number of lease contracts entered into in the balance sheet.

The requirement of IFRS 16 is to recognize all asset lease contracts as a right of use over a lease obligation that is measured at the present value of future lease payments. The income statement reflects the interest on the lease payable, the write-off of the right of use and the exchange rate difference on the revaluation of liabilities. Until 2018, this lease was recognized as a payment of rent under IAS 17.

Under IFRS 16, the right of use in assets will also include financial leasing, which, until 31 December 2018, was presented under IAS 17 as part of Property, plant and equipment in the amount of CZK 162 million. Only assets purchased as leaseback are reported under Property, plant and equipment.

As at 31 December 2018, the Group recognized a provision for loss contracts of CZK 409 million, which, as of 1 January 2019, is reclassified under IFRS 16 as right of use as an impairment of assets (lease contracts).

The Group will apply the exemption for short-term leases and low value assets and will not apply IFRS 16 to those leases.

The cumulative impact of the changes in the consolidated balance sheet as at 1 January 2019 due to the adoption of IFRS 16 was as follows:

(CZK million)	31 Dec 2018 (recognized)	Impact of amendments to IFRS 16	1 Jan 2019
Non-current assets – Property, plant and equipment	70,509	(162)	70,347
Non-current assets – Right of use	-	3,918	3,918
Provisions	1,458	(409)	1,049
Non-current liabilitites - Loans and borrowings	22,418	3,383	25,801
Current liabilitites - Loans and borrowings	9,051	886	9,937
Equity – Retained earnings	2,183	(104)	2,079

Impact of IFRS 16 in the current period:

(CZK million)	1-6/2019 without IFRS 16	Impact of IFRS 16	1-6/2019 (recognized)
Purchased material and consumables	(8,794)	492	(8,302)
Depreciation and amortisation	(3,189)	(443)	(3,632)
Financial expenses	(703)	(66)	(769)
Financial income	274	7	281

(CZK million)	6/2019 without IFRS 16	Impact of IFRS 16	6/2019 (recognized)
Non-current assets – Property, plant and equipment	70,561	(151)	70,410
Non-current assets – Right of use	-	3,902	3,902
Provisions	1,421	(379)	1,042
Non-current liabilities - Loans and borrowings	34,725	3,367	38,092
Current liabilities - Loans and borrowings	9,758	877	10,635
Equity – Retained earnings	2,550	(114)	2,436

The Group expects a greater extent of disclosure of the impact of IFRS 16 in its consolidated financial statements as at 31 December 2019.

3. Seasonal Character of Activities

In the first half of 2019, compared to same period in 2018, passenger transport volume of the Parent Company grew similarly to revenue from passenger transport. The increase in transport performance is mainly influenced by improving the quality of services and the fleet itself, by tariff measures and by general growth in demand for transport. At the same time, the year-on-year comparison is significantly influenced by the growth in mobility associated with the effectiveness of the new price regulation for selected groups of passengers (passengers 6-18 years, students 18-26 years and passengers 65 years and over) entitled for 75% discount on fare price. The most significant increases in transport performance are recorded in main long-distance lines, which are time-competitive comparing to road transportation, and suburban transportation. In the second half of 2019, we expect to maintain the positive trend.

The revenues of ČD Cargo, a.s. is influenced by various seasonal factors and economic cycles in commodities that are beyond the influence of the railway carrier. In addition to fluctuations in the consumption of coal, these mainly include seasonal sales of grains and other agricultural products that primarily depend on the quantity and quality of the harvest in the prior year and political decisions in the food trade. Other impacts include the consumption of fuel for road vehicles, which follows overall economy development. It is also necessary to note fluctuations in the prices of scrap metal and seasonal changes in the construction industry, which are interconnected with almost all commodities transported by rail. Recently, the impact of the global economy also increases – performance and revenue of the Group are impacted by events happening overseas and abroad. In addition, the impact of force majeure (such as floods, drought) should be noted.

4. Related Party Transactions

The Parent Company is fully owned by the State of Czech Republic. In accordance with the exception stated in IAS 24 Related Party Disclosures, the Group does not disclose quantitative information related to individually insignificant transactions with state-owned companies. Listed below are significant related party transactions that the Group managed to identify: transportation orderers in the public service obligation (Regions and the Ministry of Transport), the state organization SŽDC and ČEZ Group.

