2023

Annual Report of the České dráhy Group

Opening Statement

Ladies and Gentlemen,

It is a great honour for me to present the results of České dráhy for the year 2023, which was a period of extraordinary success for our company and a confirmation of the right direction of our strategy. In the years 2020 to 2022, České dráhy was hit hard first by the COVID-19 pandemic and then by the Russian aggression in Ukraine and the ensuing economic developments, including the price levels and the cost of money. The reverberations of these events still affect us today. I am therefore pleased that in the past year, we were able to build on the positive trend we started in 2022 and significantly improve on the previous year's result. In 2023, as the ČD Group, we achieved a profit of CZK 3.8 billion before tax under IFRS Accounting Standards. All companies in the ČD Group contributed positively to this result and the passenger transport segment has also made a profit after a period of three years, which I am particularly pleased about.

Allow me to briefly elaborate on what we achieved in 2023. In passenger transport, we attracted 7.3 million more customers on our trains than in the previous year and carried more than 164 million passengers who travelled more than 8 billion kilometres with us. Thanks to this, we also increased passenger transport revenues by CZK 3 billion year-on-year. The positive development of these indicators is also a result of the continuous improvement of services, investments in the modernisation of the rolling stock and an effective communication strategy that reached out to the general public and convinced them of the benefits and convenience of travelling by train. We also benefited from the calming of energy prices, particularly electricity, which meant that our costs did not rise as much as expected. We were able to take advantage of the money market situation and make good use of the free funds available for future investments. The passenger transport segment thus achieved a profit before tax of CZK 623 million, improving by CZK 751 million year-on-year. This enabled us to pay out extraordinary remuneration to our employees to compensate for the higher inflation in the past period, in recognition of the positive results in passenger transport and, above all, it enabled us to stabilise our employee base in a very difficult labour market situation, where there is a shortage of train drivers and candidates for technical professions in general. Looking forward to the next few years, we succeeded in convincing a number of customers in direct contracts and tenders that we are the right partner for future cooperation, offering high quality services at the right price. In long-distance transport, we concluded new contracts that allow us to expand our services and improve the quality of the connections we offer. In regional transport, we signed a contract for the Ostrava operating set, and we were also successful in the Pilsen Region and the Karlovy Vary Region. The development in the regions, as well as at the national level, confirms our ability to successfully compete on the market and maintain our important role in rail passenger transport.

The second most important segment of our business was also profitable last year. The freight transport sector generated a profit before tax of CZK 733 million, despite the fact that the rail freight market was struggling with a decline in transport volumes. This trend was caused by the economic recession in industry, which was evident in all markets of the European Union and had a clear impact especially on metallurgy, the automotive industry and chemical production. Overall, more than 59.4 tonnes of goods were transported, down by 4.8 tonnes year-on-year. Despite this, thanks to a well-adjusted business policy, the ČD Cargo Group managed to increase its profit before tax by CZK 423 million year-on-year. This was also thanks to the continued expansion into foreign markets, which contributed 12.4 million tonnes of goods to the total transport performance.

With regard to the asset management segment, it is worth highlighting the unblocking and completion of the historic project for the sale of land in Smíchov, where we managed to negotiate better conditions for České dráhy and to finalise the sale.

As I mentioned above, our success is also based on the modernisation of the often outdated fleet. In 2023, more than 50 new or modernised vehicles were acquired in the passenger transport segment and 5 traction vehicles (including modernisations) and 112 freight wagons in the freight transport segment. Although part of the capital expenditure was financed from external sources and there was a slight increase in debt, the debt to EBITDA ratio fell significantly. This is proof of our Group's sound financial policy. And if we have been renewing our trains in an evolutionary way in recent years, i.e. gradually and slowly, 2024 will literally be a revolution. We will take over a total of 108 RegioPanter and RegioFox regional trains from our suppliers. For the first time in several years, we are also going to see a new development in long-distance transport. In 2024, we will deploy the first eight ComfortJet units. Although they will initially be in a temporary formation without restaurant and control cars, they will be a great asset for long-distance transport and will certainly help us improve the quality of formation and service guarantee on all our long-distance routes. A further 22 Siemens Vectron locomotives from the leasing company RSL will also enter long-distance transport. The new trains are an opportunity to strengthen our position in the domestic and interstate transport market. The investment in new trains will also enable us to increase the capacity on our busiest lines and respond to the growing demand for rail transport. This decision has been made with careful consideration of our options, while maintaining a healthy level of debt.

The year 2023 represented a confirmation and further improvement of the positive trends started in 2022, but it should also be acknowledged that some one-off effects, such as the sale of surplus assets, will not be repeated. We must therefore not rest on our laurels and must continue the transformation of the Group and its adjustment to a liberalised market. We need to focus on developing and strengthening our competitive advantages, innovating while improving the efficiency of all related processes, which is what we plan to do in the coming years, while respecting all aspects of sustainability, not only for the environment, our employees, customers and business partners. I am convinced that these steps will not only help us to consolidate our leading position in the market, but also to provide even better services and products.

Thank you for your support and I look forward to what the coming years will bring.

Michal Krapinec
Chairman of the Board of Directors
of České dráhy, a.s.


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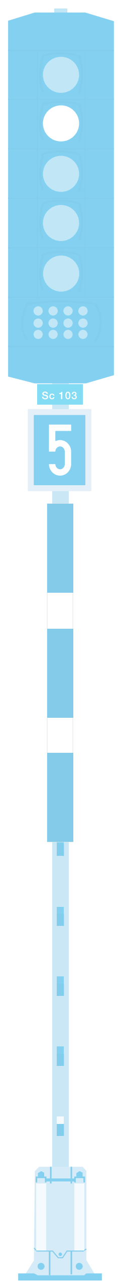
Table of Contents

Board of Directors	06
Rolling Stock Renewal	08
Modern Technologies and Digitalisation	14
Operational Facilities	16
Services of České dráhy	18
New Technologies	20
ČD Nostalgia	21
ČD Cargo	22
Human Resources	24
Communication	26
Sustainable Development and ESG	28
Key Indicators for the ČD Group	29
Equity Investments of the ČD Group	30
Corporate Governance	33
Report on the Activities of the Supervisory Board of České dráhy, a.s. for the Year 2023	38
Corporate Social Responsibility	39
Report of the Board of Directors on the Business Activities of the ČD Group and the Balance of its Assets	41
Independent Auditor's Report	67
Consolidated Financial Statements for the Year 2023	74
Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023	80
Separate Financial Statements for the Year 2023	175
Notes to the Separate Financial Statements for the Year Ended 31 December 2023	181
Consolidated Disclosure under Article 8 of the Regulation (EU) of the European Parliament and of the Council on the Establishment of a Framework to Facilitate Sustainable Investment (Taxonomy Regulation)	259
Provision of Information under Act No. 106/1999 Coll., on Free Access to Information for 2023	270
Information on Persons Responsible for the Annual Report of the ČD Group	272
Report on Relations	273
List of Used Abbreviations	280

Board of Directors



Michal Krapinec

Chairman of the Board of Directors

As a graduate of the Faculty of Law of Charles University in Prague, majoring in law and legal science, he started his professional career in advocacy, and has been working for the ČD Group since 2012. While at ČD Cargo, Mr. Krapinec served as secretary general of the company's management and subsequently took over the division for management and administration of equity investments, where he was responsible for international expansion. Later, Mr. Krapinec became a member of the Board of Directors of ČD Logistics and a member of the Supervisory Board of ČD – Informační systémy. Subsequently, he managed the Strategy and Equity Investment Management Department and the Project Office Department at ČD. In June 2020, Mr. Krapinec was elected a member of the Board of Directors of ČD – Telematika, and in September of the same year, he became chairman of the Board of Directors of ČD – Telematika. In April 2022, Mr. Krapinec was elected to head the parent company, České dráhy, a.s., as chairman of the Board of Directors and CEO.

Michal Kraus

Vice-Chairman of the Board of Directors

He has a background in teaching, law and economics. In the early 1990's, Mr. Kraus worked at Czech Radio. After 1993, he joined Škoda in Pilsen, where he worked, among other things, as head of the office of the CEO and as HR director. In 2000, when the company operated on the market as Škoda Holding, Mr. Kraus became a member of the Board of Directors. In 2002, he joined Czech Airlines as vice president of human resources. From February 2004 to June 2019, Mr. Kraus was the CEO of Plzeňské městské dopravní podniky (PMDP). Since 2015, he has also been the head of the Association of Transport Enterprises of the Czech Republic, and since 2014, he has held the position of chairman of the Board of Directors of PMDP. Mr. Kraus has worked in the Company's Board of Directors and as deputy CEO since 14 October 2019. Since July 2021, he has been responsible for the Maintenance division.

Jiří Ješeta

Member of the Board of Directors

After graduating from the Industrial Secondary School of Transport in Strakonice, he started working for ČD as a dispatcher in 1994 and continued his studies in the field of transport technology and management at the Jan Perner Faculty of Transport at the University of Pardubice. In 2001, Mr. Ješeta joined the Controlling Department of the Directorate General of ČD. He has held several managerial positions at the Directorate General of ČD, including director of the Office of the Deputy CEO for sales and marketing, director of the Passenger Transport Business Department and director of the Regional Transport Department. Mr. Ješeta was elected deputy CEO for business and a member of the Board of Directors in May 2020. He has been responsible for the Passenger Transport Division since 1 July 2021.

Blanka Havelková

Member of the Board of Directors

Before graduating from the Faculty of Arts, Charles University in Prague, majoring in pedagogy with a specialisation in social pedagogy, personal and social development and pedagogical-psychological counselling, she worked for the Pedagogical Research Institute in Prague, where she was responsible for European social funds and the personal social development of children in school. In 2008, Ms. Havelková joined the Department of Human Resources at ČD, where she focused on employee training and later worked as head of education in the above department. In 2016, Ms. Havelková became the chairwoman of the Board of Directors of Dopravní vzdělávací institut (DVI), a subsidiary of ČD. At DVI, she focused on developing and expanding their portfolio of services, including projects supporting the care of the ČD Group employees and their children. In 2020, for example, this led to the creation of the Company's Owl Children's Group. In February 2022, Ms. Havelková was elected to the Board of Directors of ČD as deputy CEO for Human Resources.

Lukáš Svoboda

Member of the Board of Directors

As a graduate of the Faculty of Management at the University of Economics in Prague and the Faculty of Law at Palacký University in Olomouc he worked in the Audit Department of PricewaterhouseCoopers, then in the Mergers and Acquisitions Department of PWC. From 2013 to 2014, Mr. Svoboda worked as financial manager for Informační linky. From 2014 to 2018, he was director of controlling, and later director of finance at Česká pošta. From 2014 to 2020, Mr. Svoboda was a member of the Board of Directors of Poštovní tiskárna cenin in Prague. Starting in 2019, he worked for ČD – Telematika, a subsidiary of ČD, where he was also responsible for procurement, logistics and asset management from the position of Chief Financial Officer. In April 2022, Mr. Svoboda was elected to the Board of Directors of ČD as deputy CEO for Economics and Procurement.

Rolling Stock Renewal

Numbers of selected vehicles acquired in 2023

12× Vectron

23× RegioPanter

25× RegioShuttle

14× EffiShunter 1000

Throughout the year, additional new RegioPanter EMUs and Siemens Vectron locomotives were put into operation and the modernisation of the 743.2 class diesel locomotives was completed. In other contracts, significant milestones were achieved for putting new vehicles into operation. Unfortunately, certain suppliers have faced delays in meeting the deadlines for various reasons, e.g. approval of new types of vehicles. Examples include the 847 class RegioFox DMUs from Polish company PESA Bydgoszcz.

Additional RegioShuttle RS1 diesel railcars were purchased in Germany, nowadays they are the sole possibility for replacing the smallest diesel railcars on less busy regional lines. Putting new trains into operation made it possible to decrease turnaround of rather old vehicles in regional transport. In 2023, a larger number of the 242 and 163 class electric locomotives and more than one hundred of large space passenger carriages of several types for regional transport were removed from day-to-day operations. At the end of the year, the turnaround of the 810 class diesel railcars decreased to less than 70 cars. Their regular operations were entirely discontinued, for example, in the Hradec Králové region and the Zlín region. Changes in the rolling stock made it possible to physically dispose of metal scrap of more than one hundred of rather old, discarded vehicles of various types.

ComfortJet

ComfortJet

In modern ComfortJet non-traction units manufactured by the Siemens Mobility – ŠKODA TRANSPORTATION consortium, the Group achieved significant points necessary for putting the first units into testing operation with passengers in 2024. Manufacturing of individual cars was initiated, and several testing trainsets were put together. Test necessary for the approval of the new vehicles took place in the Velim VUZ testing circuit, on Austrian railways and in a special Rail Tec Arsenal climatic chamber in Vienna. The ComfortJet units will offer 99 seats in 1st class, 456 seats in 2nd class, 18 seats in a restaurant car and 12 spaces for bicycles. There will be spaces for passengers with reduced mobility and for passengers travelling with children. The units will have a maximum speed of 230 km/hour and will be approved for operation in the Czech Republic, Slovakia, Poland, Hungary, Austria, Germany and Denmark.

RegioFox

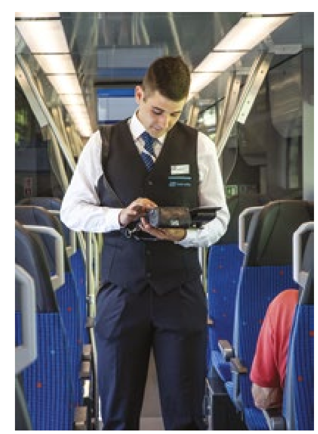
In its original plans, PESA Bydgoszcz was to start the supply of the 847 class RegioFox DMUs in 2023. Unfortunately, this plan was not met; however, at least testing operations were started on the Rakovník – Beroun and Beroun – Rudná u Prahy – Prague route in August. The start of testing operations is a significant step for obtaining a type-approval of the RegioFox DMUs which is a necessary condition for a receipt of the trains by ČD. Up to five units were put into operation in the Central Bohemian region. In 2023, another 30 trains were ordered under the framework agreement for up to 160 trains. Currently, České dráhy has ordered a total of 106 RegioFox units. The 847 class DMUs have the maximum speed of 120 km/hour, output of 750 kW and are equipped with modern safety and communication technology such as the European Train Control System (ETCS) and the GSM-R radio communication. They are barrier free and offer 115 seats to their passengers. They are fitted with state-of-the-art low-emission Rolls-Royce engines, meeting the strictest Stage V emission limits, and are adjusted to use modern HVO synthetic fuels.

RegioPanter

Supplies of the two-car type 650.2 class RegioPanter EMUs continued under the contract for the manufacturing of 50 pieces and the supplies of the three-car type 640.2 class EMUs were initiated under the framework agreement for 60 cars. New RegioPanter trains were put into operation in Vysočina on routes from Havlíčkův Brod to Jihlava, Žďár nad Sázavou and to Kolín in the Central Bohemian region, on routes between Ostrava and Opava or from Ostrava to Hranice na Moravě in the Moravian-Silesian region and mostly in the Olomouc region on the Šumperk – Uničov – Olomouc – Přerov – Nezamyslice – Vyškov na Moravě and Kouty nad Desnou – Zábřeh na Moravě – Olomouc – Prostějov – Nezamyslice routes. The RegioPanter EMUs are modern barrier-free trains equipped with air-conditioning, onboard Wi-Fi network, offering a possibility to charge travel electronics from 230 V 50 Hz AC and USB contacts and, in its most recent version, the charging of electric wheelchairs and e-bikes. The trains have a large area for placing wheelchairs, strollers, bicycles and other bulky luggage. RegioPanter units are fitted with state-of-the-art safety and communication technology such as the ETCS system and GSM-R radio communication.

EMU 160 – two-car unit 650.2
EMU 240 – three-car unit 640.2
BEMU 160 – two-car battery unit

RegioPanter



RegioSpider

In 2023, České dráhy purchased another 25 four-axle RegioShuttle RS1 diesel railcars. Part of the previously purchased vehicles were modernised in this year and the first of the improved RegioSpider units was put into operation on the Ústí and Labem region to the Lovosice – Teplice v Čechách and Postoloprty – Litoměřice – Česká Lípa route in April. After the modernisation, the passengers can use onboard Wi-Fi, 230 V sockets, USB connectors for charging of travel electronics. As the railway vehicle manufacturers throughout Europe currently do not have small barrier-free carriages with the capacity of approximately 50 to 70 seats in their offer, purchasing second-hand vehicles is the most beneficial way of providing for train renewal on the least busy railway routes.

743.2 Class Diesel Locomotives

České dráhy ordered a comprehensive modernisation of 14 diesel-electric 742 class locomotives manufactured between 1977 and 1986 in ČKD Lokomotivka from CZ LOKO. During the second half of 2023, all modernised locomotives were delivered for use. The locomotives were modernised to the EffiShunter 1000 type which involved using the original chassis and the principal frame of the vehicle and adjusting them in the modernisation process. Subsequently, locomotives are fitted with a new cabin, new driving set and new pneumatic and electrical equipment distribution system. Compared to the original construction, the modernised version is fitted with lower bonnets which improved the view from the position of the train driver and increased safety of employees and operations. After the modernisation, the locomotives have an output of 1,000 kW, maximum speed of 100km/hour and are fitted with the ETCS and GSM-R systems. They are used for example to cover operations in voltage cut-outs, to provide for the transport of vehicles in accidents (train in accident) or shunting in railway junctions, or other required services in independent traction.

RegioPanter

Modern Vehicles for Regional Transport Acquired in Prior Years

RegioShark

Modern Technologies and Digitalisation

4,026×
trains with Wi-Fi connection

more than 50 %
tickets purchased online

103×
second generation locomotives with installed ETCS

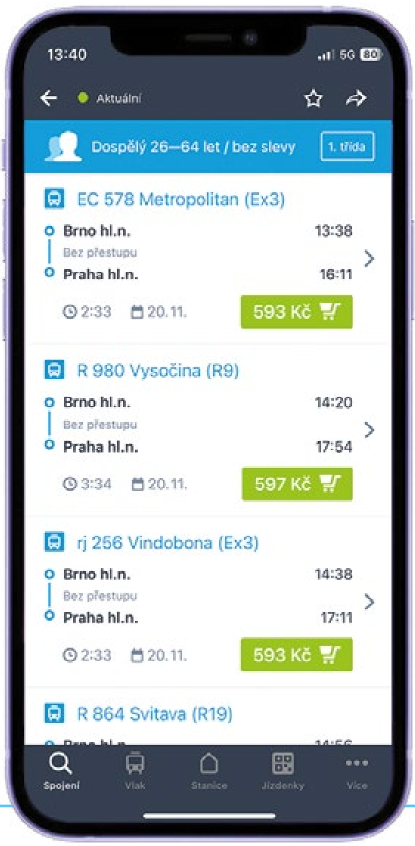
In 2023, České dráhy continued its active preparation for the start of exclusive operations under supervision of the European Train Control System (ETCS) in selected corridors starting from 1 January 2025. In addition, it improved and expanded the offer of services in the digital environment, primarily in the Můj vlak (My Train) application. On a continuous basis, it expands the offer of the onboard Wi-Fi network connection on České dráhy trains, thanks to both new trains, modernisation and installation of Wi-Fi technology on the carrier´s existing vehicles.

Added 900 Trains Equipped with Wi-Fi

Wi-Fi internet connection is one of the most frequently requested services from transport customers and from passengers. High-quality connection and the possibility to use the travel time to deal with emails is a great advantage of trains over travelling by car. For this reason, České dráhy pays great attention to adding a good quality Wi-Fi network to the trains. All long-distance vehicles and a large part of regional trains are equipped with installed routers containing SIM of two operators for the best availability of Wi-Fi. In 2023, a new generation of routers using 5G technology were tested; these will be installed in the new ComfortJet units. The offer of onboard Wi-Fi was expanded by 900 trains to a total of 4,026 trains, of which 489 are long-distance, during the year.

Successful Můj vlak (My Train) Application

In March 2023, the Můj vlak app was awarded at the world competition of the Transport Ticketing Global conference in London. The expert international jury assessed the app by České dráhy as the best in the Digital Champion category. This category is reserved for companies responsible for developing or operating a digital service that simplifies access to transport and fares for all passengers and has changed the way customers may receive travel information, plan their journey from start to finish and use flexible payment methods. Throughout the year, other new functionalities in the digital environment were introduced, e.g. automatic sending of information in relation to the planned journey, system of automatic seat changes in the event of exceptional train composition or modified graphic train plans , which make it easier to select available, unreserved seats.



Completed Installation of the ETCS in the 162 and 362 Class Locomotives

The introduction of the European Train Control System (ETCS) is the largest investment in increasing the safety of the railway transport in the territory of the Czech Republic. In 2023, the installation of the mobile part of the equipment, called retrofit, in other vehicles of České dráhy continued. In December, ČD – Telematika with its partners AŽD Praha, ŠKODA PARS, ČMŽO - elektronika and ALSTOM Belgium handed over the last of the 103 second-generation 162 WTB, 362 WTB and 362 class ŠKODA locomotives which were retrofitted with the ETCS. This is the largest contract for the ETCS installation in the operated locomotives in the amount of almost CZK 1.4 billion.

During the year, other series of ČD vehicles, e.g. Regio and InterPanter class 650, 640, 660 and 661, RegioShark class 844, RegioSpider class 841, class 750.7 diesel locomotives and 961 and 954.2 class control vehicles, 842 class DMUs, CityElefant 471 class and Pendolino 680 class EMUs were brought for retrofitting.

Since the beginning of the year, České dráhy, as the first passenger carrier in the Czech Republic, has been providing sole operations under the supervision of the ETCS on the Olomouc to Uničov route. As such, the Company takes a significant part in the testing of the entire system and its preparation for standard operations on other routes.

For a smooth and seamless transition to a new, higher standard in railway transport safety in the form of the ETCS system, it is also necessary to provide adequate training for train drivers. As part of starting the testing operations on other routes in the Czech Republic and together with the introduction of the Switch-On mode on the ETCS fitted vehicles, the areas in which the employees of České dráhy are trained are being expanded. In January 2023, the training of employees in the west of the Czech Republic started and testing operations were initiated under the supervision of the ETCS on the Beroun – Pilsen – Cheb route.

Operating Facilities

New Train Washing Station in Havlíčkův Brod

In spring 2023, a new train washing station in Havlíčkův Brod was put into operation. The selected technology minimises the impact on the environment and treats the paintwork in a gentle way. The train washing station saves water to the fullestpossible extent as it uses up to 80% of recycled water. As such, its construction significantly contributed to an improvement of environmental aspects of vehicle maintenance in the region. The train washing station allows year-round operations with an increase in daily washing capacity which also reflects the needs determined by contractual obligations. The capacity of the train washing station is 25 vehicles in 24 hours. The hall of the new washing station is 67 metres long and more than 8.5 meters wide. Together with the washer, a technological structure measuring 15.7 x 5.6 metres was constructed.

Modernisation of the Prague South Maintenance Centre

Replacing worn and torn rails, rail switches, traction lines and other equipment at the end of its lifespan is the objective of gradual renewal of the trackway by the Prague South Maintenance Centre located in Prague – Michle. Its aim is to ensure long-term reliability of operation in the largest centre of maintenance of train sets in the Czech Republic. The renovation is part of an extensive modernisation of the entire compound in which long-distance and regional trains are maintained. In 2023, the renovation of the trackway and rail switches in the medium and departure group and the first stage of the renovation in the entry part of the trackway were initiated. In the renewal process, the total of 36 new rail switches and more than 1,500 metres of rails were installed. For the renewal, the S49 type railway superstructure was used in its current modern version with a flexible fixing of rails and concrete sleepers under rail switches. This is a long-lasting superstructure, providing long-term reliability and operational safety. Renovations additionally involve the replacement of lighting with modern and energy saving LED lights, outdoor security equipment features, cables and traction lines. The renovation will be completed in 2024, with the second stage of the entrance group renewal. Further investments will be made in the following years, such as the installation of double tracks from the maintenance centre to the Prague – Vršovice station, renovation of the train washing station, the comprehensive modernisation of safety and security equipment, the construction of a traction converter substation, the construction of new sanitary tracks, and mainly the construction of a new four-track hall for the maintenance of the ComfortJet units.

Together for Clean Trains

České dráhy, in cooperation with the Central Bohemian region and the Capital City of Prague, initiated a campaign called "Za čisté vlaky" (For Clean Trains) in 2023. In addition to the marketing part, aimed at informing and involving the public, the principal activity focuses on precautionary measures. Its objective is to reduce the number of vandalism cases (in the form of graffiti) and improve the cleanliness of trains. It is a long-term project involving an increase in security of the stabling and turning points for CityElefant units, increased safety of the stabling yard in Prague – South with a new fence and CCTV system, installation of anti-graffiti film and varnish in the colours of Prague Integrated Transport on up to 40 CityElefant units and a protective anti-graffiti sprayed coating on up to another 30 trains or additional equipping of suburban trains with an internal and external CCTV system.

Services of České dráhy

2,754×
trains fitted with 230 V sockets

6,692×
barrier free trains of ČD

171×
trains with the ČD Minibar service

With modern services, onboard Wi-Fi, 230 V electrical sockets and USB ports for charging travel electronics, or folding and tables, the train can be transformed into a small mobile office. A number of trains additionally offer a mobile restaurant, a café, and night trains offer a small mobile hotel room. There are other important services, such as accessibility of trains to passengers with reduced mobility, services for passengers travelling with children (spaces for strollers, baby changing tables, or children's cinemas), or spaces for the transport of bicycles.

Wider Options for Charging Electrical Devices

Current rail travel is unimaginable without the possibility of making phone calls or working on a laptop. In order to make it possible to use travel digital technology on long-distance routes, increasing numbers of long-distance and regional trains are being fitted with 230 V 50 Hz sockets and USB ports. State-of-the-art trains are also equipped with wireless mobile phone chargers, and regional and long-distance trains are fitted with sufficiently powerful sockets for charging electric wheelchairs and e-bikes. These facilities expand the mobility of passengers with reduced mobility. Throughout the year, the number of trains labelled with the symbol of this service increased by approximately 550 trains to the total number of 2,754.

Record Number of Transported People with Disabilities

In 2023, České dráhy provided assistance to a record number of people with reduced mobility. Through an booking system of the largest railway carrier; 8,584 transports were made last year. Additional thousands of people with disabilities travelled in barrier free trains without assistance of the carrier. However, these passengers are not recorded separately.

In 2023, new barrier free trains were put into operation. It allowed to expand the offer of barrier free trains of České dráhy by approximately 550 trains to the total of 6,692 trains as of the change in the timetable in December. In the entire offer of trains of the national carrier, it means that approximately three out of four trains are barrier free.

Thanks to special labelling of modern low-floor vehicles, travelling has become even easier for people with reduced mobility starting from December. The standard "wheelchair user" sign in the description of the train in the timetable newly means the use of a low-floor vehicle or a vehicle with a lifting platform, for which it is not necessary to book transport.. For these trains, booking transport is only recommended. For other groups of passengers, this sign provides information that a low-floor vehicle is coming; it will also be easier to get on the train for the elderly people or passengers with strollers and bicycles.

Catering

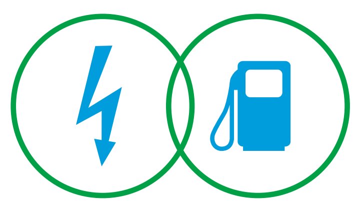
Primarily cross-border trains include restaurant and buffet cars of České dráhy in which services are provided by JLV. The offer of the restaurant car includes hot and cold drinks, small snacks, hot meals, and complete menus. The restaurant cars will be part of modern ComfortJet units.

Primarily in intrastate trains, the offer of catering in the form of the ČD Minibar was available in 171 trains at the end of 2023. The service was used by 1.2 million passengers. They ordered:

New Technologies

Testing of a Dual Locomotive

České dráhy is a passenger transport leader in introducing new technologies, services and reducing greenhouse gas emissions. In this context, it tested a Siemens Vectron Dual Mode locomotive in the south of Moravia in June. The modern locomotive is intended for operations on electrified railway tracks in the 25 kV 50 Hz and 15 kV 16.7 Hz systems and on non-electrified railway tracks. In the future, such a solution may be optimal for use in the trains that operate on routes consisting of both electrified and non-electrified railway tracks.



ČD Nostalgia

In 2023, České dráhy continued to support the preservation of technical heritage through its Centrum historických vozidel (CHV – Centre of Historic Vehicles) organisational unit. Regional business centres in cooperation with CHV prepared dozens of nostalgia rides throughout the entire Czech Republic which are traditionally of great public interest. Regular events include, for example, Párou Prahou or Párou Posázavím, historical trains to Lednice, Rožnovské parní léto, Léto na Bechyňce, or Šumavské léto s párou.

ČD Railway Museum in Lužná u Rakovníka

To increase the attractiveness and visit rate in the railway museum, an attractive programme with various areas of focus was prepared in the 2023 season. In addition to traditional events such as the meeting of certain types of locomotives, the visitors were also attracted by non-traditional events. Examples include a meeting of strongmen, i.e. men of great strength who were pushing entire locomotives by human power. Events traditionally sought after by tourists included Parní víkend, Modelvíkend and Setkání Bardotek (meeting of Bardot locomotives), i.e. legendary motor locomotives from collections of various owners.

Other investments provide for an increased attractiveness of the museum for the visitors and improvement in the conditions of the national technical heritage. In the first place, it involves the expansion of the light rail circuit carried out after the end of the season, or the replacement of machinery equipment in the woodworking and lathe workshops which will allow to make more difficult activities in renewal of historical vehicles.

In 2023, CHV focused on repairs of historical vehicles, primarily restoring them to operational state. During the year, the 313.432 locomotive, nicknamed Matylda, from První českomoravská továrna na stroje in Prague-Libeň where it was manufactured almost 120 years ago, specifically in 1904, was repaired. At the same time, the 464.008 locomotive manufactured in ČKD in Prague in 1935 was repaired. Higher levels of maintenance were provided additionally for several museum 720/721 and 749/751 class diesel locomotives and repairs of various passenger cars and wagons.

ČD NOSTALGIE

ČD Cargo

approx. **60 mil.** tonnes
of transported
goods per calendar year

784×
traction vehicles

19,627×
various series
freight wagons

ČD Cargo is not only the largest Czech railway carrier but also one of the most significant players on the European railway market with its transport volume of approximately 60 million tonnes. It provides for both the transport of bulk cargo and products with high added value, including intermodal transports. It also reliably transports special loads, consignments of dangerous and humanitarian goods or military hardware. As the only carrier in the Czech Republic, ČD Cargo offers transport of goods in the form of complete train load as well as individual wagon load, which is a suitable and environmentally friendly alternative to road freight transport.

Freight Transport in 2023

The year 2023 was full of global changes that impacted the activities of ČD Cargo to a great extent. Among the most significant factors, we have to mention the continuing war in Ukraine and armed conflict in Israel and attacks of militant Houthi posing a threat to ships sailing through the Suez Canal. Other factors included continuing industrial recession, decline in construction production, high energy prices and inflation.

On the local market, the performance of ČD Cargo slightly decreased; on the contrary, the positive aspects include the growing performance and volumes of transported goods abroad by our branches and subsidiaries. For example, CD Cargo Poland set a record in the volume of transported goods of 5 million tonnes in 2023. As carriers, we already operate in seven European countries, and are preparing further expansion in territorial coverage.

Rolling Stock

To provide for the operations of freight trains, ČD Cargo recorded 784 traction vehicles and a total of 19,627 wagons of various classes. In 2023, ČD Cargo's rolling stock was expanded by two modern 393 class interoperable locomotives with an auxiliary diesel engine, another three modernised 742.71 class locomotives and 112 Zacns tank wagons. In 2023, the company made an additional implementation of the ETCS (retrofitting) into the 130, 240, 363.5, 742.7 and 753.7 class locomotives. The project of the 240, 363.5 and 742.71 class locomotives is co-financed by the Connecting Europe Facility (CEF). For the implementation of the ETCS into the 130 and 753.7 class locomotives, ČD Cargo uses the financial support from the Transport Operational Programme.

Human Resources

Employees newly hired in 2023

Women/Men

333 vs. 746

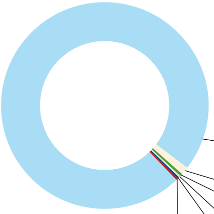
Age

444 under 30 years

484 30–50 years

151 over 50 years

Nationality



1,058× Czech

15× Slovak

3× Ukrainian

1× Macedonian

1× Polish

1× British

Despite low unemployment, the Group managed to increase the number of newly hired employees in 2023 compared to the prior year. New hires increased by 145 employees, which is a total increase of 15%.

The most significant increase related to the position of train driver (65 more employees, a total of 234 employees), railway vehicle mechanic (33 more employees, a total of 87 employees), shunter (24 more employees, a total of 55 employees) and electro-mechanic (23 more employees, a total of 60 employees). With a comparable number of employee departures (approximately 1,200 employees), the natural decrease in the train driver position was reduced, and in other above-stated positions more employees were hired than left. The share of new hires in the total number of job applicants increased from approximately 10% to over 13% in 2023.

Hiring of New Employees

- A total of 862 open advertisements were posted to which 12,279 applicants replied. Of which 41.48% responded to an advertisement on the career site of ČD, 25.47% to an advertisement on the Práce.cz job portal and 9.55% on the Jobs.cz portal.
- Four leaflet and advertising campaigns took place focusing on train driver and train conductor positions.
- From September to November, the Company organised a marketing campaign entitled Vlak pracovních příležitostí (Train of Job Opportunities). During 20 train rides, recruiters addressed people seeking a job in ČD and made recruitment interviews directly in selected trains. The event saw a positive response from passengers, 33 job applicants took part in the recruitment.
- In the last quarter of 2023, the Company ran an online banner campaign on social networks and in the Google.com and Seznam.cz search engines. The campaign focused on persons under 45 interested in the railway and targeted the hiring of train drivers. The campaign attracted 106 unique job applicants, mostly from Prague, Brno and Hradec Králové. The most effective source was the search in Google.com (81 job applicants).
- In 2023, the Company organised four joint recruitment events together with the Labour Offices in Prague and Nymburk; through recruitment posters, hiring in ČD was supported by the Regional Labour Offices for the South Moravia and Moravian-Silesian regions.
- New staff was recruited in six regional railway days, National Railway Day in Bohumín and Rail Business Days in Ostrava.

Support of Students and Vocational Schools

- 448 professional experience and training sessions were held primarily for students focusing on operations and economics of transport, electrician, mechanic-electrotechnician, tool maker and other fields of study.
- Throughout the year, ČD took part in recruitment events, career days, and open house days in schools. In total, ČD held its active presentations at 40 events. Of which:
  - 24 career days and company days,
  - 16 open house days.
- 24 field trips in ČD operations for more than 350 students.
- 83 students taking part in the ČéDés fellowship of which 45 students newly started. Eleven graduates of the fellowship programme started to work in ČD, mostly as train drivers and train conductors.
- Following a retraining course, the mechanic repairman field of study was prepared with the Academy of Crafts Prague – Technical Secondary School which will be offered to those who are interested starting from September 2024. České dráhy poses as a social partner and professional guarantor of practical training which will be held in workshops of regional OCÚ Střed regional maintenance centre.
- In cooperation with the Prague Crafts Academy, the Company created and organised a retraining course titled Railway vehicles mechanic. In 2023, this course was attended by 12 participants, of which eight were ČD employees.
- Throughout the year, graduates of railway-related fields of study at high schools across the Czech Republic were electronically sent a current offer of positions in České dráhy, which was also presented to students through school communication channels.

Communication

121 thousand
followers
on Facebook

262×
press releases
for media

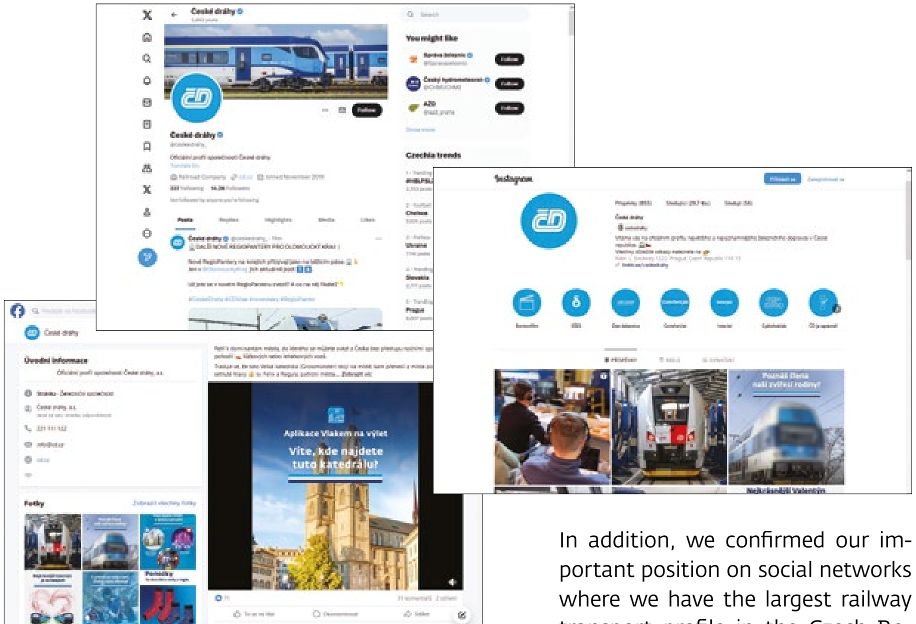
CZK 441.4 million
sales in online environment
using search and content
campaigns

CZECH TOP 100

The ČD pro vás magazine ranked second in the Company Magazines for Customers category

The year 2023 saw all communication objectives fulfilled. Through an ongoing optimisation of the communication plan and media mix, we met the obligation of an effective use of funds spent on product and brand communication.

In the online environment, using search and content campaigns, the Company managed to generate record sales of CZK 441.4 million with a year-on-year increase of 28%. In terms of quality of creativity, the International Travelling campaign with the topic of bodybuilding was extremely successful. It ranked first in the Reklamní katovna of the Mediář.cz professional marketing website and ranked second among ten top rated campaigns of 2023. For the fifth time, Ivan Trojan ranked first as the best actor in commercials.



Other successes also testify to the correct communication set-up and its significant impact on the public´s relationship to the Company: defending the “Most Trusted Brand” award among transport service providers in an independent survey by ACNielsen or the high attendance of the Railway Day 2023 held in Bohumín. This popular event was attended by 7.5 thousand paying visitors.

In addition, we confirmed our important position on social networks where we have the largest railway transport profile in the Czech Republic. Facebook reached the level of 121 thousand followers, Instagram already has 29.6 thousand followers and the fastest growing social network of České dráhy is X with 14.1 thousand followers. Next year, we will work primarily on reaching the young target group through the involvement of influencers.

In addition, the communication division continued publishing regular printed magazines for the public. The ČD pro vás monthly focuses on all groups of passengers and brings, among other things, suggestions for trips, information on new products and business offers, and entertainment. Last year, it ranked second on the CZECH TOP 100 scorecard in the Company Magazines for Customers category.

Furthermore, the national carrier publishes the traditional industry monthly “Železničář” which focuses on topics directly relating to railways in the Czech Republic and abroad. Its content appeals to the professional public and railway fans.

Families with children aged 6–12 years are the target audience of the illustrated Můj vláček quarterly magazine with competitions, prize games, paper cutouts and fairy tales.

The great interest of mass media and the public
in the developments in České dráhy is confirmed by the activities of the press department which answered several thousands of questions and published 262 press releases and press information. For mass media, it prepared field trips and presentations of new products and vehicles, e.g. in manufacturing plants of Siemens Mobility and Škoda Group in Vienna, Ostrava and Pilsen where ComfortJet and RegioPanter EMUs are manufactured and also as part of the currently ongoing testing of new trains, e.g. from tests of ComfortJet in a special Rail Tex Arsenal climatic chamber in Vienna or testing operations of the RegioFox DMUs.

Sustainable Development and ESG

The strengthening of sustainable business principles within the ČD Group continued in 2023. Our strategy continues to be based on a pragmatic and balanced approach in which we aim to achieve our environmental and social objectives in relation to the economic sustainability of our business development.

In view of the dynamic changes in the external environment, we are implementing changes gradually, focusing on medium-term topics towards 2025 with a view to 2030. Our priority topics for this period are the modernisation of our rolling stock fleet, increasing the attractiveness of our services for customers, the satisfaction of our employees and improving the energy efficiency of our own operations. In these areas, we achieved the below results in 2023.

Strengthening the competences and organisation of ESG management within the ČD Group

In 2023, the ČD Group fulfilled all required ESG reporting obligations to its stakeholders and interested parties. In view of the upcoming legislative changes in the area of corporate non-financial reporting, a process of strengthening internal ESG competencies and preparing for the expansion of non-financial reporting under the CSRD was already initiated across the entire ČD Group in 2023.

Developing clean transport and increasing its attractiveness in the Czech Republic

We see rail transport as the most environmentally friendly mode of transport with the lowest energy and emission factors and its development as a key condition for achieving the Czech Republic's climate goals in the transport sector. We believe that our path to achieving these goals lies in the modernisation of our rolling stock fleet and the continued development of digital service channels for our customers. That is why in 2023 we continued with strategic investments in the renewal of our rolling stock. In 2023, a total of 97 new or upgraded vehicles and units were put into service in passenger transport and 5 vehicles in freight transport.

The increasing level of customer service provided by ČD is evidenced, among other things, by the Most Trusted Brand 2023 award in the Transport Service Provider category and the World Passenger Award 2023 in the Onboard Service category.

Energy efficient and environmentally responsible organisation

The dynamic development of energy prices in previous years and the future identified impacts of European energy legislation confirm the priority that ČD Group companies are placing on increasing their energy efficiency and minimising the impact of potential energy or commodity risks. Within the ČD Group, preparatory activities for the gradual transition to its own low-emission electricity sources continued in 2023. In the area of traction energy consumption for the provision of rail transport services, the positive effect of the gradual modernisation of the rolling stock fleet with higher energy efficiency and support for electricity recovery continued in 2023.

Increasing pressure on the use of fossil fuels and future regulation in the transport sector are accelerating the development of strategies on our side to reduce emissions associated with the operation of diesel vehicles, where electrified rail infrastructure is not available. In 2023, in collaboration with our partners, we initiated our own research project on the introduction of alternative low-emission fuels based on hydrotreated vegetable oils (HVO) and continued preparations for the introduction of battery electric multiple units (BEMUs) for the period from 2025.

Attractive employer and a trusted social partner

In the social sphere, the individual companies of the ČD Group continued their existing strategy of strengthening their position as an attractive employer and trusted social partner. A key theme for 2023 was collective bargaining and setting the optimal terms of a new collective agreement for a period of increased inflation in the Czech Republic. At the same time, the topics of raising the standard of employee health care, introducing new, digitised work aids for employees and deepening cooperation with vocational schools to support the recruitment of technical professions were further pursued.