(CZK million)

Revenues	Counterparty	30 June 2019	30 June 2018
Income from rental property	SŽDC	10	10
Payment for rail replacement bus service	SŽDC	238	114
Payments from ordering the services – payment from the state budget	State- Ministry of Transport	2,373	2,404
Fare rebate compensation	State- Ministry of Transport	1,088	-
Payments from ordering the services– payment from the regional budgets	regions	4,869	4,784
Revenues from Telecommunication Services	SŽDC	298	311
Subsidized trips	SŽDC	47	48
Revenues from freight transport	ČEZ	173	98
Operation and maintenance of SW	SŽDC	64	33

(CZK million)

Expenses	Counterparty	30 June 2019	30 June 2018
Use of railway route and allocated capacity of the railway - passenger transport	SŽDC	934	920
Use of railway route and allocated capacity of the railway - freight transport	SŽDC	472	490
Consumption of electric traction energy	SŽDC	1,273	736
Consumption of electric traction energy	ČEZ	-	309
Real estate rental	SŽDC	24	25

(CZK million)

Receivables	Counterparty	30 June 2019	31 Dec 2018
Payment for replacement bus service	SŽDC	188	122
Fare rebate compensation	State- Ministry of Transport	431	169
Payments from ordering the services– payment from the regional budgets	regions	862	24
Telecommunication services	SŽDC	250	210
Revenues from freight transport	ČEZ	33	40
Advances provided - electric traction energy	SŽDC	57	-
Operation and maintenance of SW	SŽDC	25	15

(CZK million)

Liabilities	Counterparty	30 June 2019	31 Dec 2018
Use of railway route and allocated capacity of the railway - passenger transport	SŽDC	372	418
Use of railway route and allocated capacity of the railway - freight transport	SŽDC	191	226
Court settlement	SŽDC	58	89
Telecommunication services	SŽDC	39	29
Consumption of electric traction energy	SŽDC	405	141
Consumption of electric traction energy	ČEZ	-	225

5. Income Taxation

The income tax reported in the statement of profit or loss as at 30 June 2019 of CZK (257) million includes the current tax payable of CZK (85) million and deferred tax expense of CZK (171) million and adjustmentssettled in the current year in respect of previous years tax of CZK (1) million.

On the grounds of prudence, the Parent Company does not account for deferred tax assets, which primarily has an impact on the effective tax rate.

6. Segments

Period ended 30 June 2019

(CZK million)	Passenger transport	Freight transport	Asset management	Total of segments	Other	Elimination *)	Total
Revenue							
Revenues from passenger transport	4,926	-	-	4,926	-	(3)	4,923
Revenues from orderers	7,238	-	-	7,238	-	1	7,239
Other	190	6,680	185	7,055	2,529	(1,425)	8,159
	12,354	**6,680**	**185**	**19,219**	**2,529**	**(1,427)**	**20,321**
of which revenues from external customers outside the Group:							
Revenues from passenger transport	4,923	-	-	4,923	-	-	4,923
Revenues from orderers	7,239	-	-	7,239	-	-	7,239
Other	68	6,645	166	6,879	1,280	-	8,159
	12,230	**6,645**	**166**	**19,041**	**1,280**	**-**	**20,321**
Purchased consumables and services							
Traction costs	(1,475)	(690)	-	(2,165)	-	6	(2,159)
Payments for use of the railway route	(910)	(519)	-	(1,429)	-	1	(1,428)
Other purchased consumables and services	(2,579)	(1,728)	(107)	(4,414)	(1,489)	1,188	(4,715)
	(4,964)	**(2,937)**	**(107)**	**(8,008)**	**(1,489)**	**1,195**	**(8,302)**
Personnel costs							
Payroll costs	(3,306)	(1,599)	(73)	(4,978)	(449)	79	(5,348)
Social security and health insurance	(1,095)	(532)	(25)	(1,652)	(149)	26	(1,775)
Other social costs	(152)	(106)	(3)	(261)	(22)	16	(267)
	(4,553)	**(2,237)**	**(101)**	**(6,891)**	**(620)**	**121**	**(7,390)**
Impairment **)	59	76	(1)	134	6	-	140
Other operating income and expenses	(30)	-	81	51	217	(229)	39
Intra Group income and expenses	(13)	-	13	-	-	-	-
Depreciation and amortisation	(2,431)	(985)	(47)	(3,463)	(195)	26	(3,632)
Interest income	28	-	11	39	3	(15)	27
Interest expenses	(478)	(101)	-	(579)	(28)	15	(592)
Tax expense	-	(205)	-	(205)	(49)	(3)	(257)
Other income and expenses	113	(21)	-	92	(5)	-	87
Profit (Loss) for the period from continuing operations	**85**	**270**	**34**	**389**	**369**	**(317)**	**441**
Profit (Loss) for the period from discontinued operations	-	-	-	-	-	-	-
Profit (Loss) for the period	**85**	**270**	**34**	**389**	**369**	**(317)**	**441**

*) The Elimination column includes the elimination of intragroup relations.
**) Impairment includes impairment of property, plant and equipment, investment property, assets and receivables held for trade, write-off of inventories to net realizable value.

Period ended 30 June 2018 ***)

(CZK million)	Passenger transport	Freight transport	Asset management	Total of segments	Other	Elimination *)	Total
Revenue							
Revenues from passenger transport	4,026	-	-	4,026	-	(6)	4,020
Revenues from orderers	7,186	-	-	7,186	-	-	7,186
Other	-	6,168	-	6,168	-	(25)	6,143
	11,212	**6,168**	**-**	**17,380**	**-**	**(31)**	**17,349**
of which revenues from external customers outside the Group:							
Revenues from passenger transport	4,020	-	-	4,020	-	-	4,020
Revenues from orderers	7,186	-	-	7,186	-	-	7,186
Other	-	6,143	-	6,143	-	-	6,143
	11,206	**6,143**	**-**	**17,349**	**-**	**-**	**17,349**
Purchased consumables and services							
Traction costs	(1,220)	(677)	-	(1,897)	-	6	(1,891)
Payments for use of the railway route	(897)	(550)	-	(1,447)	-	-	(1,447)
Other purchased consumables and services	(2,693)	(1,846)	(96)	(4,635)	(1,526)	1,235	(4,926)
	(4,810)	**(3,073)**	**(96)**	**(7,979)**	**(1,526)**	**1,241**	**(8,264)**
Personnel costs							
Payroll costs	(3,049)	(1,508)	(62)	(4,619)	(429)	102	(4,946)
Social security and health insurance	(1,025)	(502)	(21)	(1,548)	(142)	33	(1,657)
Other social costs	(145)	(107)	(2)	(254)	(21)	15	(260)
	(4,219)	**(2,117)**	**(85)**	**(6,421)**	**(592)**	**150**	**(6,863)**
Impairment **)	192	(13)	-	179	-	-	179
Other operating income and expenses	245	175	523	943	2,815	(1,877)	1,881
Intra Group income and expenses	(13)	-	13	-	-	-	-
Depreciation and amortisation	(2,294)	(581)	(42)	(2,917)	(173)	41	(3,049)
Interest income	17	-	9	26	-	(14)	12
Interest expenses	(485)	(72)	-	(557)	(14)	15	(556)
Tax expense	-	(130)	-	(130)	(40)	1	(169)
Other income and expenses	(233)	(7)	-	(240)	(4)	(14)	(258)
Profit (Loss) for the period from continuing operations	**(388)**	**350**	**322**	**284**	**466**	**(488)**	**262**
Profit (Loss) for the period from discontinued operations	-	-	-	-	-	-	-
Profit (Loss) for the period	**(388)**	**350**	**322**	**284**	**466**	**(488)**	**262**

*) The Elimination column includes the elimination of intragroup relations.
**) Impairment includes impairment of property, plant and equipment, investment property, assets and receivables held for trade, write-off of inventories to net realizable value.
***) The Group reported overhead expenses on separate lines for the period ended 30 June 2018. In 2019, these overheads are not presented separately but are presented within the revenue and costs to which they relate. The values as of 30 June 2018 were adjusted according to this method.