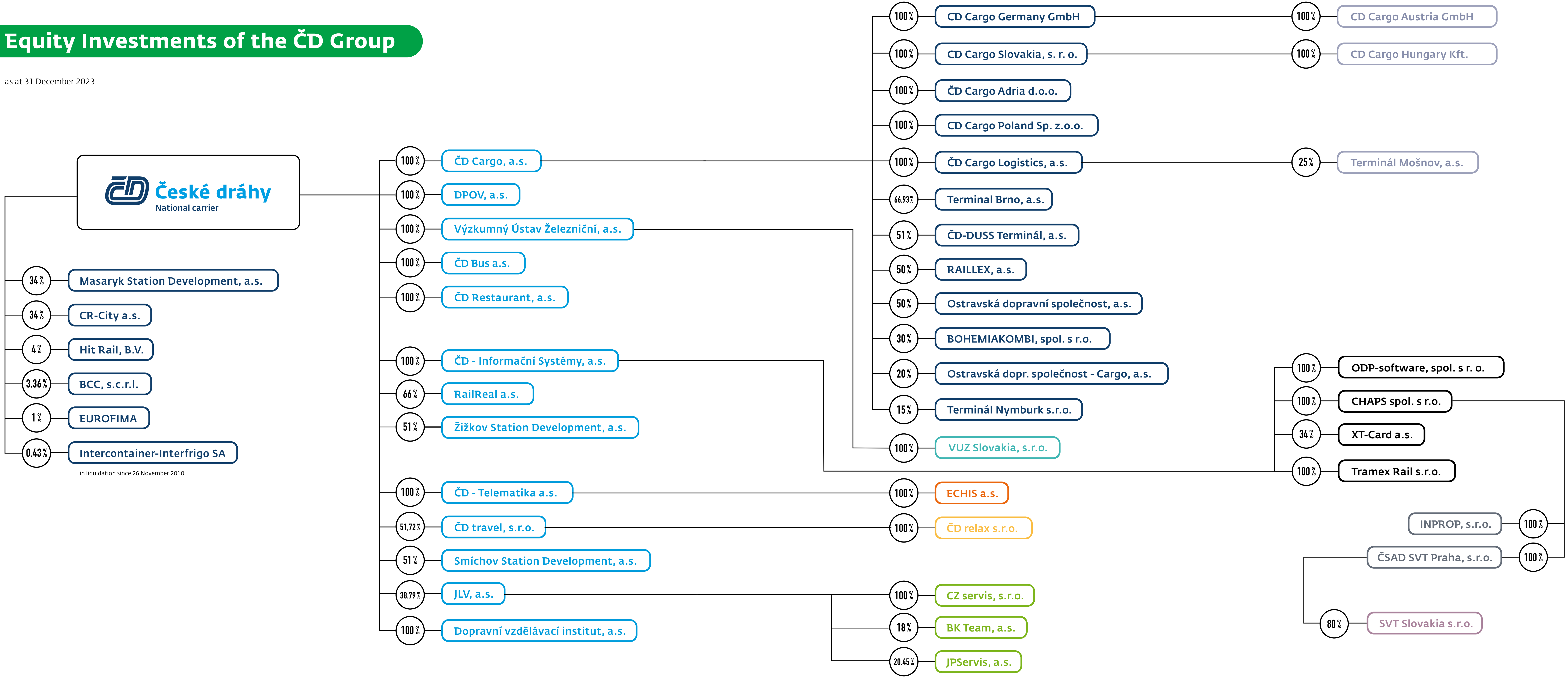
Key Indicators for the ČD Group

Key indicators	Unit	2023	2022	Difference	Index 2023/2022 (%)
Revenues	CZK mil.	49,148	44,222	4,926	111.1
EBITDA (from continuing operations) *	CZK mil.	16,140	11,096	5,044	145.5
EBIT (from continuing operations) *	CZK mil.	6,535	1,902	4,633	343.6
Profit before tax	CZK mil.	3,826	396	3,430	966.2
Total assets	CZK mil.	126,983	120,408	6,575	105.5
CAPEX (capital expenditures) *	CZK mil.	14,349	20,748	(6,399)	69.2
Depreciation, amortisation and impairment	CZK mil.	9,605	9,194	411	104.5
Gross debt ratio – liabilities/ total assets *	%	70.4	70.8	(0.4)	99.4
Debt/EBITDA – loans, borrowings and lease liabilities/EBITDA *	1	4.5	6.2	(1.7)	72.6
Average recalculated number of employees	persons	21,823	21,875	(52)	99.8
Passenger transport					
Number of transported passengers	mil. persons	164.4	157.1	7.3	104.6
Passenger transport performance	mil. passenger kilometres	8,068	7,710	358	104.6
Cargo transport performance	mil. train kilometres	116.8	116.0	0.8	100.7
Average transport distance	km	49.1	49.1	-	100.0
Occupancy ratio	%	30.2	29.4	0.8	102.7
Freight transport					
Transport volume	mil. tonnes	59.4	64.2	(4.8)	92.5

** The relevant chapter provides a definition of the alternative performance measures used.*

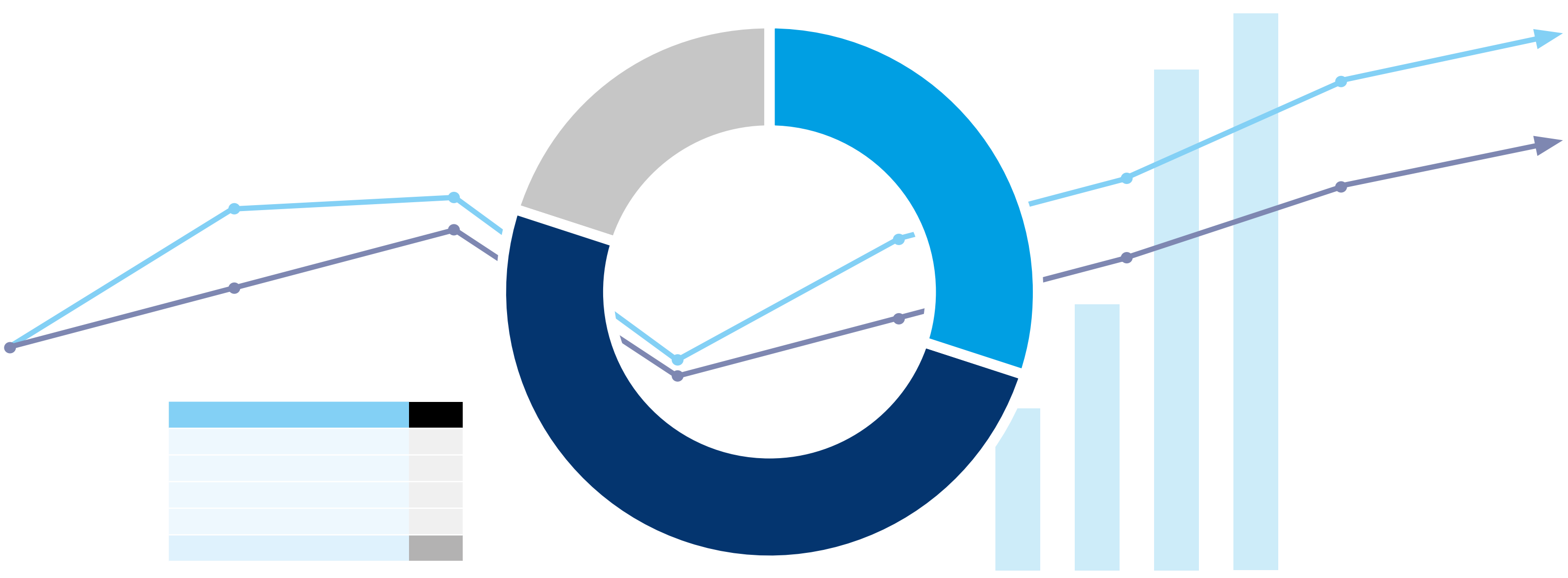
Equity Investments of the ČD Group

as at 31 December 2023




RegioPanter
RegioPanter
České dráhy

Additional Information to the Annual Report for the Year 2023



České dráhy
National carrier

Corporate Governance

Legal Relations of the Company

The legal relations of the joint stock company České dráhy, a.s. ("ČD" or the "Company" or "České dráhy") are governed by:

- Act No. 77/2002 Coll., on the Joint-Stock Company České dráhy, the State Organisation Správa železnic and on the Amendment to Act No. 266/1994 Coll., on Railways, as amended, and Act No. 77/1997 Coll., on State Enterprise, as amended;
- Act No. 89/2012 Coll., the Civil Code, as amended; and
- Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (the Act on Commercial Corporations), as amended.

The legal relations of the Company, as well as the rights and obligations of the Company's shareholders and bodies, are comprehensively regulated in the Company's Articles of Association.

Shareholder Structure and Bodies of the Company

The sole shareholder of ČD is the Czech Republic. The Company's supreme body is the General Meeting. In the event that the Company has only one shareholder, no general meeting is held, and the powers of the general meeting is are exercised by the sole shareholder. The scope of competence of the General Meeting is set out in the laws governing the Company's legal relations and in the Company's Articles of Association.

In 2023, the Company acquired no treasury shares.

Steering Committee

The state exercises its rights of the sole shareholder in the Company through the Steering Committee. The Steering Committee consists of three government-appointed employees of the Ministry of Transport (MT) and one government-appointed employee each of the Ministry of Finance (MF), Ministry of Defence (MD), Ministry of Industry and Trade (MIT) and Ministry of Regional Development (MRD). The decision-making process of the Steering Committee is governed by the laws governing the legal relations of the Company, the Articles of Association of the Company, and the Rules of Procedure of the Steering Committee. The working addresses of the members of the Steering Committee are located at the registered office of the Company. As of the reporting date, the position of the representative of the Ministry of Regional Development was vacant.

Composition of the Company's Steering Committee as of 31 December 2023 was 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
Richard Vítek	Member, representative of MD

During the first quarter of 2024, the Czech government appointed Leo Steiner to the Steering Committee as a representative of the Ministry of Regional Development and Václav Bernard, deputy minister of transport, who will replace Ladislav Němec, the current member of the Steering Committee.

Supervisory Board

The Supervisory Board has six members. Two thirds of the members are elected by the sole shareholder through the Steering Committee, one third is elected by the employees according to the election rules approved by the Company's Board of Directors after consultation with the relevant trade unions. The term of office of a member of the Supervisory Board is five years. The Supervisory Board meets as required (usually once a month), but at least four times a year. The Supervisory Board supervises the performance of the Board of Directors' duties and the Company's activities and submits its opinion to the General Meeting.

The Supervisory Board's decision-making procedure is governed by the laws governing the Company's legal relations, the Company's Articles of Association and the Supervisory Board's Rules of Procedure. The working addresses of the members of the Supervisory Board are located at the Company's registered office.

Composition of the Company's Supervisory Board as of 31 December 2023 was as follows:

Miroslav Zámečník	Chairman
Lenka Hamplová (maiden name Hlubučková)	Vice-Chairwoman
Antonín Leitgeb	Member
Petr Šlegr	Member
Vladislav Vokoun	Member
Michal Vozobule	Member

As of 1 January 2024, Věra Nečasová and Štěpán Lev were elected new members of the Supervisory Board by employees.

The Supervisory Board has established a Real Estate Committee, a Remuneration Committee and a Railway Vehicles Committee within its scope of competence.

The Real Estate Committee discusses proposals by the Board of Directors for the prior approval of the Supervisory Board for the management of real estate in cases where such approval is required under the Company's Articles of Association and where discussion in the Committee prior to submission to the Supervisory Board is required under the internal regulations on the sale and lease of ČD's real estate. The members of the Committee are elected and recalled by the Supervisory Board. The Committee's decision-making procedure is governed in particular by the Company's Articles of Association and, in detail, by the Committee's Rules of Procedure, which are approved by the Supervisory Board.

The Remuneration Committee monitors compliance with the rules governing the remuneration of members of the Company's Board of Directors. According to these rules, the members of the Board of Directors are remunerated in particular in accordance with the achievement of set objectives. The Committee also reviews the Company's proposals for determining the remuneration and other benefits of the members of the Board of Directors and submits its opinions and recommendations to the Company's Supervisory Board on these proposals. The members of the Committee are elected and dismissed by the Supervisory Board. The Committee's decision-making procedure is governed in particular by the Company's Articles of Association and, in detail, by the Committee's Rules of Procedure, which are approved by the Supervisory Board.

The Railway Vehicle Committee is an advisory body of the Supervisory Board which discusses proposals from the ČD Board of Directors concerning the strategy and concept of the railway vehicle renewal. The Committee's decision-making procedure is governed in particular 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 has five members. The members of the Board of Directors are elected and recalled by the Company's Supervisory Board. The Board of Directors meets as required (usually once a week), but at least once every three months. Within the scope of its competence, the Company's Board of Directors decides, in particular, on all matters of the Company, unless they are reserved by the relevant legislation and the Company's Articles of Association to the General Meeting, the Supervisory Board or the Audit Committee. The decision-making procedure of the Board of Directors is governed by the laws governing the legal relations of the Company and the Articles of Association of the Company. The working addresses of the members of the Board of Directors are located at the registered office of the Company.

Composition of the Company's Board of Directors as of 31 December 2023 was as follows:

Michal Krapinec	Chairman
Michal Kraus	Vice-Chairman
Blanka Havelková	Member
Lukáš Svoboda	Member
Jiří Ješeta	Member

Audit Committee

Members of the Audit Committee are appointed and recalled by the Company's sole shareholder through the Steering Committee. The Audit Committee has three members. The term of office of an Audit Committee member is five years. The Audit Committee meets as required but at least four times a year. The Audit Committee's terms of reference are determined by Act No. 93/2009 Coll., on Auditors, as amended, and the Company's Articles of Association. The decision-making procedure of the Audit Committee is governed by the Company's Articles of Association.

Composition of the Company's Audit Committee as of 31 December 2023 was as follows:

Tomáš Vyhnánek	Chairman
Otakar Hora	Vice-Chairman
Lenka Hamplová (maiden name Hlubučková)	Member

Internal Audit

The internal audit function is performed by the Internal Audit and Control department. The department falls under the management responsibility of the Board of Directors. The Audit Committee oversees the independence and effectiveness of the internal audit function.

The internal audit function of ČD is based on the internal auditing principles of the International Professional Practices Framework. Accordingly, it undergoes external independent evaluation, which contributes to the assurance and continuous improvement of the quality of internal audit services. The activities and performance of the internal audit function of ČD were assessed to be in line with international professional standards in the last external evaluation in 2020. Internal Audit acts as an independent "third line of defence" of the conceptual layout of internal control levels within the principle of all "three lines of defence" of the organisation.

Internal Audit also communicates and cooperates with the external control bodies, the external auditor, law enforcement authorities and, along with the Compliance Officer, ensures the agenda related to the reporting, registration and investigation of fraud and malpractice in ČD (whistleblowing).

Compliance

The Company is committed to complying with legal regulations, international treaties, ethical rules and internal standards, including contractually and voluntarily accepted commitments, in all areas of its operations, both externally in relation to any third parties and in relation to its employees, and does not tolerate any violation thereof.

Each department, both at the level of the General Directorate and at the level of the organisational units, is obliged to ensure that compliance obligations are met. Each senior staff member is required to supervise the staff reporting to them. Each organisational unit, department, office or division is obliged to monitor and ensure that internal standards are up-to-date and in line with generally binding legislation and internal standards within the scope of its professional activity as defined in the organisational regulations. Each senior staff member is responsible for ensuring that the rules and instructions they set and issue are clear and understandable and that there is a clear system of distribution of responsibilities, assignments and managing powers.

The compliance management system in ČD can be considered a closed and functional system of prevention, detection and response measures, which is appropriately integrated into the internal management and control system of the Company, as perceived by the methodology of the Prosecutor General's Office[1].

The Company implemented the compliance programme[2] containing a detailed description of the compliance system of ČD, including the division of roles and responsibilities between the various specialised departments, and the setting up of a compliance programme control system.

The objective of compliance activities is to monitor the Company's actions and ensure that the actions of the Company, employees and management are in compliance with legal regulations and internal standards, with an emphasis on compliance with corporate ethics, or the newly approved Code of Ethics[3].

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1 The guide for the legislation for attorney generals for the application of Section 8 (5) of the Act on Criminal Liability of Corporate Entities and Proceedings against Them is a methodological manual and is intended to be a practical aid for taking into account all signifiant facts in assessing criminal liability of corporate entities within the competence of a public prosecution body.

2 Compliance programme of České dráhy, a.s., No. 55 578/2023-O25 approved by the Board of Directors of České dráhy a.s. by Resolution No. 10312/2023 at the meeting held on 4 April 2023.

3 Compliance programme of České dráhy, a.s., No. 55 578/2023-O25 approved by the Board of Directors of České dráhy a.s. by Resolution No. 10312/2023 at the meeting held on 4 April 2023.

The purpose of the Code of Ethics is to encapsulate the basic rules and ethical values that the Company follows and subscribes to in the conduct of its business, and to set out the corresponding obligations that the Company and its employees jointly share and observe, at all levels of the Company's organisational structure. The Company insists on adherence to the rules and principles set out in this Code of Ethics and does not tolerate their violation.

The Company has a decentralised compliance model in place.

According to the Organisational Regulations, the Legal department, the Security department, the Internal Audit and Control department and the Office of the Deputy Chief Executive Officer for Human Resources have specific roles in the area of compliance. The Legal department is the coordination and umbrella body, which includes a Compliance Officer appointed by the Board of Directors playing an independent role and providing a methodological umbrella for and supervision of the functioning of the compliance management system. The Internal Audit and Control department ensures activities in the area of fraud and unfair practices investigations, proposes the strategy of the risk management system, monitors individual risks, and maintains the risk monitoring and evaluation system. The Office of the Deputy Director General for Human Resources is the unit that develops and implements the concept of employee training.

Regarding personal data protection, the compliance activities are carried out by the appointed Data Protection Officer.

Risk Management

The main objective of the integrated risk management system in the ČD Group is to continuously limit the negative impact of risks on the financial result of the entire ČD Group, i.e. to eliminate as far as possible the threats of reduced revenues or increased costs. The risk management system in the conditions of ČD is based on the set framework of corporate governance rules and is part of the "second line of defence" conceptual layout of internal control levels within the principle of all "three lines of defence" of the organisation.

An important role within the risk management system is played by the ČD Risk Management Committee, which acts as an advisory body to the ČD 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 categorisation, which allows for the provision of 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's management keeps being regularly informed about the current risk position.

The objectives and methods used to manage Company's risks are described in detail in the separate financial statements for 2023 in Notes 33.4 – 33.9. The objectives and methods used to manage financial risks of the ČD Group are described in detail in the consolidated financial statements for 2023 in Notes 35.4 – 35.9.

Systems of ISO Management

As a substantial part of the "second line of defence", there are also management systems implemented in line with the requirements of international ISO standards. 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 quality of offered services, security and employee safety and health protection.

Currently, ČD is certified according to ISO 9001 and ISO 45001. The subject of certification is the provision of passenger transport in long-distance and regional transport, preparation and implementation of timetables, development and management of products and standards in passenger transport, pricing, planning and implementation of operational deployment and maintenance and repair of railway vehicles, procurement and storage and delivery of materials. The entire Company is also certified in the field of energy management for passenger transport and asset management according to ISO 50001.

Human Rights

ČD strives for a safe and healthy working environment and its continuous improvement, provides equal opportunities for all, and does not tolerate discrimination, even in its hidden form. ČD provides equal opportunities to all people regardless of race, colour, sex, nationality, religion, ethnicity or any other characteristic, and shall not tolerate or condone any form of harassment, intimidation, forced or illegal labour.

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 tolerate any form of discrimination against employees.

At the same time, ČD ensures that its employees show the utmost consideration and respect for the personality and privacy of their colleagues.

As one of the tools to ensure the above, the Company has long had a whistleblowing system in place, which serves, among other things, to report or draw attention to violations of norms, principles, rules, illegal, corrupt or unethical behaviour in the workplace or in the surrounding social environment.

The Company has established a confidential and secure internal whistleblowing system[4], the Ethics Hotline, which, with the guarantee of protection of the identity of the whistleblower (employees and third parties), the right of the whistleblower to file a report anonymously, impartial investigation, and protection of the whistleblower from sanctions, discrimination or other retaliation, enables the whistleblower to file a report informing about illegal and unethical conduct in the ČD environment. The Company processes complaints regardless of the identity of the whistleblower and the method chosen to file them.

4 Reflecting the requirements of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law, transposed into Czech law by Act No. 171/2023 Coll., on the Protection of Whistleblowers

Report on the Activities of the Supervisory Board of České dráhy, a.s. for the Year 2023

In 2023, ten ordinary meetings were held at the registered office of České dráhy, a.s., and the Supervisory Board always had a quorum. The meetings of the Supervisory Board were regularly attended by the Chairman of the Board of Directors and other members of the Company's Board of Directors as needed.

During the reporting period, the Company's Supervisory Board exercised its powers and performed all tasks in accordance with the law and the Company's Articles of Association. The Supervisory Board made use of all the options stipulated by the Company's Articles of Association for its supervisory activities.

As part of its oversight activities, the Supervisory Board supervised the proper exercise of powers of the Board of Directors and the Company's activities. The Supervisory Board was regularly informed by the Company's Board of Directors about the Company's current events, economic results, the Company's financial position, financial risks and the Company's risk position, as well as the economic results of subsidiaries, in particular ČD Cargo, a.s.

The Company's Supervisory Board meetings were regularly presented with the materials requested by the Supervisory Board and requests from the Company's Board of Directors for the prior approval of certain legal actions taken by the Company. All such requests were duly considered and acted upon by the Supervisory Board. The Supervisory Board continuously assigned tasks to the Company's Board of Directors to examine the need for and scope of investment projects in order to optimise the Company's costs. As part of its activities, the Supervisory Board monitored in particular the achievement of the economic targets set out in the Company's annual business plan and requested justification of the development of the business.