7. Property, Plant and Equipment

In the period from 1 January to 30 June 2019 the Group acquired property, plant and equipment in the amount of CZK 3,058 million (as at 31 December 2018: CZK 7,762 million).

The Parent Company's largest additions represent the acquisition of locomotives in the amount of CZK 40 million and the modernization of ÖBB passenger cars for CZK 90 million with bistro cars for CZK 40 million.

The company ČD Cargo, a.s.acquired in the first half of the year 3 locomotives Vectron in the amount of CZK 130 million. Other significant additions at ČD Cargo, a.s. comprise purchase of new freight wagons and traction vehicles and inspection repairs of vehicles.

Property, plant and equipment with the net book value of CZK 111 million were disposed by the Group in the period from 1 January to 30 June 2019 (as at 31 December 2018: CZK 429 million).

The largest impairment loss relates to tilting trains series 680 (Pendolino) and locomotive series 380. As at 30 June 2019, the impairment charge for the 680 series trains amounted up to CZK 457 million (as at 31 December 2018: CZK 471 million) and for the 380 series locomotives amounted up to CZK 554 million as at 30 June 2019 (as at 31 December 2018: CZK 566 million).

The most significant items of advance payments represent the purchase of push-pull trainsets for independent traction in the amount of CZK 239 million.

8. Intangible Assets

In the period from 1 January to 30 June 2019, the Group acquired intangible assets in the amount of CZK 71 million (as at 31 December 2018: CZK 342 million).

The acquisition of intangible assets by the Parent Company consists of expenses for the development of passenger transport systems and SAP licenses.

9. Right of Use

As described in Note 2.1, as a result of the implementation of IFRS 16, finance leases (up to 31 December 2018 recognized under IAS 17 in „Property, plant and equipment") and operating leases (previously reported only within off-balance sheet under IAS 17) are recognized in the new balance sheet item "Right of Use".

10. Inventories

The write-off of inventories to their net realisable value as at 30 June 2019 amounts to CZK 88 million (as at 31 December 2018: CZK 93 million).

11. Cash and Cash Equivalents

(CZK million)	30 June 2019	31 Dec 2018
Cash in hand and cash in transit	151	87
Cash at bank	14,298	3,251
Depository promissory notes	1,100	100
Total	**15,549**	**3,438**

12. Loans and Borrowings

(CZK million)	30 June 2019	31 Dec 2018
Payables from leases	1,588	962
Overdraft account	925	11
Issued bonds	8,106	8,052
Other - received short-term loans and borrowings	16	26
Short-term total	**10,635**	**9,051**
Payables from leases	4,949	1,613
Issued bonds	33,089	20,748
Other - received long-term loans and borrowings	54	57
Long-term total	**38,092**	**22,418**
Total	**48,727**	**31,469**

13. Contractual Obligations

As of the interim consolidated balance sheet date, the Group concluded contracts for the purchase of land, property, plant and equipment in the amount of CZK 20,688 million (31 December 2018: CZK 12,022 million). A significant portion of the obligations represents investments in railway vehicles.

14. Contingent Liabilities and Contingent Assets

In the period from 1 January to 30 June 2019, a bank guarantee was promised for the correct implementation of the „Public Service Contract for the Carriage of Passengers in Public Rail Passenger Transport on Ex2 Prague – Olomouc – (Slovakia) and R18 Prague – Olomouc

– Luhačovice" lines in the amount of CZK 50 million. Its beneficiary is the Czech Republic - Ministry of Transport. Further, bank guarantee for correct execution of „Public Service Contract for the Carriage of Passengers in Public Rail Passenger Transport on Beroun – Rokycany – Plzeň – Klatovy P2 line" in the amount of CZK 50 million. Its beneficiary is Pilsen Region. And a further bank guarantee for the correct execution of „Contracts on Provision of Public Services to Provide Transport Services to the Vysočina Region" in the amount of CZK 42 million. Its beneficiary is the Vysočina Region.

15. Sources of Financing

On 23 May 2019, the Company issued a new, publicly traded, euro bond issue with a nominal value of EUR 500 million. The maturity of the issue is 7 years with a coupon of 1.5% p.a. Of this issue, EUR 300 million was used to cover the 2012 issue, which was due on 23 July 2019. The remaining part will be used mainly for financing investments.