The Supervisory Board states that the Company's Board of Directors provided the Supervisory Board with all prescribed or required information as well as cooperation in 2023, and the Supervisory Board thus had at its disposal all the documents necessary for the performance of its oversight activities.

In the course of its oversight activities, the Supervisory Board did not find any violation or non-fulfilment of the obligations arising from legal regulations, the Company's Articles of Association, the Company's internal regulations or the instructions of the General Meeting on the part of České dráhy, a.s. or individual members of the Company's Board of Directors.

The Supervisory Board concludes that all the necessary conditions for the proper performance of its activities have been created.

In Prague on 25 January 2024

Miroslav Zámečník
Chairman of the Supervisory Board of České dráhy, a.s.

We are on the same track – ČD Group Endowment Fund – RAILWAY FROM THE HEART

It is said that the degree of development of a society can be seen from how well it can take care of its weakest members. Even the strongest ones among us can become weak and in need in an instant by a twist of fate.

Safety is our top priority, not only in railway transport, seen as one of the safest ways of travel and goods transport, but in all of our other activities. Our rules and standards are strict and consistent in all areas, from handling cargo, repairs of vehicles, to their technical inspections. However, accidents sometimes happen, in spite of these careful measures, and they can have a significant and permanent impact on lives of our employees and colleagues. Unfortunately, they lose what is most precious in the saddest of cases.

The activities of ČD Group Endowment Fund – ŽELEZNICE SRDCEM (RAILWAY FROM THE HEART) get a lot of support. The solidarity among railway employees is a long-time tradition and the fund aims to provide help to all the railway employees, including former employees, who got into difficult life situations. Equally, the support goes to their family members.

The fact that ČD Group Endowment Fund – RAILWAY FROM THE HEART has already become known among people is proven by the fact that both employees from across the ČD Group and the general public contribute to its transparent account.

Where does ČD Group Endowment Fund – RAILWAY FROM THE HEART help?

ČD Group Endowment Fund – RAILWAY FROM THE HEART provides support in several key areas. It has provided help to several railway employees who were seriously injured during their work and face lifelong consequences. The funds were used for example to pay for special physiotherapy or the purchase of assistive devices that make their life easier. Further help went to the families of railway employees who tragically lost their lives. The Endowment Fund contributes, and it will contribute in the following years, to the education and development of their children. We support the families of the railway employees who take care of seriously ill children.

In 2023, the Endowment Fund helped in fifty cases and disbursed aid amounting to CZK 5,767,500. Since its formation, the fund has disbursed aid amounting to CZK 13,810,000.

What we achieved together in 2023

- CZK 6,277,237 – the amount that was collected on the transparent account during the year;
- CZK 5,767,500 – total of disbursed foundation funds (net of future contributions, for example for the education of orphaned children); and
- CZK 27,296,212 – balance on the transparent account as of 31 December 2023.

In our life, we sometimes face moments when it seems that fate has put a seemingly insurmountable obstacle in our way. At these moments, ČD Group Endowment Fund – RAILWAY FROM THE HEART comes to help. The foundation is here to help our colleagues to tackle these challenges. Our blue hearts are always ready to support those who find themselves in need. **“We are on the same track”**.

In support of Ukraine, the ČD Group received a subsidy of almost CZK 2.9 million for the operations of humanitarian trains from the Polish ministry in 2023.

Barrier-free Travelling

Helping people with disabilities is an automatic part of our activities in the area of responsible transport, especially in removing barriers on the railway and introducing services that allow for greater mobility and comfort when travelling.

In 2023, we provided assistance services to a record number of passengers with disabilities. From 2018 to 2023, we helped more than 41 thousand passengers with reduced mobility. In 2023, we provided for the total of 8,584 transports for passengers with disabilities through our booking system which is a year-on-year increase of approximately 1,300 persons. This number exceeded the last pre-pandemic year 2019.

The actual number of passengers with reduced mobility is however much higher, as many of them currently travel without the need for assistance thanks to barrier-free and low floor trains. With newly introduced labels showing accessibility in individual trains in December 2023, it is expected that the number of passengers with disabilities who will travel completely independently will increase. Our trains are currently labelled with a symbol "low floor carriage suitable for transport of wheelchair users or a carriage with a lifting platform, recommended booking of transport". Which means that booking transport and assistance is no longer necessary. With more than 3,000 such trains on the timetable and three-quarters of all services equipped for wheelchair travel, which will continue to increase thanks to the extensive modernisation of our fleet, train travel has become easier than ever for people with disabilities.

All of our new modern vehicles are equipped with sockets for charging wheelchairs and comfortable for travel of wheelchair users. Thanks to haptic features, inscriptions in Braille or door control through radios for the blind, travel has also become easier for the blind and visually impaired.

In 2023, we continued the ČéDés scholarship programme which is open to students in partner high schools focusing on fields of study following high school graduation or studies with transport and technical specialisation. Our objective in the ČD Group is to support education and professional growth of young people in technical studies, with a view of attracting talented future employees. We accept students to the scholarship programme, who express a great interest in the railway and have a desire to work in technical or operations positions in ČD. The scholarship programme offers a number of benefits such as a monthly financial contribution to studies, contribution to fares, possibility of professional work experience in various parts of the Company and an opportunity for overall professional and personal development.

Report of the Board of Directors on the Business Activities of the ČD Group and the Balance of its Assets

Economic Results

The below table was prepared using the information disclosed in the Segment Information note which is included in the consolidated financial statements.

(CZK million)

		Passenger transport	Freight transport	Asset management	Certifications and testing	Others	Elimination	**Total**
Revenues	2023	30,183	15,729	516	838	6,541	(4,659)	49,148
	2022	27,045	14,667	463	692	5,663	(4,308)	44,222
Services, material and energy consumption	2023	(11,062)	(6,380)	(622)	(182)	(4,529)	4,184	(18,591)
	2022	(10,893)	(6,475)	(540)	(173)	(3,627)	3,759	(17,949)
Employee costs	2023	(10,265)	(5,402)	(267)	(174)	(1,522)	427	(17,203)
	2022	(9,824)	(4,892)	(265)	(149)	(1,427)	401	(16,156)
EBITDA from continuing operations	2023	9,478	3,806	2,213	401	1,044	(802)	16,140
	2022	7,229	3,174	(79)	355	1,062	(645)	11,096
Depreciation, amortisation and impairment	2023	(6,594)	(2,589)	(243)	(61)	(293)	175	(9,605)
	2022	(6,201)	(2,507)	(190)	(72)	(364)	140	(9,194)
EBIT from continuing operations	2023	2,884	1,217	1,970	340	751	(627)	6,535
	2022	1,028	667	(269)	283	698	(505)	1,902
Profit/(Loss) before tax	2023	623	733	1,981	354	741	(606)	3,826
	2022	(128)	310	(242)	296	673	(513)	396

Passenger Transport Segment

In 2023, the passenger transport segment achieved a profit of CZK 623 million before tax. The year-on-year improvement in the result was positively influenced mainly by the increase in revenues, which exceeded CZK 30 billion and improved by more than CZK 3 billion year-on-year. Revenue from the sale of tickets improved by almost CZK 1.4 billion, mainly due to an increase in the number of passengers from 157 to 164 million. Payments from customers also increased year-on-year by CZK 1.7 billion, mainly due to indexation, but also in connection with new rolling stock.

In connection with strong inflationary pressures, the costs of services, materials and energy rose by almost CZK 200 million year-on-year. While the cost of repairs increased by CZK 650 million year-on-year, energy costs decreased by CZK 480 million year-on-year. Staff costs increased by CZK 441 million year-on-year. This was partly due to wage increases following the 2022 collective bargaining agreement and partly due to extraordinary bonuses paid partly to compensate for high inflation and partly as a thank you for the economic results achieved in order to stabilise the employee base in view of the labour market situation. As a result of the above-mentioned effects, earnings before interest, taxes, depreciation, and amortisation rose by more than CZK 2.2 billion year-on-year to almost CZK 9.5 billion.

The acquisition of new vehicles influenced the year-on-year increase in depreciation by CZK 234 million and financial costs by CZK 973 million. The increase in financial costs was also due to the use of external funds in 2022 and 2023, i.e. in a period of high interest rates. Profit before tax therefore increased by CZK 751 million year-on-year and total net profit increased by almost CZK 1 billion year-on-year.

Freight Transport Segment

In 2023, the freight transport segment achieved a profit of CZK 733 million before tax. Transport volumes were driven primarily by continued expansion abroad, which partially offset the decline in transport volumes in the Czech Republic due to the overall market decline and structural changes in the energy sector. Although overall transport volumes fell, the increased costs were reflected in final prices. As a result of the price increase, revenues increased compared to 2022 in almost all sectors of the freight transport segment, except for the commodities „Wood and paper products“ due to the end of the bark beetle calamity in the Czech Republic and „Building materials“. Compared to 2022, higher volumes in the sector of „Chemical Products and Liquid Fuels“, „Combined Transport“ and the „Automotive Industry“ were transported. Total revenue thus increased by CZK 1.1 billion year-on-year. At the same time, the freight transport segment also faced increasing competitive pressure from road freight carriers due to rising energy prices, where fuel price growth is not as dynamic in the long term.

Purchased consumables and services fell in variable costs, i.e. the cost of the railway infrastructure and the consumption of traction energy and fuel, due to lower performance. In contrast, the cost of routine maintenance of rolling stock and other related services increased year-on-year. In total, the cost of services, raw material and energy fell by CZK 95 million.

Asset Management Segment

In 2023, the asset management segment achieved earnings of CZK 1,981 million before tax. The year-on-year improvement was positively impacted primarily by the sale of assets (in particular the sale of the Smíchov development project). The increase in revenue from the sale of assets compared to the previous year in the asset management segment amounted to CZK 1,845 million (the revenues are recognised in the other operating income line, which is not presented in the table above). Rental income also increased due to inflation. However, inflation has also affected costs. Other year-on-year changes are insignificant. Earnings before interest, taxes, depreciation, and amortisation increased by CZK 2,292 million year-on-year as a result of the above-mentioned effects.

Certification and Testing Segment

Total revenues in the certification and testing segment amounted to CZK 838 million for the period under review. In 2023, the segment achieved a profit of CZK 354 million before tax. The year-on-year improvement was positively influenced primarily by the increase in revenues, which grew by more than CZK 150 million year-on-year. Revenues from the sales of services increased year-on-year mainly due to maximum capacity utilisation of the testing circuits. However, energy and utility costs as well as staff costs also increased year-on-year. Profit before tax thus increased by CZK 58 million year-on-year.

Others and Elimination

The year-on-year improvement in profit in the Others column was due to a combination of factors. The main influence was the year-on-year increase in revenue of CZK 878 million. The increase was mainly due to the growth in revenues of ČD – Telematika, ČD Bus and DPOV. There was also a year-on-year decrease in depreciation and amortisation and an improvement in the financial result. At the same time, however, there was an increase in the cost of services, raw materials and energy consumption of CZK 902 million. Profit before tax thus improved by CZK 68 million year-on-year.

However, the Others column should be interpreted in conjunction with the Elimination column, which excludes or transfers costs and revenues of companies providing services within the ČD Group, particularly in the repair and ICT sectors. Adjusted for these effects, profit in Others is mainly made up of ICT services provided outside the ČD Group.

Definition of the Alternative Performance Measures Used

This annual report uses the following alternative performance measures:

EBIT is defined as operating profit/loss for the period from continuing operations before financial income and expenses, share in profits of associates and joint ventures and taxes.

EBITDA is defined as operating profit/loss for the period from continuing operations before financial income and expenses, share in profits of associates and joint ventures, taxes, depreciation and amortisation.

Management uses EBIT and EBITDA to assess and compare the underlying profitability of the ČD Group after eliminating potential differences in performance caused by variations in capital structure, tax positions and depreciation and amortisation.

Reconciliation of EBIT and EBITDA calculation:

(CZK million)

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
Profit/(Loss) for the period from continuing operations	3,196	(139)
Income tax	(630)	(535)
Finance income	606	670
Finance costs	(3,326)	(2,192)
Share in profits of associates and joint ventures	11	16
EBIT	**6,535**	**1,902**
Depreciation, amortisation and impairment	(9,605)	(9,194)
EBITDA	**16,140**	**11,096**

Capital expenditure (CapEx) is defined as payments for property, plant and equipment, investment property and intangible assets as reported in the cash flow statement.

The ČD Group presents capital expenditure as management uses it as an indicator of total investment in property, plant and equipment, investment property and intangible assets to enhance the scale and economic benefit of its operations.

Reconciliation of CapEx calculation:

(CZK million)

	31 Dec 2023	31 Dec 2022
Payments for property, plant and equipment	(13,931)	(20,329)
Payments for investment property	(93)	(3)
Payments for intangible assets	(325)	(362)
Acquisitions of subsidiaries and joint ventures	-	(47)
Acquisition of joint ventures	-	(7)
CapEx	**(14,349)**	**(20,748)**

Gross debt ratio is defined as total long-term and short-term liabilities divided by total assets.

The gross debt ratio indicator is used to assess the solvency of the ČD Group relative to its size and the industry in which it operates. It helps investors understand how the ČD Group pays for its business.

Reconciliation of the calculation of gross debt ratio:

(CZK million)

	31 Dec 2023	31 Dec 2022
Total non-current liabilities	69,279	56,911
Total current liabilities	20,070	28,374
Total assets	126,983	120,408
Gross debt ratio (in %)	**70.4%**	**70.8%**

Debt is defined as the sum of interest-bearing liabilities, consisting of short-term and long-term loans, borrowings and lease liabilities.

Debt/EBITDA is defined as debt divided by EBITDA.

The ČD Group considers the Debt/EBITDA ratio to be a useful indicator for assessing the liquidity of the ČD Group and facilitating comparison with peers in the same industry.

Reconciliation of the Debt/EBITDA ratio calculation:

(CZK million)

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
Short-term loans, borrowings and lease liabilities	6,911	15,061
Long-term loans, borrowings and lease liabilities	65,849	53,344
Debt	**72,760**	**68,405**
EBITDA	16,140	11,096
Debt/EBITDA	**4.5**	**6.2**

The ČD Group presents these alternative performance measures (APMs) as used by its management to monitor its financial position in terms of outstanding debt and available operating liquidity. These measures are similar to metrics used by certain investors, securities analysts and other stakeholders as supplemental information to financial position, financial performance and liquidity. The ČD Group believes that these measures will help investors understand the performance and leverage of the ČD Group and the current ability of the ČD Group to finance its ongoing operations.

None of these APMs are performance measures as defined under IFRS and should not be considered by investors as equivalent to profit/loss for the period, profit/loss from operating activities, profit/loss before tax, net cash flow from operating activities, investing activities or financing activities or other measures determined in accordance with IFRS. These APMs have limitations as analytical tools and investors should not rely on them in isolation.

Passenger Transport

In 2023, we managed to attract passengers back to trains and we continued a massive renewal of the rolling stock. Together with customers, we completed negotiations ensuring transport services for another period of time. Since the end of 2023, it was no longer possible, except for defined exceptions, to use direct assignments and the validity of certain contracts has ended or will end soon. Customers already organise tenders in a greater extent in which we took part, or will take part.

Long-distance Transport

In 2023, in connection with the termination of the previous contract, we signed a new contract with a long-distance transport client, the Ministry of Transport of the Czech Republic, for the provision of services performed under the public service obligation on the R33 Cheb – Germany route with performance from December 2023 to December 2032.

On the basis of seven contracts concluded with the Czech Ministry of Transport, we operated a total of 21 long-distance transport routes in 2023.

In 2023, we additionally won a procurement contract and concluded a contract with the Czech Ministry of Transport for operations of an entirely new international express route Ex32 Prague – Pardubice – Lichkov – (Wroclaw – Gdynia), starting from December 2024. At the same time, we concluded an amendment to the contract which extends the operations of Ex6 Prague – Pilsen – Cheb/Domažlice – München and R16 Prague – Pilsen – Klatovy routes to December 2026, and Ex3 Prague – Brno – Vienna/Budapest, Ex5 Prague – Ústí nad Labem – Berlin/Hamburg and R15 Prague – Ústí nad Labem – Cheb routes to December 2034, following a significant investment involving an acquisition of new vehicles and putting them into operation on these routes.

In long-distance transport, we continued to adjust the portfolio of offered services to fit customer needs. After many years, we renewed a direct connection between Prague and Vienna through České Velenice, and a night train on the Prague – Dresden – Zürich route. The improvement in the quality of railway vehicles and expanding offer of additional services for passengers, both onboard and in stations, is one of the principal preconditions for achieving our goals in this segment in the following periods.

Regional Transport

In 2023, we signed a contract in the Moravian-Silesian region for the Ostrava region with 10 year validity, i.e. until the end of 2033. In addition, we managed to extendthe operations of the narrow-gauge track to Osoblaha by one year. The tender for the S1 (Ostrava – Opava) route was cancelled by the contracting authority and the operations on this route were included in its order as part of the Ostrava region.

In the Pilsen region, we succeeded in the tender for the provision of services on the P1 Západ (Pilsen – Karlovy Vary) route. On the contrary, we had to suspend the provision of services on the P1 Jih (Pilsen – Horažďovice, předměstí) route following a failure in the tender. However, we obtained additional services of express trains in the Pilsen region on this route, and we will continue to provide operations of certain trains between Pilsen and Železná Ruda (train sets from the long-distance R16 route).

We managed to extend the Šluknov region operational set for a client from the Ústí nad Labem region until the end of 2033 thanks to the use of the Desiro DMUs. We were equally successful in the south of the Czech Republic where we entered into a new contract as part of electrical traction, due to the use of another five 650 series RegioPanter EMUs, specifically for services to Lipno nad Vltavou where these trains succeeded in testing operations.

The south Moravian region announced market consultations for Jih, Střed operational sets and S4 route. We succeeded with a joint bid for Střed and S4. Jih will be serviced by another carrier starting from December 2024. We took part in putting the 530 and 550 class units, called Moravia, owned by the South Moravian region into operation to a significant extent. The current contract for their operations terminates at the end of 2024 and the region announced a tender for their operations in September. It is a specific tender with train units owned by the region that are to be operated without train crews, the region is not even requesting cashier points. The selection of the carrier will be concluded in 2024.

At the end of the year, we filed a bid in the tender held by the Ústí nad Labem region for the Elektrická páteř (electric backbone line) operational set. We were excluded from the tendering procedure. We defend ourselves through legal channels against this step of the contracting authority. A commitment agreement has not yet been signed.

So far, our objective has been, and it will continue to be, to extend all the currently provided services and potentially gain new services, however always under the condition that it will have a positive impact on our economic outturn.

Additional Services

The year 2023 did not bring many innovations, however we focused on the quality of currently provided services, which was reflected in October when we won a World Passenger Award at the World Passenger Festival world forum in Vienna in the onboard services category. As such, additional services in its entire portfolio contributed to a positive perception of ČD by passengers.

The ČD Minibar onboard service introduced an option to pay for refreshments by payment card. As part of the ČD Restaurant service on SC Pendolino trains, introduced a pre-order service for paid meals within the ticket purchase section of the ČD online store to passengers travelling in first class. We expanded the availability r of Wi-Fi in the ČD Night couchette and sleeper carriages for journeys to Poland and cancelled the data limit in daily long-distance international transport for the territory of Germany. The onboard portal underwent a facelift with an emphasis on user-friendly layout.

ČD Bike rental obtained its first outdoor BikeBox storage, as well as a unified look of bicycle points, making them more visible in selected railway stations.

Before Christmas, we managed to expand the online world to include an entirely new "ČD Fanshop" online store focusing on advertising, promotion and other merchandise, which allowed us to significantly expand the range of products on offer (games, toys, books, clothes, electronics, and many other items) compared to the options on sale in selected railway stations.

Ticketing

In 2023, we continued to support electronic ticketing primarily in ČD's internal online sales channels (primarily the Můj vlak application and the ČD online store) and external sales platforms (primarily in the IDOS train connections search engine). The result is a long-term increase in the share of online purchases in ČD distribution channels, where we regularly exceeded the level of 40% of all sold tickets in online channels in the last months of 2023. With regards to the tickets in the ČD tariff (i.e. net ticket sales for integrated transport systems that are a significant part of ČD sales) we regularly exceeded 60% online sales in the fourth quarter of 2023.

The increase in self-service purchase through online channels was supported by numerous partialpro-customer changes in 2023. During the year, we primarily expanded a comprehensive provision of information to customers before and during the journey. We improved the provision of information to passengers in the event of changes in train formations through "automated change of seats" and we started to display formations of trains of regional trains in the "stopping train" and "express train" category. At the same time, we made adjustments to the graphic display of seats in the reservation system plans and expanded the plans to include, for example, trains departing from Slovakia and Hungary. In December 2023, we concurrently launched a new generation of the reservation system which meets all the requirements for expansion in other customer services. We continued the development of the Můj vlak app. We introduced new functions (sales for delayed direct trains, tickets in Apple Wallet, introduction of support for transition to the Virtual In karta, etc.) and products (new Vlak+ ticket, shared IN 100 and IN Business apps).

In 2023, we continued in expanding the offer of tariff products available in the Můj vlak app and the ČD online store. In addition to mediating the sale of SMS tickets for individual systems of city public transport, sales of OneTicket, integrated transport systems of the South Moravian, Pilsen, and Zlín regions, we have introduced the sale of tickets of the integrated transport system of the Moravian-Silesian region to customers from December 2023. In 2024, we want to expand the ČD online channel offer to include other additional services (primarily the first and last mile solution, direct sale of connected tickets for city public transport, etc) with an objective to always make ČD sales channels the first choice for railway passengers in the Czech Republic. We are also pleased to see feedback from customers in our customer satisfaction surveys and in the evaluation of the Můj vlak app in Google Play and AppStore.