16. Derivative Financial Instruments

During the interim reporting period, the Parent Company entered into cross-currency interest rate swaps to hedge euro bonds issued on 23 May 2019. In total, these swaps, with a fair value of CZK (171) million as at 30 June 2019, secured EUR 425 million of the total issue of EUR 500 million.

Company ČD Cargo, a.s. concluded two new currency par forwards during the interim period. The fair value of these newly concluded transactions as at 30 June 2019 is CZK 13 million. Further, ČD Cargo, a.s. concluded 4 new forwards to hedge the price of diesel, the fair value of which, as at 30 June 2019 is CZK 1 million.

17. Dividends

During the interim period, the Parent Company received a dividend of CZK 2 million from the company Eurofima.

During the interim period, the Company ČD Cargo, a.s. received dividends from RAILLEX, a.s. (CZK 5 million), Ostravská dopravní společnost, a.s. (CZK 10 million) and Ostravská dopravní společnost - Cargo, a.s. (CZK 3 million).

18. Provisions

(CZK million)	Balance as at 31 Dec 2018	Impact of IFRS 16 *)	Balance as at 1 January 2019	Creation	Use	Release of unused parts	Balance as at 30 June 2019
Provision for legal disputes	450	-	450	-	1	-	449
Provision for employee benefits	425	-	425	96	81	-	440
Provision for business risks	5	-	5	-	-	-	5
Provision for restructuring	11	-	11	4	15	-	-
Provision for loss-making transactions	428	409	19	-	-	-	19
Other provision	139	-	139	45	55	-	129
Total provisions	**1,458**	**409**	**1,049**	**145**	**152**	**-**	**1,042**
Long-term	607	350	257				280
Short-term	851	59	792				762

*) The reason for the change in the provision for loss-making transactions is described in Note 2.1.

The Group recognizes a provision for legal disputes according to the anticipated result of all ongoing legal disputes and the relating cash outflows from the Group. The detailed information on provisions created for other legal disputes cannot be disclosed by the Group as it might negatively impact its position.

19. Legal Disputes

Railway freight transportation market
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 volumes of natural resources and raw materialsof approximately CZK 250 million. Based on ČD 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, a.s. favour and returned to the OPC, back to the first instance. In June 2018, the ÚOHS released a new first-instance decision substantially reducing the extent of the sanctioned conduct of ČD and imposed a substantially lower fine of about CZK 15.6 million. The Company ČD filed an appeal against this decision in July 2018. The Chairman of the ÚOHS dismissed the remonstrance and thus upheld the fine of approximately CZK 15.6 million. ČD disagrees with the imposition of a fine and filed an administrative action against the decision, however, since the decision was final and the court would probably not suspend the action due to its amount, the fine was paid within the due date and will be claimed back in case of administrative justice success.

Legal action by LEO Express for compensation of damage
In July 2014, LEO Express filed a legal action for the compensation of damage amounting to approximately CZK 419 million which was allegedly caused to LEO Express by ČD through their pricing policy. The first-instance court rejected the lawsuit of LEO Express. LEO Express partially withdrawed the legal action, against which ČD applied the legal remedy, but the court accepted such partial withdrawal, while LEO Express appealed against the decision of Court of first instance of dismissing the application to the extent of which there was no withdrawal. At the end of December 2016 LEO Express filed a new legal action against ČD for approximate amount of CZK 434 million with appurtenance and for similar reason. The second legal action is mostly overlapped with part of legal action which was withdrawed by LEO Express after failure in first instance in Municipal Court in Prague. In March 2018, the High Court in Prague canceled the decision rejecting the first LEO Express claim for damages and returned the case to the Municipal Court in Prague for further proceedings. Both above-mentioned proceedings (LEO Express claims that, after partial withdrawal, payment of approximately CZK 34 million and the second action for payment of approximately CZK 434 million), are now taking place before the Municipal Court in Prague as a court of first instance.

Legal action of RegioJet for the return of allegedly prohibited public support (the defendants being ČD, SŽDC 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 plus default interest due to allegedly prohibited public support. The assets involving the 'assets required to maintain rails and their operability' ("mrtvá dopravní cesta" in Czech), which were transferred by ČD to SŽDC in 2008 for the consideration of CZK 12 billion, were allegedly overstated by this amount. ČD provided its statement to the legal action indicating that it does not agree with the statements included in the claim and considers it to lack merit. RegioJet subsequently asked the court to include the company StudentAgency as another plaintiff, which was accepted by the court. The Company did not agree with such an amendment in the plaintiff parties and filed an appeal against this course of action. In April 2017, ČD filed an appeal to the Supreme Court against the accession of Student Agency to the proceedings. The Supreme Court appealed against ČD. On 6 February 2019, the Municipal Court in Prague as the first instance court, dismissed RegioJet's action in its entirety. RegioJet appealed against the decision.

RegioJet's Call for the Payment of Compensation for Detriment
RegioJet sent a pre-trial call to ČD, a.s. for the payment of the compensation for the detriment dated 10 April 2015 in which it seeks the payment of approximately CZK 717 million. The alleged detriment was caused by ČD's illegal activities in operating the Prague – Ostrava line, involving the application of dumping prices. ČD refused to pay the detriment. RegioJet filed a claim seeking a payment of the compensation in the amount of approximately CZK 717 million with accrued interest and charges that resulted in legal proceedings. In the course of hearing the case at first instance, the court stayed the proceedings until the European Commission decides in the Falcon case (investigating whether ČD applied dumping prices on the Prague-Ostrava route).

Legal claims of Grandi Stazioni Česká republika, s.r.o. against SŽDC and ČD relating to the transfer of Prague Main Railway Station to SŽDC
Grandi Stazioni Česká republika, s.r.o. ("GS") filed three legal claims against both SŽDC and ČD. GS is seeking a compensation in the amount of CZK 776.5 million, increased by contractual penalty and due interest from SŽDC or ČD, depending on the court's decision as to who will be determined as the owner of Prague Main Railway Station (Praha hlavní nádraží) property (Fantova building and check-in halls). SŽDC and ČD agree that SŽDC is the owner of this property, hence ČD should not be a party within the dispute. ČD declares the same position during the legal proceedings. GS's action was dismissed as to the determination of the ownership of Fanta's building, the applicant of GS lodged an appeal, which was dismissed by the court of second instance. An appeal is currently pending before the Supreme Court. There is an appeal procedure concerning the ownership of the terminal building. In the matter of an action for payment, SŽDC commissioned an expert opinion to assess the substantiation of the amounts requested by GS and, based on the expert opinion, SŽDC paid an amount of CZK 565.7 million. At the end of 2018, the claim for payment was extended by CZK 37 million applied by GS for VAT. The Court of First Instance dismissed GS's claim for payment and GS appealed against the refusal.

Legal claims of Grandi Stazioni Česká republika, s.r.o. against SŽDC and ČD for damages for pre-contractual liability
In August 2017, Grandi Stazioni Czech Republic, s.r.o. (GS) filed the lawsuit to the District Court in Prague 1, in which seeks the payment of CZK 1,255.6 million from Railway Infrastructure Administration (SŽDC) and ČD for the payment of the compensation of pre-contractual liability.

The alleged damage was caused by failure to apply the Amendment No. 5 to the lease agreement regarding the lease and revitalization of Prague - Main Railway Station (Praha hlavní nádraží). The action was dismissed by the Court of First Instance on 13 August 2019. GS will have the right to appeal the judgment.

Proceedings for alleged abuse of a dominant position on the Prague – Ostrava line

In January 2012, the OPC initiated proceedings against ČD, a.s. regarding the alleged abuse of ČD, a.s.'s dominant position on the Prague – Ostrava line in the form of inadequately low (predatory) prices in response to an entry of a new competitor railway transporter. In November 2016 in reference to this case the formal investigation was initiated by the European Commission. The OPC has suspended investigation due to initiation of European Commission investigation. The matter has not been decided yet. ČD has filed a legal action to EU Court against execution of the local European Commission investigation in the seat of ČD. The EU Court partially upheld the application (i.e. it ruled that the local investigation was partially ordered unlawfully) and ČD appealed against the decision.