In addition to online ticketing, we started the process of replacing the equipment used for the sale and checking of tickets on our trains. We initiated the distribution of new portable personal cash registers to the staff working on our trains. At the same time, we started installations of new automated ticket vending machines and cashless terminals. Both initiatives will continue in 2024.

Customer Satisfaction

In 2023, we continued the expansion in obtaining feedback from our customers, which is divided into two areas. The first one is the assessment using the CSAT (Customer Satisfaction Score) method where customers provide their rating in the Můj vlak app on a five star scale, regarding overall satisfaction with travel and specific aspects of travel. The results for 2023 show that customers rate their overall satisfaction at 4.1*, the highest rating relates to satisfaction with ticket purchase (4.6*) and the worst assessment relates to timetable adherence (3.7*).

The second area of customer satisfaction is the NPS (Net Promoter Score) and customer satisfaction measurement which takes the form of an online questionnaire sent to our customers by email. In 2023, we ran two nationwide campaigns in which the NPS was completed by more than 14 thousand respondents, with a result of 27 (on the scale of -100 to +100). In addition, 8 thousand respondents provided more detailed responses by completing attached questionnaires, which aimed to find out the level of satisfaction with individual aspects of travelling.

The overall assessment can be quantified by the CSI (Customer Satisfaction Index) which was 77% (on the scale of 0% to 100%) in both surveys. We therefore consider the results obtained in the campaigns to be a very good result within the transport sector, while also being a commitment for us to further improve the quality of services provided.

Communication in 2023

In 2023, all communication objectives were met. Through an ongoing optimisation of the communication plan and the media mix, we pursued the commitment to effectively use the funds spent on communication of products and the brand.

In the online environment, using search and content campaigns, the Company managed to gain record sales of CZK 441.4 million with a year-on-year increase of 28%. In terms of quality of creativity, the International Travel campaign with the topic of bodybuilding was extremely successful. It ranked first in Reklamní katovna of the Mediář.cz professional marketing website and ranked second among top ten rated campaigns of 2023. For the fifth time, Ivan Trojan ranked first as the best actor in commercials.

In addition, we confirmed our important position on social media sites, where we have the largest railway transport profile in the Czech Republic. Facebook saw the level of 121 thousand followers, Instagram already has 29.6 thousand followers and the fastest growing social media of České dráhy is X with 14.1 thousand followers. Next year, we will work primarily on reaching the young target group through the involvement of influencers.

Other successes also testify to the correct communication set-up and its significant impact on the public's relationship to the Company: defending the "Most Trusted Brand" award among transport service providers in an independent survey by AC Nielsen or the high attendance of the Railway Day 2023 held in Bohumín. This popular event was attended by 7.5 thousand paying visitors.

In addition, the communication division continued publishing regular printed magazines for the public. The ČD pro vás monthly focuses on all groups of passengers and brings, among other things, suggestions for trips, information on new products and business offers, and entertainment. Last year, it ranked second on the CZECH TOP 100 scorecard in the Company Magazines for Customers category. Furthermore, the national carrier publishes the industry monthly "Železničář" which focuses on topics directly relating to railways. Families with children aged 6–12 years are the target audience of the illustrated Můj vláček quarterly magazine with competitions, prize games, paper cutouts and fairy tales.

The great interest of mass media and the public in the developments in České dráhy is confirmed by the activities of the press department which answered several thousands of questions and published 262 press releases and press information. For mass media, it prepared field trips and presentations of new products and vehicles, e.g. in manufacturing plants of Siemens Mobility and Škoda Group in Vienna, Ostrava and Pilsen where ComfortJet and RegioPanter units are manufactured and also as part of the currently ongoing testing of new trains, e.g. from tests of ComfortJet in a special Rail Tex Arsenal climatic chamber in Vienna or testing operations of the RegioFox units.

In 2024, we will focus on communicating the modernisation of rolling stock and new vehicles; in campaigns, we will focus on the Můj vlak app and its benefits. An important part will be the support of partnerships in indivdiual sports activities.

Operational Indicators for 2023

**Except for the part dealing with extraordinary events, operational replacement transport and cancelled trains, the presented figures relate to the entire public route (station of departure, destination station and stations en route – arrival and departure). The information on extraordinary events, operational replacement transport relates to the entire route.*

Number of trains departed	
long-distance passenger transport	172,208
regional passenger transport	2,264,566
Total	**2,436,774**

Adherence to the timetable	
long-distance passenger transport	72.2%
regional passenger transport	88.5%
Total	**87.4%**

Responsibility for train delays	
carrier	13.6%
infrastructure manager	18.4%
other reasons	68.0%

Timetable adherence less the reasons of delay not on the part of the carrier	
long-distance passenger transport	95.0%
regional passenger transport	99.0%
Total	**98.7%**

Responsibility of the carrier for train delays	
long-distance passenger transport	19.1%
regional passenger transport	11.5%
Total	**13.6%**

In 2023, there was an increase in the overall adherence to the timetable by 2.8 percentage points as compared to 2022 (from 84.6% in 2021 to 87.4% in 2023).

The information on the responsibility for all (primary and secondary) train delays is presented in the third table.

Most **primary** (i.e. original, non-derived) delays are caused by the reasons on the side of the infrastructure manager (most frequently track closures, defects on security devices and slow rides). Specifically, these account for **45%** of all disruptions of the timetable. The carrier is responsible for **33.2%** of primary disruptions of the timetable (primarily extended stays of trains in stations en route due to increased frequency of passengers, breakdowns of traction vehicles, defects in train composition and waiting for delayed trains longer than the original waiting times). External influences account for **21.8%** (predominantly delays of trains on arrival from railways abroad and bad weather).

One of the reasons for failing to adhere to the timetable were **extraordinary events and emergencies**, i.e. unforeseeable situations, when, for various reasons (e.g. due to bad weather, vehicle breakdowns, or collisions of trains with road vehicles on railway crossings) these caused traffic restrictions and delays of trains. The number of emergencies and extraordinary events in the SŽ infrastructure monitored in the MIMO system was **7,089 cases** in 2023.

Passengers may find information on restrictions on train journeys (including track closures) through the Můj vlak app, or on **www.cd.cz/omezeniprovozu.**

Extraordinary events and emergencies in operations usually require taking operational measures in passenger transport. In addition to changes in the turnover of staff, traction vehicles, and train sets, this includes the introduction of replacement transport services and possibly cancellation of trains without replacement.

In 2023, we recorded the following data on operational measures in extraordinary events and emergencies:

Number of trains with introduced replacement transport	
long-distance transport	575
regional transport	7,101
Total	**7,676**
reasons on the part of the carrier	1,978
of which traction vehicle defects	*1,645*
other reasons	5,698
Total	**7,676**
Scope of operational replacement transport	
long-distance transport (train kilometres)	11,780.7
regional transport (train kilometres)	104,176.4
Total (train kilometres)	**115,957.1**

Scope of operational replacement transport by cause	Number	Scope (train kilometres)
Extraordinary events	2,401	35,892.2
Traction vehicle defects	1,626	26,371.1
Bad weather	1,379	25,286.7
Other	2,270	28,407.1
Total	**7,676**	**115,957.1**

Number of trains partially or entirely cancelled without replacement	
long-distance transport	3,290
regional transport	9,423
Total	**12,713**

reasons on the part of the carrier	3,640
of which traction vehicle defects	3,257
other reasons	9,073
Total	**12,713**

Scope of operational train cancellation	
long-distance transport (train kilometres)	74,617.1
regional transport (train kilometres)	154,766.0
Total (train kilometres)	**229,383.1**

Share of operationally cancelled trains in the total (planned) number of trains	
reasons on the side of the carrier	0.15%
other reasons	0.37%
Total	**0.52%**

Scope of operationally cancelled trains by cause	Number	Scope (train kilometres)
Traction vehicle defects	3,122	81,209.3
Extraordinary events	2,828	72,372.1
Unanticipated, or late started and ended track closures	2,309	5,455.9
Other	4,454	70,345.8
Total	**12,713**	**229,383.1**

The most frequent specific reasons of operational cancellation of trains were traction vehicle defects (3,122 trains, 81,209.3 train kilometres), extraordinary events (2,828 trains, 72,372.1 train kilometres) and unanticipated, or late started and ended track closures (2,309 trains, 5,455.9 train kilometres).

Evaluation of Quality Standards for 2023

The quality of services provided to the travelling public forms a crucial part of ČD's image, as it is visible and monitored by the general public, the media, competing carriers, and customers of passenger transport in regional and long-distance transport. ČD's quality standards internally set a uniform level of quality of services provided to passengers and customers.

The quality management system at ČD is set in a way which fulfils the requirements of ČSN EN ISO 9001, ČSN EN ISO 45001, and ČSN EN ISO 50001, and is also in compliance with the European Commission's opinion JS/290311 and the Methodological Guideline of the Railway Authority on service quality standards pursuant to Article 28 of Regulation ("EC") No. 1371/2007 of the European Parliament and of the Council (until 7 June 2023). The standards for 2023 were evaluated under the above-stated standards. None of these documents provide binding values for the fulfilment of the individual required quality standards.

Since 7 June 2023, Regulation (EU) 2021/782 of the European Parliament and of the Council on rail passengers' rights and obligations (recast), Article 29 and Annex III Minimum Service Quality Standards have been effective. With effect from 1 January 2024, a new regulation titled Standards of Quality of České dráhy, a.s. was issued under which the standards of quality of České dráhy, a.s. will be evaluated for 2024.

The measurement of quality standard fulfilment using internal control, the results of inspections by customers, adherence to the timetable, evaluation and analyses of operational work, complaints and suggestions received is complemented by the measurement of customer satisfaction, with the level of service provided by means of a survey, mystery shopping, and specific surveys.

The Quality Standards of České dráhy, a.s. (No. 55122/2022-O17) effective before 31 December 2023 set forth seven basic pillars of quality standards internally. Some pillars were further divided into subgroups. Thus, we are have evaluated a total of 50 partial quality standards, where 40 were met and 10 were not met in a specified interval.

Partial non-compliance with these internally set quality standards does not constitute a breach of legislation. However, it may be a reason for imposing sanctions arising from the contracts concluded with individual customers where they are set individually.

The conclusions of the 2023 audit activity are consistent with the outcomes of the assessment of these quality standards. A total of 47,293 inspections were carried out in 2023, of which 17,721 in stations and 29,572 in trains. The inspection activity in 2024 will focus on verifying the effectiveness of measures taken to meet quality standards.

In 2023, 17,721 inspections were performed in stations; in 3,385 cases of inspections (19.1%) at least one shortcoming was identified and reported through a relevant inspection sheet.

In trains, the inspection activities focused on all categories of passenger trains, including 0/0-S trains. In total, 29,572 inspections were performed; in 9,612 cases of inspections (32.5%) at least one shortcoming was identified and reported through a relevant inspection sheet.

Where the level of compliance with individual standards for a defined period was below the minimum value, the individual organisational units are required to investigate the reasons, take corrective action and implement it without delay.

	Card of standards	Level of difficulty	2023	Meeting of standards
1.	**Information and transport documents**			
1.1.	**Sale and checking of travel documents on trains**			
	Ensuring the sale of travel documents (excluding replacement transport)	*99%*	*97.31%*	*not met*
	Quality of work of train attendants in selling travel documents	*99%*	*99.95%*	*met*
1.2.	**Provision of information on trains**			
	Ensuring on-board information (excluding replacement transport)	*99%*	*97.24%*	*not met*
	Quality of work performance of train attendants	*99%*	*99.95%*	*met*
1.3.	**Sale of travel documents in stations**			
	Sale of travel documents at every staffed station or stop	*99%*	*99.05%*	*met*
	Provision of an alternative sales method	*99%*	*99.99%*	*met*
1.4.	**Provision of information to passengers in stations**			
	Ensuring that passengers are informed at a staffed station/stop	*90%*	*99.14%*	*met*
	Quality of work performance of station staff	*99%*	*99.98%*	*met*
1.5.	**Behaviour of train and station staff**	99%	99.98%	met
1.6.	**Information systems in vehicles**			
	Functionality of information provision	*99%*	*92.87%*	*not met*
	Quality of work performance of train and carriage staff	*99%*	*99.88%*	*met*
1.7.	**Information systems in stations**			
	Functionality of information provision	*99%*	*99.51%*	*met*
	Quality of work performance of station staff	*99%*	*99.99%*	*met*
2.	**Accuracy of trains and general principles for procedures in operational emergencies**			
2.1.	**Operational emergencies in rail transport**			
	Reliability of timetable	*98%*	*98.70%*	*met*
	Quality of emergency handling	*75%*	*80.40%*	*met*
2.2.	**Compliance with planned requirements and planned capacity of trains**	95%	92.83%	not met
2.3.	**Accuracy of timetable adherence in long-distance, regional and commercial transport**			
	Long-distance and commercial transport			
	Trains arrive in the tolerance of 0 - 5 minutes for punctual operations	*min. 78%*	*67.80%*	*not met*
	Trains arrive in the tolerance of 6 - 60 minutes for punctual operations	*max. 20%*	*31.00%*	*not met*
	Trains arrive in the tolerance above 60 minutes for punctual operations	*max. 2%*	*1.20%*	*met*
	Long-distance and commercial transport – responsibility of the carrier			
	Trains arrive in the tolerance of 0 - 5 minutes for punctual operations	*min. 94%*	*93.70%*	*not met*
	Trains arrive in the tolerance of 6 - 60 minutes for punctual operations	*max. 5.5%*	*6.20%*	*not met*
	Trains arrive in the tolerance above 60 minutes for punctual operations	*max. 0.5%*	*0.10%*	*met*

	Card of standards	Level of difficulty	2023	Meeting of standards
	Regional transport			
	Trains arrive in the tolerance of 0 - 5 minutes for punctual operations	*min. 91%*	*89.50%*	*not met*
	Trains arrive in the tolerance of 6 - 60 minutes for punctual operations	*max. 8%*	*10.40%*	*not met*
	Trains arrive in the tolerance above 60 minutes for punctual operations	*max. 1%*	*0.10%*	*met*
	Regional transport – responsibility of the carrier			
	Trains arrive in the tolerance of 0 - 5 minutes for punctual operations	*min. 97%*	*99.10%*	*met*
	Trains arrive in the tolerance of 6 - 60 minutes for punctual operations	*max. 2.5%*	*0.80%*	*met*
	Trains arrive in the tolerance above 60 minutes for punctual operations	*max. 0.5%*	*0.10%*	*met*
2.4.	**Connections**			
	Compliance with the connection planning limit	*95%*	*98.96%*	*met*
	Compliance with the procedure to ensure connections (less than 500 cases per year)	*500*	*47*	*met*
3.	**Compliance with the agreed scope of transport and cancellation of trains**			
	Compliance with the agreed scope of transport	*99%*	*99.85%*	*met*
	Cancellation of trains	*1%*	*0.15%*	*met*
4.	**Cleanliness of railway vehicles and equipment of railway stations**			
4.1.	**Cleanliness of stations and operating equipment/accessibility of restrooms**	98%	100%	met
	Rectification of defects	*in 24 hours*	*Yes*	*met*
4.2.	**Cleanliness of vehicles**	95%	99.61%	met
5.	**Survey of customer satisfaction**			
	Survey of customer satisfaction	*100%*	*100%*	*met*
6.	**Complaints handling, exercise of the rights and compensation for passengers in the event the service quality standards are not met**			
6.1.	**Handling of complaints from passengers**	100%	100%	met
	Coefficient of filings per 100 thousand of transported passengers	*7*	*6.24*	*met*
	Coefficient of justified filings per 100 thousand transported passengers	*2*	*1.60*	*met*
	Average time for handling of the filing	*30 days*	*15 days*	*met*
6.2.	**Exercise of the right arising from a transport contract and compensation to passengers**	100%	100%	met
	Unjustified rejection of the claim	*under 1%*	*-*	*met*
	Loss of the application or rejected acceptance of the claim	*under 1%*	*-*	*met*
	Handling of the claim in the period determined by the exercise of the right arising from the transport contract	*99%*	*100%*	*met*
	Handling of the claim in the period determined for compensation	*99%*	*100%*	*met*
	Average time for handling of the claim under exercise of the right arising from the transport contract	*28 days*	*28 days*	*met*
	Average time for handling of the claim for compensation	*28 days*	*28 days*	*met*
7.	**Assistance provided to passengers with reduced mobility**			
	Carrying out of an agreed order (requirement of a customer)	*99%*	*99.60%*	*met*
	Sorting of established requirements by orders	*99%*	*99.10%*	*met*
	Functionality and technical capacity of mobile platforms	*98%*	*99.96%*	*met*

Comments on Non-compliance with Certain Standards

“Sale and checking of travel documents on trains”, there was a partial failure to meet the standard for the set indicators in the area of “Ensuring the sale of travel documents (excluding replacement transport)”, where the required performance was 99 % and the actual performance was 97.31%:

The checking and sale of travel documents on the train is directly affected by the ability to walk through the train. During peak periods, especially in relation to daily commuting, combined with non-compliance with the planned train formation and the impossibility of using extra carriages, or shortening of the planned trainset, overcrowding of trainsets occurred to an extent that often prevented the smooth movement of the train crew through the train. As part of a long-term safety improvement measure, priority was given to focusing the activities of the train staff on the safe performance of train departure operations, particularly on services with a higher frequency of stops. On trains operating in self-service mode, mobile ticket vending machines and ticket validating machines were often out of service and, in view of internal and locally applicable requirements of the customers to prioritise the engine drivers' transport and technological duties, the sale and inspection of travel documents cannot be ensured in full.

“Provision of information in trains”, there was a partial failure to meet the standard for the specified indicators in the area of “Provision of information in trains (excluding replacement transport)”, where the required performance was 99 % and the actual performance was 97.24%:

It is not always possible to ensure the full level of active passenger care, including information service from the train crew on the platform before the train departs. This is due to the performance of all of the technological tasks associated with the takeover and preparation of the train set (time influenced by the change in formation, delay/transition of the train crew from set to set, occurrence of a technical defect on the vehicles) and the focus of the train staff on the safe performance of tasks associated with the departure of the train. In trains, information service is mainly provided automatically by means of vehicle information systems. In the event that the information system is not operational, the train crew does not provide operational information to passengers in an alternative way (using the train's public address system, in person). This misconduct by staff is on an upward trend due to persistent problems in adhering to scheduled marshalling, where other types of carriages without information systems are marshalled operatively. The development of parameters corresponds to the repair status of the planned vehicles.

Information systems in vehicles” – there was a partial failure to meet the standard for the specified indicators regarding “Functionality of information provision”, where the required performance was 99 % and the actual performance was 92.87%:

Problems persist in adhering to planned marshalling in the long-term, where other types of vehicles without information systems are marshalled operatively. As part of a long- term safety improvement measure, priority was given to focusing the activities of the train crew on the safe performance of train departure operations, which resulted in a reduction in the time capacity for informing passengers (particularly on services with a higher frequency of stops). The development of parameters corresponds to the repair status of the planned vehicles. The recurring problem was the incorrect display of information in the vehicle information systems during traffic closures and emergencies in operations (rerouting of trains, coupling of trains).

“Compliance with planned requirements and planned capacity of trains” where the required performance was 95% and the actual performance was 92.83%:

In 2023, the overall compliance with planned marshalling was improved by 2.24% as compared to 2022 (from 90.59% in 2022 to 92.83% in 2023). However, the Company continues to fail to meet this indicator.

Reasons for the failure to comply with planned marshalling has to be seen in the following context:

- wider context relating to the condition of vehicles on selected express lines – failure to meet the contractual deadlines of supplier repairmen who exceed the deadlines for planned vehicle repairs. The repairmen justify longer periods of repairs by objective circumstances of force majeure, such as excluding liability (e.g. impacts of the war in Ukraine). It is apparent that the agreed deadlines are exceeded by days to months;
- increased focus on compliance with the maintenance system of individual railway vehicles with a strict compliance with TSI OPE and the Act on Railways, even at the expense of putting railway vehicles out of service without the possibility of their adequate replacement;
- failure to comply with train marshalling composed of the vehicles of foreign partners (e.g. I-DLB); and
- insufficient capacity of own repair activity, related primarily to the lack of qualified staff, impact of the accident rate and defects of operating nature.

The number of back-up vehicles of relevant series was not and is not sized for the above-stated outages. For this reason, situations arise when vehicles of corresponding parameters (both for the vehicles of ČD and possibly other partner carriers) have to be used as a priority for selected trains/routes so as to prevent significantly disrupted operations of these trains. That comes with the necessity to transfer individual vehicles between routes – in practical terms, it means that the transfer of vehicles "maintains the operations" on one route at the expense of provided services on another route.

"Accuracy of timetable adherence in long-distance, regional and commercial transport":

In 2023, there was an improvement in the overall adherence to the timetable by 2.8 percentage points as compared to 2022 (from 84.6% in 2022 to 87.4% in 2023). The timetable observance for 2023, net of non-carrier causes of delay, was 98.7%, an improvement of 0.2% compared to 2022.

The reasons for this decrease are traceable to the increase in delays transferred between trains. Year-on-year, these (secondary) delays increased by 0.7 percentage points. These were mainly increases in delays due to the crossing and passing of trains, waiting for connections within waiting times, extraordinary events and train turnarounds.

Primary causes (i.e. original, non-derived) of delays are mostly due to causes on the part of the infrastructure manager (most often closures, construction reasons and defects in infrastructure facilities). Specifically, they account for 32% of all timetable disruptions (the year-on-year decrease of 2.4%). 13.6% of primary disruptions to the timetable are the responsibility of the carrier (mainly extended stays of trains at stations en route due to increased passenger frequency, waiting for delayed connections beyond basic waiting times, vehicle breakdowns and faults in train composition) and 8.9% are due to external influences (especially delays of trains arriving from foreign railways and bad weather). There was an increase in these reasons by 1.6% in 2023.

The analysis of the reasons for delays indicates that the situation has improved, the largest increase in the reasons of disruptions is in external influences and secondary reasons for delays.

Maintenance of Railway Vehicles in Passenger Transport

In 2023, the repair division faced the consequences of high inflation rates, high energy prices and, as in the previous year, consequences of the war in Ukraine. These implications primarily translate into the increase in prices of numerous commodities which is reflected in the increase in prices of materials and spare parts, but mostly result in delays in their delivery. Due to this fact, the time for stabling railway vehicles for passenger transport due to repairs was extended, however, in particular, there has been a significant delay in the delivery of new cars.

In 2023, the planned maintenance and corrective maintenance of railway vehicles in the ČD Group was provided mostly through own resources, which include Regional Maintenance Centres operating throughout the Czech Republic.

The higher level periodical repairs, modernisations and renovations of railway vehicles were provided by the subsidiary DPOV, a.s. and by external contractual certified repairers. In total, more than 650 vehicles were repaired in periodical repairs. Part of the periodical repairs of higher level were physically performed by our selected Regional Maintenance Centres, primarily the Maintenance Centre Česká Třebová, Maintenance Centre Olomouc and Maintenance Centre Cheb.

During 2023, we continued with installations of equipment used to measure the consumption of electricity by electric locomotives and EMUs. In total, more than 300 vehicles are fully functional or ready for revival.

In the 362/362 WTB and 162 WTB class locomotives, the phase of installation of the ETCS has progressed to serial assembly and activation of the system for routine use. In other vehicle classes, we continued the installation of the ETCS in prototype vehicles. At the end of 2023, ČD had nearly 200 vehicles fitted with the ETCS.

In the category of passenger train units, we completed the modernisation of the Bcmz 834 class vehicles in DPOV,a.s. and the order for conversion of the WLABmee 823 class sleeping carriages in Škoda Pars, a.s. During the year, supplies of Panter EMUs and four three-car push-pull train sets continued. The contract for the supplies of new 847 class DMUs from Pesa Bydgoszcz progressed during 2023 to testing operations when 6 DMUs were approved for this mode and another 2 DMUs passed the ETCS tests. In spite of this, the supplier of these DMUs did not manage to perform the supply by the end of 2023 under the concluded contract. Other projects for supplies of new vehicles, such as locomotives with the 230 km/hour speed parameter or 180 new passenger carriages for long-distance international transport with the maximum speed of 230 km/hour are in the stage of construction of vehicles and start of type testing.

In the case of the ECM, we further elaborated on legislative requirements in 2023 and ensured a deeper implementation of these issues in the activities throughout the Maintenance division.

In relation to the liberalisation of the railway market and a massive renewal and modernisation of rolling stock operated on the Czech railway and following the previously approved ČD Strategy until 2030, we prepared the analysis of the development in the maintenance market and current requirements for maintenance in ČD. Subsequently, we defined the future form of maintenance in 2030 and determined specific scenarios of restructuring and modernisation of the repair base in ČD. The principal objective of the restructuring is the maximisation of the group synergies, the rapid increase in the share of work with higher added value, and more effective use of assets. Other objectives that we pursue are as follows:

- increase in work productivity;
- faster repairs of railway vehicles;
- increase in the quality of repairs;
- decrease in the defect rate in railway vehicles;
- more accurate purchase of spare parts; and
- creation of a network of competence centres for perspective series of railway vehicles.

One of the strategic directions in maintenance and servicing is a wider implementation of IT technologies that bring effectiveness in work organisation, capacity planning, increase in the performance of own maintenance activities. The current use of IT technologies in the Maintenance division is based only on the recording data for mere statistical use. Our new perspective primarily focuses on the areas that may generate significant costs savings after the implementation and routine use of IT technologies. In 2021 and 2022, we implemented the following basic programme topics, the implementation of which is necessary for meeting our pursued objectives:

- digitalisation of reporting the use of work in maintenance/repairs of ČD vehicles;
- self-diagnostics of failures in vehicles;
- computerisation of drawings and technical documentation of railway vehicles;
- electronic system for the receipt of vehicles to/from repair;
- digitalisation of stock management relating to orders and dispensing of material for maintenance and repairs of vehicles; and
- prophylactic system of vehicle maintenance and repairs planning.

Although these individual programme topics differ in content, they form one functional instrument for the effective management, planning and organisation of repair capacities in modern maintenance of railway vehicles. The main objective of all of these topics is to identify loss times in maintenance and determine those that we can manage and gradually eliminate. Numerous projects have been or are going to be implemented in order to achieve the programme topics (e.g. digitalisation in reporting of work use, computerisation of drawing and technical documentation of railway vehicles, introduction of QR codes, augmented reality in the repair activities).

As of 1 January 2023, we implemented the project of centralising material technical support in which we transferred the material technical support in Regional Maintenance Centres to the structure of the Supply Centre. The benefit of this change is primarily the optimisation of the balance and management of inventory to increase the availability of spare parts and material for repairs and maintenance of railway vehicles, perform activities in operational procurement more effectively and make maximum use of synergy effects. In 2023, we initiated the analysis of material procurement and preparation of a feasibility study for the digitalisation of recording material. In both of the above projects, the deadline for completion is the beginning of 2024.

A significant area of the repair activities restructuring process is the streamlining of ČD's s repair network and concentration of capacities in key maintenance centres. In previous years, we had already started building the network of competence centres (KC) which aim to associate employees, technologies, and know-how which will ensure comprehensive, first class and highly specialised services for entire selected perspective series of railway vehicles with long service life. Fully functional KCs include KC Liberec, specialising in the maintenance and servicing of Stadlers, KC Prague Vršovice, where Vectrons are maintained, and KC Česká Třebová, specialised in the maintenance and servicing of the 471, 162/3 and 362 class traction vehicles.

In 2023, we completed a large part of construction modifications in the trackway in maintenance centre (SÚ) Prague South. The remaining part, and thus the finalisation of these extensive construction modifications in the trackway will be made in 2024. Our new stable train washing station in SÚ Havlíčkův Brod was completed. In addition, we completed modifications to footbridges in SÚ Bohumín and SÚ Olomouc. We acquired a new testing press in SÚ Olomouc, made modifications to the trackway in SÚ Brno Maloměřice and increased the high voltage performance in the testing room in SÚ Olomouc.

Railway Freight Transport Operations

Company's Mission, Vision, and Objectives

ČD Cargo is a modern dynamic business group which builds its future on four pillars.

It is not only the largest Czech railway carrier, but it also operates on six additional European markets. With its annual volume of approximately 60 million tonnes, it is one of the most significant players on the European railway market. In the Czech Republic, it ensures the transport of both bulk cargo and products with high added value, including intermodal transports. ČD Cargo reliably transports special loads, consignments of dangerous and humanitarian goods, or military hardware. As the sole carrier in the Czech Republic, ČD Cargo offers goods transport in the form of complete train load as well as individual wagon load, which is a suitable and environmentally friendly alternative to road freight transport by trucks and delivery vans. ČD Cargo operates a system of full wagon loads throughout the entire network of Správa železnic and consequently covers a significant part of the Czech Republic.

The vision of ČD Cargo is to maintain its position on the local and European market. In a fiercely competitive environment, this is not an easy task, which ČD Cargo is however managing to fulfil. There are several conditions for this success, the main ones being continuous improvement and expansion in services, pro-active communication with customers and a competitive price level. In service improvement, these primarily include the introduction of new technologies, computerisation and digitalisation of processes, etc. We aim to be a stable partner with a vision for the future for our customers.

Freight Transport

The year 2023 was a year full of changes which naturally had an impact on the activities of ČD Cargo to a great extent. Among the most significant factors, we have to mention the continuing war in Ukraine followed by an armed conflict in Israel and attacks of militant Houthi threatening ships sailing through the Suez Canal. Other factors included continuing industrial recession, decline in construction production, high energy prices, and inflation.

In 2023, ČD Cargo transported a total of 59.4 million tonnes of goods, which is 4.8 million tonnes less than in 2022. The decline in the volume of transport was recorded on the local transport market where it fully reflects the long-term trend of shifting away from fossil fuels in the power and heating industry, intensified by the economic recession. Lower performance in the Czech Republic is gradually compensated by the permanently increasing performance and volumes of transported goods abroad. As such, ČD Cargo responds to the requirements of customers for provision of transport on the globalised market in Europe. More than 60% of all of our transports is already international, i.e. starts, ends, transits, or even does not go through the Czech Republic.

The most notable year-on-year decline in the Czech Republic was reported in the **lignite** commodity. While there was enormous interest in the transport of this fuel in 2022 resulting in the short-term suspension of the downward trend in transport volumes, the last year already saw a continued decline in interest in coal. The situation on the natural gas market partially stabilised, and unusually warm weather in spring and at the end of the year contributed to decreased supplies of fuel to most heat production plants. Storage rooms of most power plants were also overfilled with fuel at the end of the year. Statistics indicate that the generation of electricity from coal sources decreased to 27% which is historically the lowest level. As such, we recorded a year-on-year lower volume of transports by 1.7 million tonnes, and it is necessary to expect a further decrease.

Prices of electricity had an impact on other industrial segments, for example metallurgy. A gradual decline in performance was recorded in most steelworks in Europe. One of our most significant customers, Liberty Steel Ostrava, got into serious financial difficulties during the year, resulting in the shutdown of two furnaces and a large part of the coking plant with all its consequences. There was a decrease in the transport of iron ore, black coal, coke, limestones and, as a result of production restrictions, their own production as well. Only in the **iron and engineering products,** it represented a loss of 1.2 million tonnes of goods. The newly acquired transports were unfortunately far from achieving such performance. The year-on-year decline in the **black coal and coke** commodity was not as significant; however, it was impacted by the negative situation in metallurgy and poor interest in supplies of this fuel to power plants. The market with this commodity was also negatively impacted by an unclear post-election situation in neighbouring Poland. Our subsidiary CD Cargo Poland became a carrier on the Polish part in transports for Třinecké železárny at the beginning of 2023.

The bad situation in construction materials from the beginning of the year did not improve during the year. The results in this commodity are consequences of lower purchases of desulphurising limestone arising from the limited energy generated from coal, lower interest in limestone for ironworks, and the construction production decline during the year. Out of the successful transport, it is worth mentioning, for example, hauling and spreading of gravel in the track closure in the Jihlava – Veselí nad Lužnicí section or hauling and spreading of gravel in the modernisation of railways in Slovakia. Subsidiary CD Cargo Slovakia took a significant part in this business case.

The overall lower volumes on the Czech railway also have to be perceived from the perspective of the ending bark beetle calamity. The pre-stocked woodworker market was no longer interested in **wood** for higher prices. Numerous woodworking plants not only in the Czech Republic but also in Austria reduced the purchase of pulpwood and roundwood. In the transports of finished products, we saw significant competition from the "road" facing the excess of capacities. We see the use of GigaWood large capacity vehicles as a competitive advantage. The situation slightly improved in the second half of the year; however, it was necessary to compete for transports with competing carriers offering very low prices.

The development in the **chemical products and liquid fuels** commodity can be seen as positive, it fared well due to, among others, an intensive business cooperation with ČEPRO. It was enhanced by the use of own tank wagons for import transports and own licence in Germany. In April, we took over transports of fuels from Slovakia to Poland that were previously provided by another carrier. We had new transports of gasoline from Germany. By contrast, there was a significant decline in transports of mineral fertilisers and the segment of heavy organic chemistry. The annual plan was exceeded by 12 thousand tonnes in the **food and agricultural products** commodity. Beyond the scope of the plan, even in a fiercely competitive environment, the Company provided numerous spot transports of grains, with the autumn beetroot campaign also being successful.

In 2023, the Company did not provide as many transports of military products as in the previous year. The **other** commodity can however boast year-round successful transport of units for the metro in Warsaw in cooperation with CD Cargo Poland, transport of state-of-the-art TGV unit for tests in Velim and transport of new RegioFox DMUs for České dráhy. After years of successful cooperation, three pairs of post express trains were cancelled at the end of April, and starting from May postal shipments are transported only in limited amount of individual full wagon loads. We continued the transports of humanitarian goods for Diakonie Broumov; an interesting challenge was the project of the Lemkin train.

Despite a rather negative start of the year, when the automotive industry faced a lack of components, the volume of 2022 was exceeded by almost 100 thousand tonnes in the **automotive** commodity. A gloomy situation in the Koper port resulted in the partial transfer of car transport to this port by road. The **combined transport** has not yet recovered from the Covid-19 pandemic which results in the decline in the performance in almost all operators. A significant factor was the cooperation with the METRANS operator in the transport of trains to North Sea ports. In addition, it is possible to positively assess the transport of intermodal transport trains from Lovosice through Lehrte to Rotterdam by ČD Cargo locomotives. Further, the transports for the MSC operator increased, we started transport, for example, on a new route from Bremerhaven to Mělník, etc.

The above-stated decrease in transport volumes in the Czech Republic can be seen from two time perspectives. In the short-term perspective, the decrease is caused by an economic recession; in the long-term perspective it is caused by the transformation in the power industry and heating industry where fossil fuels are being replaced. We successfully responded to both perspectives in 2023. We are preparing for and implementing the pilot transport of alternative fuels, examples include biomass, communal waste, and other solid alternative fuels. In addition, we gradually increase our capacities in international transports and actively discuss the necessary pre-conditions for the future modal shift.

Rolling Stock, Vehicle Management

To ensure the operation of freight trains, as of 31 December 2023, ČD Cargo, a.s. had 784 traction vehicles in its inventory, of which 53 were locomotives acquired under finance leases. 704 locomotives were used for transport operations. The freight wagons consisted of a total of 19,627 freight wagons of various type classes, of which 832 were acquired under finance leases, as of 31 December 2023. Of the total rolling stock, 16,351 wagons were in average running condition. The rolling stock was reinforced as needed by a group of leased wagons averaging to 4,116 wagons and up to 20 interoperable locomotives.

Maintenance and repairs of rolling stock were carried out mainly in the Company's own railway vehicle repair shops and also in external contracted resources. In 2023, a total of 3,720 vehicles (1,740 inspection repairs and 1,980 technical inspections) and 54 locomotives (inspection repairs in the R1 to R3 scope) underwent periodic repairs. The railway vehicle repair centres of ČD Cargo participated in the installation of electricity meters in electric locomotives.

In 2023, ČD Cargo, a.s. rolling stock of traction vehicles was expanded by 2 interoperable 393 class locomotives. Three modernised 742.71 class locomotives were delivered which initiated the second tranche of the order relating to a comprehensive modernisation of the total of 25 motor 742 class locomotives which involves equipping of the locomotives with the ETCS. The part of the project relating to the equipping of the 742.71 class locomotives by a mobile part of the ETCS system is co-financed by the Connecting Europe Facility ("CEF").

In 2023, the ETCS retrofitting was performed in the 130, 240, 363.5, 742.7, and 753.7 class locomotives. The project of the 240, 363.5 a 742.71 class locomotives retrofitting is co-financed by the Connecting Europe Facility. As part of the ETCS installation in the 130 and 753.7 class locomotives, ČD Cargo uses the financial support from the Transport Operational Programme, i.e. the projects are co-financed by the European Union (Cohesion Fund).

In terms of long-term leases of interoperable locomotives, thirteen 186, 187, 189, and 193 class locomotives were leased at the end of 2023. The long-term leases are further supplemented by short-term (ad hoc) leases of this category of traction vehicles according to operational needs.

The adaptation of the fleet of rail freight wagons to the needs of the transport market continued to ensure greater operability of the wagons in international traffic. 112 Zacns tank wagons were purchased for the ČD Cargo, a.s. rolling stock.

In order to comply with European legislation on the use of "silent wagons", ČD Cargo, a.s. continued to convert the wagons in its possession to composite brake shoes. At the end of 2023, ČD Cargo, a.s. had the total of 14,233 wagons compliant with "silent" operation (fitted with composite brake shoes). The replacement of brake blocks by LL blocks was co-financed by the European Union (Cohesion Fund) under the Transport Operational Programme, and 11,566 freight wagons had their blocks replaced during the specified implementation period as part of the subsidy project.

Expected Development, Objectives and Plans

In 2024, macroeconomists anticipate a very slight growth in the GDP and decrease in inflation. The Czech Republic is unfortunately the only EU country which was not able to deal with the negative impacts of shocks of prior years (the pandemic, war in Ukraine, energy crisis) and where the economic performance still has not returned to the level of the end of 2019. However, even the global economic situation is not favourable.

In line with principles of the Green Deal, the above discussed further decrease in the transport of solid fuels, primarily lignite, can be expected. As to liquid fuels, stability can be expected.iIndustrial production in the Czech Republic will also be impacted by the Green Deal, the construction production by the sufficiency/lack of investment funds primarily for infrastructure constructions. Another factor impacting primarily the combined transport segment is the complexity and unclarity of business relations between China, Europe, and the USA, as well as attacks on ships sailing through the Suez Canal.

ČD Cargo expects a slight decrease in transportation in the Czech Republic and further increase in transport services on foreign markets. The territorial activity of the ČD Cargo group is planned to expand. The Company will continue to implement measures aiming to increase the effectiveness of internal processes and use of its capacities and assets. In investments, ČD Cargo will make progress in modernisation and renewal of rolling stock. As to the latter, the Company will focus primarily on wagons for the transport of commodities where recession is not anticipated (intermodal transports, fuels). Projects for the implementation of mobile parts of the ETCS will continue.

The Company's economic objectives include, above all, maintaining a stable level of cash flow based, on the one hand, on securing the planned level of revenue from our own transport and, on the other hand, on the efficient use of cost items and ensuring sufficient liquidity for the Company in the medium term and long term. An important objective is to stabilise the profitability of the core business and other business activities.

Asset Management

Number of all buildings owned by ČD as of 1 January 2023	3,337
- of which recorded in the Real Estate Register	*2,756*
Number of all buildings owned by ČD as of 31 December 2023	3,089
- of which recorded in the Real Estate Register	*2,636*
Number of plots of land owned by ČD as of 1 January 2023	15,206
Number of plots of land owned by ČD as of 31 December 2023	15,934
Area of the plots of land owned by ČD (m^2) as of 1 January 2023	60,269,421
Area of the plots of land owned by ČD (m^2) as of 31 December 2023	59,800,233

In 2023, the number of plots of land registered in the Real Estate Register increased due to the division of the existing plots of land to small plots. The decrease in the number of plots of land resulted from the sales of redundant assets.

In total, the number of ČD buildings registered in the Real Estate Register decreased from 2,756 to 2,636, i.e. by 120 buildings, i.e. by approximately 4%.

Number of apartments in buildings owned by ČD as of 1 January 2023	530
- of which rented	*332*
Number of apartments in buildings owned by ČD as of 31 December 2023	509
- of which rented	*303*
Number of external rental contracts to premises and plots of land owned by ČD	7,691
- of which arising the number of leased structures recorded by ČD	*18,234*
Number of internal rental contracts to premises and plots of land owned by ČD	787
- of which arising the number of leased structures recorded by ČD	*10,644*
Revenues from external rental contracts for buildings, plots of land and apartments (CZK million)	338
Revenues from internal rental contracts for buildings, plots of land and apartments (CZK million)	107
Total external revenues from rental and operations of buildings (CZK million)	387
Revenue from the sale of assets (CZK million)	2,293

Most significant sales of assets in 2023 were made in Prague quarters of Krč, Modřany, and Braník (sets of plots of land), and in territories of Pardubice, Chomutov, and Přerov (sets of real estate).

In 2023, the Company continued repairs and investments aimed at improving the working environment primarily in premises where the employees of ČD live. The investment costs were expended on repairs of the structures owned by České dráhy, a.s. in Česká Třebová, Jaroměř, Kolín, and Meziměstí. In SÚ Maloměřice, the Company started an extensive renovation of roof cladding on the south and north repair halls. The first stage of gas connections installation in the compound of SÚ Česká Třebová and the neighbouring compound of the Supply Centre was started. In addition, construction work was completed on the renovation of the heating system in Kolín, the renovation of the water mains in the Česká Třebová compound, and the refurbishment of the administrative building in Brno (Kulkova street).

In 2023, we, together with SŽ and with the involvement of the OPC and the Ministry of Transport, continued to communicate with the representatives of the European Commission (EC) and as part of the pre-notification proceedings, we answered another series of additional questions from the EC, predominantly on the Methodology used to Valuate the Transaction of the 2nd Stage of the ÚMVŽST project (transfer of plots of land under the railway route to SŽ). Concurrently, in cooperation with SŽ and external advisors, we held a discussion with the representatives of the General Finance Directorate regarding the method of settling the VAT relating to the sale of assets in this transaction. In the localities of railway stations affected by investment projects of municipalities, we made necessary re-specifications of ČD assets located under the railway route intended for the transfer to SŽ.

In real estate projects, we sold all redundant project plots of land to development companies in the areas of the Prague-Smíchov and Prague Masaryk stations in 2023.

In connection with the further use of the Žižkov Freight Station site in 2023, we continued intensive cooperation with the Prague Metropolitan Authority, Prague 3 District, and other entities involved in the Prague City Council Commission for the use of the Žižkov Freight Station in preparing the sale of the listed dispatch building and related land. At the same time, we provided assistance to the development company in preparing the north and south part of the area for sale. We will continue with these activities in 2024 in an effort to sell our own plots of land in the Žižkov Freight Station (south, north, and dispatch building).

During 2023, we discussed the details of the sale of land with the A1+A2 wing of the dispatch buildings in the area of the Prague Masaryk Station with SŽ. At the same time, we continued to prepare the renovation of premises in the B building for the move of the members of local department of the Czech Police from the A1+A2 wing, and we initiated construction works on the renovation of the hallways in the E+F dispatch building which we plan to complete in 2024.