Proceedings concerning the possible abuse of a dominant position on the routes Pardubice - Liberec and Plzeň - Most

In April 2016 the Office for the Protection of Competition (OPC) initiated administrative proceedings. Alleged violation of competition rules were charged to ČD for the reason that during the tender held in 2005 concerning the railway transport and provision of public services on the routes Pardubice-Liberec and Plzeň-Most for the duration of the 2006/2007 timetable they have presented a price offer which did not cover the costs of service provision on the routes in question. Such an agree upon commitment was to be performed by ČD on the stated routes until the end of the 2013/2014 timetable. OPC imposed a fine of CZK 368 million on 14 December 2017. ČD filed a remonstrance against the decision, which was dismissed by the second instance decision of the OPC and a fine of CZK 275 million was imposed on ČD. The decision is final, the time limit for bringing an administrative action is running.

Audit of subsidies used from the regional operational program for the acquisition of railway vehicles

Since early 2014, the Audit Body of the Czech Ministry of Finance (the „Audit Body") has been conducting a due audit of operation at ČD, in terms of Section 7 (2) and Section 13a of Act No. 320/2001 Coll., on financial Auduting 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 of Audit Body, individual regional councils of issued payment assessments for a total of approximately CZK 549 million. ČD does not agree with the abovementioned corrections and appealed against them to the Ministry of Finance. In June 2018, the Ministry of Finance decided in one case that the levy of CZK 272 million will be reduced to CZK 68 million. ČD subsequently filed an administrative action against this decision, which was granted a suspensory effect and thus ČD was not obliged to pay the payment assessment. In May 2019, ČD received a notice of payment from the Regional Council of the Southwest Cohesion Region, in the amount of CZK 34 million. ČD filed an appeal against this payment and, at the same time, an application for a postponement with payment of the levy to the legal effect of the payment assessment, and this request was also granted. ČD shall not be obliged to pay the levy until the payment assessment comes into effect. In June 2019, ČD received from the Regional Council of the Southwest Cohesion Region a notice of assessment amounting to CZK 5 million; regarding this payment assessment, ČD filed an appeal and, at the same time, an application for a postponement with payment of the levy to the legal effect of the payment assessment, and this request was also granted.

The alleged cartel agreement between ČD, ZSSK and ÖBB on the sale of scrapped railway vehicles

In June 2016, a European Commission ("EC") local investigation was conducted at ČD headquarters for suspicion of a cartel agreement on the mutual sale of railway vehicles. The EC verifies whether ČD, ZSSK and ÖBB concluded a prohibited agreement to restrict the sale of scrapped railway vehicles in order to restrict the entry of new carriers to the market. ČD filed a lawsuit with the EC Court of Justice against the EC's local investigation at ČD's registered office; this action was dismissed; ČD filed an appeal. ČD finds the conduct of the local investigation unjustified, when there is no information that such an agreement was concluded in the past (allegedly 2010/2011). ČD does not recognize that a cartel has been concluded on their part. At present, no official "administrative proceedings" are commenced against ČD in this matter, the case is in the phase of investigating the complaint and gathering information; no formal proceeding was initiated but at the same time the investigation was not concluded.

20. Post-Balance Sheet Events

In July 2019, the Parent Company repaid EUR 300 million of bonds. Funds from the issue of euro bonds dated 23 May 2019 were used for this repayment.

On 17 July 2019, ČD Cargo, a.s. issued bonds with a total value of CZK 1 billion and a maturity of seven years. The interest rate is 2.17% p.a. The funds from this issue will be used by ČD Cargo, a.s. to finance its investment plans for the planned renewal of the fleet of vehicles and locomotives.

21. Approval of the Consolidated Financial Statements

These interim consolidated financial statements were approved on 27 August 2019.

07

Identification and Contact Details

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

Telephone: 972 111 111

Fax: 972 232 498

E-mail: info@cd.cz, info@cdcargo.cz

www.cd.cz, www.ceskedrahy.cz, www.cdcargo.cz, www.cdvuz.cz, www.dpov.cz, www.cdt.cz, www.jlv.cz