As part of the revitalisation process of the dispatch building in the Brno Main Station, the 4th stage of revitalisation of the right wing of the dispatch building was completed in 2023. We will continue the preparation of the sale of SUČ Benešova, Nové Sady and Platan 2A. We also initiated a discussion with BNSD with the topic of sales the Malá Amerika buildings where it is primarily necessary to settle the issue of ownership of the viaduct arches with SŽ which faces this issue with reservations.

Information and Communication Technology Services

The ČD Group provides for its ICT needs through its specialist IT and telecommunications divisions in individual companies as well as through its subsidiaries **ČD – Informační Systémy, a.s**. ("ČD–IS") and **ČD – Telematika a.s.** ("ČD–T").

ČD–IS has expertise in SW technologies, both passenger and freight transport and in the operation of complex information systems. ČD–IS additionally offers and provides IT services outside the ČD Group: to regional transport service organisers, cities, and other transport partners. The expected development of the public transport sector offers great opportunities for ČD–IS to apply its expertise in the development and implementation of information systems and their operation, including integration into existing environments. All this is done with the aim of gaining and maintaining the position of the main supplier and guarantor of ICT solutions for the entire transport sector. In 2023, the subsidiary ČD–IS underwent a number of changes both in human resources and internal operations. The principal objective of the Company in the past year was to get the operated applications and systems ready for an increased risk of cyber threats and increase in the effectiveness of provided services.

The subsidiary, ČD–T, focuses on providing key technology and telecommunications services, both to the ČD Group and to other major customers in the transport sector. ČD–T's main business verticals include the implementation of ETCS systems in railway vehicles and their further upgrades, as well as the operation, service, monitoring and development of telecommunications networks, the provision of data and telecommunications services, as well as a range of IT services, such as data centre services and system integration. ČD–T delivers its services to customers in the public administration and railway transport segments, as well as to large international companies and local internet connectivity providers. The year 2023 in ČD–T primarily saw the implementation of new comprehensive network and security services (ČDT–Net; Security Operations Centre – SOC).

The information and communication technology projects in the ČD Group in 2023 predominantly covered the following areas:

Passenger transport

- Programme of modernising passenger transport information systems: we completed the last stage of this strategic programme.
- Single tariff system (SJT or One Ticket): we continued with the further development of functionalities, primarily in reservations in graphic form, the optimisation of the renovation algorithm, and the inclusion of other products and advanced services in the SJT.
- Replacement of mobile personal cash registers: we initiated the generation renewal of personal cash registers, including software portation into a modern system environment. We will continue with this replacement in 2024.
- Installation of mobile ticket vending machines: we initiated the replacement and installation of new automated mobile ticket vending machines (vehicle and stationary version). We will continue with this replacement in 2024.
- Counting passengers in railway vehicles: we successfully performed the pilot verification of the technology used for counting passengers.
- Digitalisation of railway track documentation for train drivers: we started to use the new version of the ETD (Elektronický jízdní řád – Electronic Timetable) system for train drivers which newly includes a graphic implementation of the Route book.
- We implemented a system for the automated preparation of timetables for systems of passenger public transport, taking into account all specific aspects involved in replacement bus transport of the customer.
- We continued modifications and developments of systems for sales and ticketing in line with the requirements of business units and customers of transport services.

Freight transport

- ČD Cargo continued the implementation of new systems for carriage-to-train allocation and planning of shifts.
- ČD Cargo completed the development of the system for digitalisation of recognition of track edges, sidings, points, and classes of traction vehicles.
- The Company implemented a system for recording provable peruse of documents, including a mobile app.
- The implementation of the Microsoft 365 platform was successfully completed.
- ČD Cargo started to use AI technologies, e.g. in data mining from incoming invoices or in translations of documents.
- ČD Cargo implemented the SAP FIORI platform, primarily for the approval workflows of principal economic processes.

Cyber security and data protection

- Since 2021, ČD has been the operator of the Railway Transport Operator basic service following the resolution of the National Cyber and Information Security Agency. As such, its strategic objective is the permanent protection of all core and supporting assets of the Company.
- Together with ČD–IS and ČD–T, we continued to implement new tools, technologies, and network and security services, including the transition to new services ČDT–Net and SOC by ČD–T.

Digitalisation of Business, Repair and Administrative Processes

- In 2023, we continued the digitalisation of processes in the preparation and circulation of documents.
- We completed the preparation of the project for digitalisation of processes in human resources.
- We continued the implementation of the strategic programme of repair process digitalisation (digitalisation of used work reporting, digitalisation of the railway vehicle maintenance process, digitalisation of material recording, reliability maintenance and self-diagnostics).

ETCS

- In cooperation with ČD–T, we continued installing the European Train Control System ("ETCS") in additional train sets.
- ČD–T completed the homologation of the 163 and 363 classes for operations in the switch-on mode for Poland and Slovakia.
- ČD–T completed series installation in the 362 and 162 classes and in the 961 locomotive prototype and initiated a series installation.
- In addition, ČD–T completed the installation of the ETCS prototype in the first Pendolino locomotive.

Research and Development

In 2023, we implemented the following as part of activities of the subsidiary Výzkumný Ústav Železniční, a. s. ("VUZ"):

The project **RegioHyt – Regional hydrogen trains on Czech railways.** The project is supported as part of the **1st public tender in the KAPPA programme – Programme CZ RESEARCH EEA Grants and Norway Grants 2014–2021 from the funds of the Technology Agency of the Czech Republic ("TACR").** The objective of the project is to analyse Czech railways and identify areas where hydrogen trains would be a technical, economical, and environmentally friendly solution in comparison to other technologies (www.tacr.cz/soutez/program-kappa/prvni-verejna-soutez-kappa/).

The project **INTELIGENT_END4TRAIN – Research of operational aspects of an intelligent end of train.** The project is supported by the TACR – DOPRAVA2020+ programme, the 4th public tender. The research team includes, in addition to VUZ, the Czech Technical University in Prague, ČD Cargo, a.s. and TRS s.r.o. The principal objective of the project is the development and operational verification of a functional sample of the "Intelligent end of train" device (www.tacr.cz/soutez/doprava-2030/prvni-verejna-soutez-7/).

People

People are one of the key pillars in the ČD 2030 Strategy.

Stabilising staff, educating the next generation, and changing corporate culture to promote greater efficiency and customer orientation are steps that should continuously contribute to the successful implementation of the strategy.

One of the priority objectives in 2023 was decreasing barriers to getting a job in ČD and the creation of job opportunities for job applicants. We successfully developed a collaboration with Labour Offices, initiated negotiations with coordinators from regions for the issues of employment with an objective of presenting the opportunities in regions with low job availability. This also involves incentives for new job applicants such as a recruitment allowance, allowance for housing and commuting (mobility).

We innovated the long-term system of verifying mental fitness of employees in passenger transport to include personal screening, which allows for the comparison of the applicant's profile with type profiles of individual jobs and thus find an optimum job for every applicant. We use the opportunity to reach potential employees directly on social media and at career days, trade fairs, and employer presentations in schools and other organisations. A very positive response came to the marketing-recruitment event Vlak pracovních příležitostí ("Train of Job Opportunities") during which recruiters provided information on the job possibilities in ČD and held interviews with passengers directly in selected trains.

We continue to support vocational high schools. More than 500 students attended work experiences and sets of trainings. At the Technical High School – Academy of Crafts, we organised the first wave of the Mechanic of Railway Vehicles requalification course, the second wave of which has now also been initiated. The school, with large support from ČD, as a partner of the school and guarantor of practical education, newly launched the mechanic-repairer of railway vehicles apprenticeship, which sees a great level of interest from students.

Another key strategic objective is the continuous development of the Company's training. ČD's training and testing regulations have been updated in accordance with European legislation and its requirements for ECM certification.. In 2023, new types of training were introduced for all maintenance employees. A training module for drivers is being used for the purpose of ETCS, which is part of the national implementation plan for ERTMS setting the parameters for uniform, improved and safer railway transport security. This contributes to the fastest possible adaptation to the new system and complements the ETCS module already implemented on the simulators.

ČD devotes great attention and effort to the training of drivers. More than 200 new candidates for this position are trained each year, and 2023 was no exception. We use modern technology in the training of new and current train drivers. We are developing e-learning training modules, and are the first carrier in the Czech Republic to introduce training on a simulator for train drivers, and have fundamentally innovated the test questions for examinations. At present, we are introducing a motivational programme for train drivers in training to make the entire training process shorter.

In the training of train conductors, we focused on the development of their competence to handle difficult communication situations, which is a new part of professional training. For the field of maintenance, we have set up and ran a pilot test of the mentoring system as part of the "Instructor Academy".

Next year, in order to modernise the methods and tools of passenger transport education and to further enhance safety, we will launch a virtual reality project, which will contribute significantly to an experiential and more effective learning system. The pilot system, which is being prepared, focuses on the process of putting trains into operation. In 2023, a new model of training courses for new train crew employees was also launched.

As part of the ECM (maintenance system), new exams and courses for maintenance employees are gradually being implemented:

- course for new employees who take part in the maintenance of railway vehicles;
- e-learning for senior maintenance employees;
- preparation of learning materials for the verification of professional competence of employees in vehicle maintenance; and
- obligatory school for employees in maintenance.

In addition, we increased the effectiveness of the process in psychological support for those who were part of extraordinary events, increased the speed of passing information and set the procedures in order for the psychological support to be provided in the shortest time possible.

International Relations

In 2023, České dráhy continued in active communication with European institutions which, in an effort to get the dynamics of international transport "moving", prepared a number of new legislative proposals defining rules for railway transport.

We welcome the European Commission's efforts in increasing the development and dynamics of cross-border transport. However, we emphasise that this development must not be driven at the expense of the already achieved results – e.g. in suburban, intrastate long-term or freight transport. We promote that the newly prepared tools and mechanisms respect the principles of public transport organisation and reflect the transport needs of individual countries/regions. To this end, we actively take part in the activities and preparation of materials under the patronage of railway organisations (e.g. CER, UIC, CIT). In certain topics, we enter in direct communication with European bodies as we are one of the most experienced carriers in Europe. This primarily involves sharing of experience in the implementation of interoperability elements, which is an area in which the Czech Republic is one of the pioneers. The Company uses the EU Newsletter, prepared by the Department of International Relations, as one of its communication tools European institutions. The Newsletter explains the reality of the railway carrier in context. The Company regularly takes part in the entire legislative process of the European Union in topics which are of direct concern. In 2023, it was primarily the mobility package with the proposal of multimodal passengers' rights, the review of the ITS directive and the delegated act, TTR (timetable redesign project), the allocation of capacities, and the issuance of certificates to train drivers.

In 2023, the Company became an even more active player on the international scene. It intensified the collaboration with the Forum Trade Europe (FTE) international organisation, primarily in European matters. The CEO of České dráhy, Michal Krapinec, was appointed to the CER Management Committee – the supreme authority of the railway association which associates the largest carriers in Europe. He also became a member of the CEO Passenger's Coalition, which undertook to improve the availability of international tickets and passenger experience in traveling abroad by train.

In 2023, we were successful in applying to the European Commission for a new railway connection on the Prague – Hamburg – Copenhagen route, which was selected as one of ten pilot projects. This is an EC initiative with the objective of understanding the obstacles behind the lack of cross-border connections and creating conditions which will make it easier to establish the same. The Prague – Copenhagen project was selected for a number of reasons – a clear agreement between the cooperating carriers, rapid implementation from 2026, the deployment of new vehicles and finally, the long-term unstable situation in the allocation of capacities. ČD's ambition is to highlight the complexity and interdependence of the decision-making of individual entities and the carriers' business vulnerability, in an effort to bring attention to the need for ensuring long-term predictability of infrastructure operators' investment activities.

Environmental Protection

The national carrier České dráhy provides nationwide passenger rail transport. A central environmental, social and corporate governance (ESG) reporting system has been introduced to ensure sustainability, responsible environmental behaviour and risk management.

In 2023, ČD monitored especially the following areas as part of environmental protection: waste management, water management, air protection, nature and landscape protection, chemicals and chemical mixtures, incidents involving the release of harmful substances, and soil and groundwater remediation.

Environmental protection is managed centrally by the General Directorate of ČD through the Asset Management and Development department.
In cooperation with the Legal department, legislative changes relating to environmental protection are published quarterly in the Register of Legal and Other Requirements, which is communicated to the relevant organisational units without delay. In order to ensure uniform implementation of legislative obligations in the conditions of ČD, internal regulations are continuously updated and training sessions are organised. Central contracts are concluded for selected activities to ensure efficiency and eliminate risks. The Asset Management and Development department continuously monitors the fulfilment of legislative obligations in accordance with internal regulations.

Main areas of environmental protection coordinated by the General Directorate of ČD through the Asset Management and Development department:

- **Waste management** – on the basis of valid contracts, waste is transferred for further recovery or disposal in accordance with legislation. As part of waste management, records are kept and production is monitored on an ongoing basis, including classification (hazardous waste and other waste) and, where appropriate, the use of take-back. For other waste, emphasis is placed on its separation. Waste management is also assessed within the framework of ESG data collection.
- **Water management** – monitoring of drinking water and wastewater is carried out in accordance with the central contract. The subject of monitoring is the continuous check of compliance with the limits set by the state administration. As part of water management, the limits of the permitted quantities of water abstracted and discharged are also monitored. The evaluation of ESG data also includes the results of drinking water management and wastewater management. Emergency plans are continuously updated at sites where pollutants are handled.
- **Air protection** – compliance with legislative obligations is ensured by the implementation of activities under the general service agreement – measurement of emissions, boiler efficiency and flue gas inspection. Furthermore, ČD continuously modernises thermal pollution sources not only because of the tightened legal limits for air pollution, but also with regard to the efficiency of the thermal source. At the same time, air protection is also monitored in the context of ESG data collection.
- **Nature and landscape protection** – as part of the maintenance of trees in accordance with legislation, the safety of traffic and the travelling public must be ensured. In order to be environmentally friendly, mechanical weed control is preferred to chemical weed control on the land of ČD.
- **Chemical substances and chemical mixtures** – the storage and subsequent handling of these substances must always comply with established procedures defined in the safety data sheets and at the same time meet fire protection requirements. The current safety data sheets for chemical substances or mixtures handled on site must be accessible to all employees.
- **Releases of harmful substances** – in the event of an emergency in which hazardous substances are released into the environment, the emergency manager of the General Directorate of ČD, in cooperation with the relevant organisational unit of ČD, always proceeds in accordance with the Regulation for the Protection of the Environment from Pollution by Hazardous Substances. After the initial intervention of the fire brigade in the case when it was not possible to eliminate the environmental consequences of the emergency, appropriate action is taken in accordance with the decision of the state administration authority.
- **Soil and groundwater remediation** – based on the results of the risk analysis and the development of a remediation project, the state administration will decide on the remedial action. The state administration shall check the scope of the remediation works and the results achieved on a semi-annual basis.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of
České dráhy, a.s.

Having its registered office at: Nábřeží L. Svobody 1222, 110 15 Prague 1

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion on the financial statements and the consolidated financial statements

We have audited the accompanying financial statements of České dráhy, a.s. (the "Company") prepared on the basis of IFRS Accounting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2023, and the separate statement of profit or loss, separate statement of other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

We have audited the accompanying consolidated financial statements of České dráhy, a.s. and its subsidiaries (the "Group") prepared on the basis of IFRS Accounting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion:

- The accompanying financial statements give a true and fair view of the financial position of České dráhy, a.s. as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.
- The accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and the Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements and the consolidated 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	**How it was addressed**
PROVISION FOR LEGAL DISPUTES The Company's management made an assessment of the provision for legal disputes, including an assessment of the likely outcome, which is based on a number of estimates and assumptions as of the date of the financial statements and is therefore subject to significant uncertainty. The Company accounts for a provision for the estimated amount of a fine relating to an alleged cartel agreement concerning the sale of railway vehicles. In the financial statements as at 31 December 2021, 31 December 2022 and 31 December 2023, this provision is recognised in the amount of CZK 1,000 million. Given the number of estimates and assumptions and the resulting uncertainty, the determination of the appropriate amount of the provision is considered a key audit matter. Further information on this key audit matter is provided in Note 26.1.2. to the separate financial statements and Note 27.1.2. to the consolidated financial statements.	We verified the provisions for legal disputes and carried out the following audit procedures: • We obtained a summary of significant legal disputes. • We obtained confirmation letters from law firms. • We held discussions with the Company's legal department regarding the development of legal disputes and the potential impact on the amount of the provision. • We assessed the assumptions used to estimate the amount of the provision for legal disputes. • We assessed whether the disclosures in the financial statements relating to provisions for legal disputes meet the disclosure requirements of the relevant standards.

Key Audit Matter	How it was addressed
RISK OF IMPAIRMENT OF NON-CURRENT ASSETS The Group's management identified that there are indications of impairment of non-financial assets for the Passenger transport cash-generating unit, which includes vehicles, other individual movable assets used to operate passenger rail transport, and the allocated part of corporate assets. The Group determined the recoverable amount of the cash-generating unit as the value in use. Certain assumptions in determining the recoverable amount are dependent on the judgement of the Group's management, in particular: • The assumption of the amount of future cash flows in the Group's budgets and plans ("business plans"); • The growth rate used; • The discount rate used to determine the present value of future cash flows. Based on periodic inventory taking and internal analyses, the Group's management identified assets where there is significant doubt as to their future usability. • In 2022, the Group's management decided to decommission the 380 class locomotives from its fleet after 2025. The recoverable amount of these assets was determined as the fair value of the locomotives (based on an expert's opinion) less the cost to sell. The impairment of these locomotives amounts to CZK 1,634 million as at 31 December 2023.	We performed the following audit procedures in connection with the assessment of the recoverable amount of the Passenger transport cash-generating unit: • We obtained the discounted cash flow mathematical model used by the Company's management to determine the impairment of assets. • We compared the model input information with the Company's medium-term plan approved by the Company's Board of Directors. • We verified the mathematical accuracy of the model. • We compared the actual results for 2023 with the Company's plan for the purpose of evaluating the accuracy of the forecasts prepared by the Company's management. • We utilised our valuation experts who: - tested the determination of the discount rate; • - considered the appropriateness of the long-term growth rate used; and • - evaluated the adequacy of the model used. • We assessed whether the disclosures in the financial statements relating to potential impairment of assets meet the disclosure requirements of the relevant standards (IAS 36 and IAS 1). We performed the following audit procedures in connection with the assessment of the recoverable amount of the 380 class locomotives and 680 class units: • We reviewed the expert's opinion.

Key Audit Matter	How it was addressed
• The Group identified impairment of the 680 class units. The recoverable amount of these assets was determined as the fair value of the units (based on an expert's opinion) less the cost to sell. The impairment of these units amounts to CZK 438 million as at 31 December 2023. Given the significant level of judgements used by management and the materiality of the impairment amount recognised, we consider the valuation of the above assets to be a key audit matter. Further information on this key audit matter is provided in Note 14.1 to the separate financial statements and Note 15.1 to the consolidated financial statements.	• We engaged our valuation experts who reviewed the valuation report and assessed the input data and assumptions used by the external expert to estimate the market value of the assets. • We interviewed the Company's management. • We assessed whether the disclosures in the financial statements relating to potential impairment of assets meet the disclosure requirements of the relevant standards (IAS 36 and IAS 1).

Other Matter

The financial statements of České dráhy, a.s. for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 18 April 2023. The consolidated financial statements of České dráhy, a.s. for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 18 April 2023.

Other Information in the Consolidated Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the financial statements, consolidated financial statements, and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements and the consolidated financial statements does not cover the other information. In connection with our audit of the financial statements and the consolidated 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 and the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgements made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements and the consolidated financial statements is, in all material respects, consistent with the financial statements and the consolidated financial statements.
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements and the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements and the consolidated financial statements in accordance with IFRS Accounting 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 the financial statements and the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the consolidated financial statements, the Board of Directors is responsible for assessing 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 Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements and the consolidated 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 ISAs 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 and consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the consolidated 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 control.
- Obtain an understanding of internal control 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 internal control of the Company and the Group.
- 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 Company's and the Group'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 statement and the consolidated 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 Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements and the consolidated financial statements, including the disclosures, and whether the financial statements and the consolidated 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 on the consolidated financial statements.

We communicate with the Board of Directors and the Supervisory Board 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 that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Information required by Regulation (EU) No. 537/2014 of the European Parliament and the Council

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

<u>Appointment of the Auditor and the Period of Engagement</u>

We were appointed as the auditors of the Group by the General Meeting of the Company on 29 March 2023. This is our first year serving as the Group's auditor.

<u>Consistence with the Additional Report to the Audit Committee</u>

We confirm that our audit opinion on the financial statements and the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 April 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

<u>Provision of Non-audit Services</u>

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements and the consolidated financial statements.

In Prague on 16 April 2024

Audit firm:

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

Statutory auditor:

Václav Loubek
registration no. 2037

Consolidated Financial Statements for the Year 2023 Prepared in Accordance with IFRS Accounting Standards 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: 709 94 226

Components of Consolidated Financial Statements for the year 2023 prepared in accordance with IFRS Accounting Standards as adopted by the EU:

Consolidated Statement of Profit or 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 authorised for issue on 16 April 2024.

Statutory Body of the Reporting Entity	
Michal Krapinec Chairman of the Board of Directors	
Lukáš Svoboda Member of the Board of Directors	

Consolidated Statement of Profit or Loss for the Year Ended 31 December 2023

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
Continuing operations			
Revenues	6	49,148	44,222
Other operating income	7	3,833	2,027
Cost of services, raw materials and energy	8	(18,591)	(17,949)
Staff costs	9	(17,203)	(16,156)
Depreciation, amortisation and impairment	10	(9,605)	(9,194)
Other operating expenses	11	(1,051)	(996)
Impairment losses and gains on financial assets (net of reversal)		4	(52)
Profit from operating activities		**6,535**	**1,902**
Finance costs	12	(3,326)	(2,192)
Finance income	13	606	670
Share in the profit of associates and joint ventures	19	11	16
Profit before tax		**3,826**	**396**
Income tax	14	(630)	(535)
Profit/(Loss) for the period from continuing operations		**3,196**	**(139)**
Profit/(Loss) for the period		**3,196**	**(139)**
Attributable to the owners of the Company		3,195	(138)
Attributable to the non-controlling interests		1	(1)

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2023

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
Profit/(Loss) for the period		**3,196**	**(139)**
Actuarial remeasurements of employee defined benefit obligations		-	48
Revaluation of investments in equity instruments at fair value through other comprehensive income		23	(73)
Related income tax		(6)	14
Other comprehensive income for the period (items that are not subsequently reclassified to profit or loss)		**17**	**(11)**
Foreign exchange gains or losses from translation of foreign operations		82	(37)
Change in cash flow hedging reserve	25.2.3	(1,064)	(1,445)
Change in cost of hedging reserve	25.2.4	84	(7)
Related income tax		185	275
Other comprehensive income for the period (items that may be reclassified to profit or loss in subsequent periods)		**(713)**	**(1 214)**
Other comprehensive income for the period after tax		**(696)**	**(1,225)**
Total comprehensive income for the period		**2,500**	**(1,364)**
Attributable to the owners of the Company		2,499	(1,363)
Attributable to the non-controlling interests		1	(1)

Consolidated Statement of Financial Position as at 31 December 2023

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
Property, plant and equipment	15	97,726	91,236
Investment property	16	941	938
Goodwill	17	141	141
Intangible assets	17	1,128	1,103
Right-of-use assets	18	6,852	5,760
Investments in joint ventures and associates	19	206	203
Deferred tax asset	14	8	14
Trade receivables	21	1,416	545
Other financial assets	22	568	933
Other assets	23	36	36
Total non-current assets		**109,022**	**100,909**
Inventories	20	3,078	2,824
Trade receivables	21	3,853	4,243
Prepaid income tax		31	25
Other financial assets	22	1,262	936
Other assets	23	1,618	2,710
Cash and cash equivalents	24	8,119	8,761
Total current assets		**17,961**	**19,499**
TOTAL ASSETS		**126,983**	**120,408**
Share capital	25	20,000	20,000
Other capital reserves	25	17,240	17,885
Retained earnings/(Accumulated losses)		339	(2,812)
Equity attributable to the owners of the Company		**37,579**	**35,073**
Non-controlling interests	1.3.1	55	50
Total equity		**37,634**	**35,123**
Loans, borrowings and lease liabilities	26	65,849	53,344
Deferred tax liability	14	1,891	1,759
Provisions	27	290	590
Other financial liabilities	28	1,186	1,116
Other liabilities	29	63	102
Total non-current liabilities		**69,279**	**56,911**
Trade payables		6,406	6,765
Loans, borrowings and lease liabilities	26	6,911	15,061
Current income tax payable		134	65
Provisions	27	1,657	2,233
Other financial liabilities	28	718	777
Other liabilities and contract liabilities	29	4,244	3,473
Total current liabilities		**20,070**	**28,374**
TOTAL LIABILITIES AND EQUITY		**126,983**	**120,408**

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2023

(CZK million)

	Share capital	Other capital reserves			Retained earnings/ (Accumulated losses)	Equity attributable to the owners	Non-controlling interests	Total equity
		Share premium	Cash flow hedging reserve	Other reserves *				
Balance as at 1 January 2022	**20,000**	**16,440**	**2,245**	**458**	**(2,653)**	**36,490**	**51**	**36,541**
Comprehensive income								
Loss for the period	-	-	-	-	(138)	(138)	(1)	(139)
Other comprehensive income for period	-	-	(1,171)	(54)	-	(1,225)	-	(1,225)
Total comprehensive income for the period	**-**	**-**	**(1,171)**	**(54)**	**(138)**	**(1,363)**	**(1)**	**(1,364)**
Transactions with the owners								
Allocation to reserve fund	-	-	-	21	(21)	-	-	-
Other	-	-	-	(54)	-	(54)	-	(54)
Total transactions with the owners for the period	**-**	**-**	**-**	**(33)**	**(21)**	**(54)**	**-**	**(54)**
Balance as at 31 December 2022	**20,000**	**16,440**	**1,074**	**371**	**(2,812)**	**35,073**	**50**	**35,123**
Comprehensive income								
Profit for the period	-	-	-	-	3,195	3,195	1	3,196
Other comprehensive income for period	-	-	(865)	169	-	(696)	-	(696)
Total comprehensive income for the period	**-**	**-**	**(865)**	**169**	**3,195**	**2,499**	**1**	**2,500**
Transactions with the owners								
Allocation to reserve fund	-	-	-	22	(22)	-	-	-
Other	-	-	-	29	(22)	7	4	11
Total transactions with the owners for the period	**-**	**-**	**-**	**51**	**(44)**	**7**	**4**	**11**
Balance as at 31 December 2023	**20,000**	**16,440**	**209**	**591**	**339**	**37,579**	**55**	**37,634**

** Other reserves are described in Note 25.2.*

Consolidated Cash Flow Statement for the Year Ended 31 December 2023

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year		3,196	(139)
Income tax	14	630	535
Dividend income	7	(1)	(2)
Finance costs – interest	12	2,607	1,879
Gain on the sale and disposal of non-current assets	7	(2,041)	(229)
Depreciation and amortisation	10	9,379	8,910
Impairment losses on assets	7, 10, 11	306	225
Change in provisions	27	(876)	(433)
Foreign exchange losses/(gains)		450	(355)
Share of the profit of joint ventures and associates	19	(11)	(16)
Other		(374)	19
Cash flows from operating activities before changes in working capital		**13,265**	**10,394**
(Increase)/Decrease in trade receivables	21	157	(807)
(Increase) in inventories	20	(331)	(698)
(Increase) in other assets	22, 23	(247)	(425)
Increase/(Decrease) in trade payables		52	(845)
Increase in other payables and contract liabilities	28, 29	832	796
Total changes in working capital		**463**	**(1,979)**
Cash flows from operating activities before interest, dividends and tax		**13,728**	**8,415**
Interest paid	12	(2,420)	(1,710)
Income tax paid	14	(254)	(199)
Dividends received	7	16	26
Net cash flows from operating activities		**11,070**	**6,532**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	15	(13,931)	(20,329)
Proceeds from disposal of property, plant and equipment	7	1,926	294
Payments for investment property	16	(93)	(3)
Payments for intangible assets	17	(325)	(362)
Acquisitions of subsidiaries, net of purchased funds	1.3	-	(47)
Acquisition of joint ventures	1.3	-	(7)
Interest received	13	368	87
Net cash flows used in investing activities		**(12,055)**	**(20,367)**

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Use of loans and borrowings	30	14,849	28,369
Repayments of loans and borrowings	30	(12,707)	(8,003)
Repayment of principal of lease liabilities	30	(1,688)	(1,211)
Net cash flows from financing activities		**454**	**19,155**
Net increase/(decrease) in cash and cash equivalents		**(531)**	**5,320**
Cash and cash equivalents at the beginning of the period		8,761	3,572
Effects of changes in foreign exchange rates		(111)	(131)
Cash and cash equivalents at the end of the period	24	**8,119**	**8,761**

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023

- 1. General Information 81
- 2. Significant Accounting Policies 85
- 3. Application of New and Revised International Financial Reporting Standards 97
- 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty 98
- 5. Segment Information 99
- 6. Revenues 102
- 7. Other Operating Income 105
- 8. Cost of Services, Raw Materials and Energy 106
- 9. Staff Costs 107
- 10. Depreciation, Amortisation and Impairment 108
- 11. Other Operating Expenses 108
- 12. Finance Costs 109
- 13. Finance Income 109
- 14. Income Tax 109
- 15. Property, Plant and Equipment 114
- 16. Investment Property 119
- 17. Intangible Assets and Goodwill 120
- 18. Right-of-use Assets 122
- 19. Investments in Joint Ventures and Associates 123
- 20. Inventories 125
- 21. Trade Receivables 125
- 22. Other Financial Assets 126
- 23. Other Assets 129
- 24. Cash and Cash Equivalents 129
- 25. Equity 130
- 26. Loans, Borrowings and Lease Liabilities 133
- 27. Provisions 137
- 28. Other Financial Liabilities 139
- 29. Other Liabilities and Contract Liabilities 140
- 30. Changes in Liabilities from Financing Activities 141
- 31. Related Party Transactions 142
- 32. Operating Lease 147
- 33. Capital Commitments 147
- 34. Contingent Liabilities and Contingent Assets 147
- 35. Financial Instruments 149
- 36. Post Balance Sheet Events 174
- 37. Approval of the Consolidated Financial Statements 174

1. General Information

1.1. 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, the State Organisation Správa železniční dopravní cesty (Railway Route Administration) and the Amendment to Railways Act No. 266/1994 Coll., as amended, and State Enterprise Act No. 77/1997 Coll., as amended. On 1 January 2003, the state organisation České dráhy discontinued its activities 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 organisation, "SŽ").

The Company is the parent company of the České dráhy Group. The České dráhy Group (the "Group" or the "ČD 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 2023. The reporting period is the calendar year, i.e., from 1 January 2023 to 31 December 2023.

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 at Nábřeží L. Svobody 1222, Prague 1.

1.2. Principal activity

The Group's main business activity is operating the railway transport. Other activities of the Group include mainly property management. In addition, the Group is engaged in other activities relating to its principal business activity.

The assets comprising the railway infrastructure do not belong to the Group, but to the state. The right to operate these 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

Company name	Registered office	Corporate ID:	Ownership percentage *		Degree of influence
			31 Dec 2023	31 Dec 2022	
České dráhy, a.s.	Prague 1, Nábřeží L. Svobody 12/1222	70994226			
ČD – Telematika a.s.	Prague 3, Pernerova 2819/2a	61459445	100	100	Control
Výzkumný Ústav Železniční, a.s.	Prague 4, Novodvorská 1698	27257258	100	100	Control
DPOV, a.s.	Přerov, Husova 635/1b	27786331	100	100	Control
ČD Cargo, a.s.	Prague 7, Jankovcova 1569/2c	28196678	100	100	Control
ČD – Informační Systémy, a.s.	Prague 3, Pernerova 2819/2a	24829871	100	100	Control
Dopravní vzdělávací institut, a.s.	Prague 8, Prvního pluku 621/8a	27378225	100	100	Control
ČD travel, s.r.o.	Prague 1, 28. října 372/5	27364976	51.72	51.72	Control
CD Cargo Germany GmbH	Germany – Frankfurt am Main, Niddastrasse 98-102	HRB 73576	100	100	Control
CD Cargo Austria GmbH	Austria – Wien, Rotenturmstraße 22/24	FN 291407s	100	100	Control
CD Cargo Poland Sp. z o.o.	Poland – Warsaw, Grzybowska 4/3	140769114	100	100	Control
CD Cargo Slovakia, s.r.o.	Slovakia - Bratislava, Seberíniho 1	44349793	100	100	Control
CD Cargo Hungary Korlátolt Felelősségű Társaság	Hungary - 4150 Püspökladány, Keleti sor utca 26-4	09-09-031990	100	100	Control
ČD Cargo Adria d.o.o.	Croatia – Zagreb, Savska cesta 32	081371623	100	100	Control
ČD Cargo Logistics, a.s.	Prague 1, Opletalova 1284/37	27906931	100	100	Control

Company name	Registered office	Corporate ID:	Ownership percentage *		Degree of influence
			31 Dec 2023	31 Dec 2022	
Terminal Brno, a.s.	Brno, K terminálu 614/11	28295374	66.93	66.93	Control
ČD-DUSS Terminál, a.s.	Lovosice, Lukavecká 1189	27316106	51	51	Control
RailReal a.s.	Prague 1, Na Florenci 2116/15	26416581	66	66	Control
ČD Restaurant, a.s.	Praha 3, Prvního pluku 81/2a	27881415	100	100	Control
ODP-software, spol. s r.o.	Prague 3, Pernerova 2819/2a	61683809	100	100	Control
ČD relax s.r.o.	Prague 1, 28. října 372/5	05783623	51.72	51.72	Control
CHAPS spol. s r.o.	Brno, Bráfova 1617/21	47547022	100	100	Control
ČSAD SVT Praha, s.r.o.	Prague 8, Křižíkova 4-6	45805202	100	100	Control
SVT Slovakia s.r.o.	Banská Bystrica, Partizánska cesta 97	36620602	80	80	Control
INPROP, s.r.o.	Žilina, Rosinská cesta 12	31609066	100	100	Control
Tramex Rail s.r.o.	Blansko, Masarykova 1355/12	26246422	100	100	Control
VUZ Slovakia, s.r.o.	Slovakia - Bratislava, Seberíniho 1	53156587	100	100	Control
ČD Bus a.s.	Olomouc, Jeremenkova 231/9	17377404	100	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:

Company name	Registered office	Corporate ID:	Ownership percentage *		Degree of influence
			31 Dec 2023	31 Dec 2022	
Smíchov Station Development, a.s.	Prague 8, U Sluncové 666/12a	27244164	51 **	51 **	Joint control
Žižkov Station Development, a.s.	Prague 8, U Sluncové 666/12a	28209915	51 **	51 **	Joint control
Masaryk Station Development, a.s.	Prague 1, Na Florenci 2116/15	27185842	34	34	Significant influence
JLV, a.s.	Prague 4, Chodovská 228/3	45272298	38.79	38.79	Significant influence
RAILLEX, a.s.	Prague 2, Belgická 196/38	27560589	50	50	Joint control
BOHEMIAKOMBI, spol. s r.o.	Prague 1, Opletalova 921/6	45270589	30	30	Significant influence
Ostravská dopravní společnost, a.s.	Ostrava, U Tiskárny 616/9	60793171	50	50	Joint control
Ostravská dopravní společnost - Cargo, a.s.	Ostrava, U Tiskárny 616/9	05663041	20	20	Significant influence
CR-City a.s.	Prague 1, Na Florenci 2116/15	26705427	34	34	Significant influence
Terminál Mošnov, a.s.	Prague 1, Na Florenci 1332/23	14198240	25	25	Significant influence
Smart Ticketing, s.r.o.	Brno, Bráfova 1617/21	02033011	-	50	Joint control

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

*** In accordance with the Articles of Association of these entities, the unanimous consent of the parties sharing control is required for important decisions to be taken.*

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

Company name	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
CD 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 brokerage of raw materials and fuel, storage and other
ČD Cargo Adria d.o.o.	Rail freight transport, wholesale brokerage of raw materials and fuel, 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
RailReal a.s.	Engineering in investment construction
ČD Restaurant, a.s.	Hospitality and real estate activities
Smíchov Station Development, a.s.	Design, renovations, modernisation and development of the Smíchovské 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
Ostravská dopravní společnost – Cargo, a.s.	Operation of railway transportation and lease of railway vehicles and railway wagons
CR-City a.s.	Real estate activities
Terminál Mošnov, a.s.	Operation of a combined transport terminal
ODP-software, spol.s r.o.	Development and support of mobile POS systems for train passenger 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
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.	Design and solutions of information system for inventory management
Tramex Rail s.r.o.	Development, production, installation and servicing of electronic equipment and components for railway applications for rolling stock
VUZ Slovakia, s.r.o.	Research and development in the field of transport, brokerage
ČD Bus a.s.	Operation of bus transport

Entities included in the consolidation are 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 27 June 2023, the Group entered into a contract for the transfer of an equity investment in Smart Ticketing s.r.o.; the 50% equity investment of ČD – Informační Systémy, a.s. was purchased by InterWay CZ s.r.o.

On 31 March 2022, the Company acquired a 100% share in VYDOS BUS a.s., a company engaged in bus transport services, and became its sole shareholder. The acquisition price of this share was CZK 58 million.

The fair value of identifiable assets acquired, and liabilities assumed are shown in the following table:

(CZK million)

Property, plant and equipment	78
Inventory	1
Trade receivables	12
Cash and cash equivalents	11
Other assets	11
Loans, borrowings and lease liabilities	37
Trade payables	11
Other liabilities	6
Deferred tax liability	1
Total net identifiable assets acquired	**58**

(CZK million)

Purchase consideration:	
Cash paid	58
Total purchase consideration	**58**

(CZK million)

Net cash outflow on acquisition:	**47**
Outflow of cash	58
Cash and cash equivalents acquired	(11)

On 1 August 2022, ČD Reality a.s. and VYDOS BUS a.s. were transformed (both companies the "Dissolved Companies") on the basis of a merger project. As a result of this merger, the Dissolved Companies were dissolved, and their assets were transferred to the successor company, ČD Bus a.s., which assumed the legal status of the Dissolved Companies.

In December 2022, ČD Cargo, a.s., through its subsidiary ČD Cargo Logistics, a.s., acquired a 25% share in Terminál Mošnov, a.s., which operates a combined transport terminal in the Mošnov industrial zone near Ostrava Airport.

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 consolidated financial statements are presented below. In the reporting period, these accounting policies are consistent with the accounting policies used in previous periods, if not stated otherwise.

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the EU requires the use of certain critical accounting estimates. It also requires the Group's 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 Note 4.

The going concern basis of the Group

At the time of approval of the consolidated 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 consolidated 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 financial information of the Company and entities controlled by the Company (subsidiaries). Control is achieved when the Group has power over an 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 the 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 the 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 the 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; and
- 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 consolidated statement of 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 Company and to the non-controlling interests. The total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in 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 date of acquisition 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 recognised 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 recognised and measured in accordance with IAS 12 Income Taxes, or IAS 19 Employee Benefits, respectively.

Goodwill is measured as the excess of the consideration transfer of the amount of any non-controlling interests in an 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 recognised 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 the proportionate share of non-controlling interest on the recognised 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.

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.

The Group recognises revenue when the performance obligation is satisfied by transferring a promised service or good (asset) to a customer, once the customer obtains control of that asset. Revenue is recognised in the amount of the transaction price allocated to the performance obligation. The received payment is initially recognised as a contract liability that is subsequently released to revenue as the performance obligation is satisfied.

Revenue from passenger transport is recognised in the period in which transport services are provided, taking into account the stage of completion of a service (e.g., validity period of long-term travel documents). Revenue from domestic and international freight transport is recognised when a service is provided with respect to a stage of completion of individual transactions determined by the actual day/kilometres of transport performed in the referred period to the total number of day/kilometres of transport.

In contrast to domestic transport, international transport also includes the settlement process of proceeds and revenues from foreign carriers and sellers of international tickets. In some cases, such settlements may be delayed by a few months. For this reason, revenue as at the date a service has been provided is estimated based on the information available to the Group.

In addition to selling tickets and similar documents, a significant part of revenue from transport includes revenue from the usage of passenger train units in the RIC mode („Regolamento Internazionale delle Carrozze"), based on the International Coach Regulation, with the settlement on a quarterly basis. Therefore, in this case revenue is also estimated.

Revenues from customers such as the Ministry of Transport ("MT"') and the regions are key revenues and are included in the Passenger transport segment. Payments from customers are discussed in more detail in Notes 4.2.1 and 31.5.

For passenger transport revenues, the Group applies practical expedient in accordance with IFRS 15.B16 and recognises revenues in the amount it has a right to invoice.

2.5.2. Other income

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

2.6. Lease

2.6.1. The Group as a lessee

At the inception date of a contract, the Group assesses whether it is a lease contract or contains an embedded lease. The Group recognises a right-of-use asset and a corresponding lease liability in respect of all lease contracts in which the Group is a lessee, except for 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, low-value office furniture and phones). For these leases, the Group recognises lease payments as operating expenses on a straight-line basis over the term of a lease.

At the commencement date of the lease, 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 are discounted using the interest rate implicit in a lease or, if this rate is not available, incremental borrowing rate is 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 payments 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 Group 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 is 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; and
- 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 Loans, borrowings and lease liabilities in the consolidated statement of financial position.

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.

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

At the end of each reporting period, the Group assesses whether there is any indication that right-of-use assets are impaired and recognises any identified impairment losses in accordance with the rules described in Note 2.13 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 recognised 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 consolidated statement of profit or loss.

As a practical expedient, IFRS 16 allows the lessee not to separate non-lease components from lease components and instead to account for each lease component and any associated non-lease components as a single arrangement. The Group did not use this practical expedient. For the 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 the given component.

2.6.2. The Group as a lessor

Leases in which the Group is a lessor are classified as finance or operating leases. Leases that transfer substantially all significant 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 recognised 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 reporting 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 recognises an allowance for expected credit losses from lease receivables in accordance with the accounting policies for financial assets carried at amortised cost.

Income from finance lease is calculated based on the gross carrying value of lease receivables, except for credit-impaired financial assets, for which interest income is calculated on the basis of their net carrying value, i.e., after deducting the allowance for expected credit losses.

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 Company.

Transactions denominated in foreign currencies are translated and recorded at the fixed exchange rate announced by the Czech National Bank on the date of the transaction. If the current exchange rate does not change significantly over time, the Group uses the average exchange rate of this 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 remeasured for changes in foreign exchange rates after initial recognition.

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 items affect profit or loss.

For the purposes of presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries and associates are translated to CZK using exchange rates prevailing at the date 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. Grants

Government grants and grants from the European Union 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.

Grants whose primary condition is that the Group should purchase, construct or otherwise acquire fixed assets are recognised as a reduction of cost of those fixed assets in the consolidated statement of financial position.

Other government grants are recognised in profit or loss as Other operating 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.

2.9. 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 statement of financial position represent their present value and are calculated using the incremental method. Additions to these liabilities and provisions are expensed in the reporting period in which services that entitle the employees to such benefits have been rendered.

The provision for long-term employee benefits is determined using the Projected Unit Credit Method, with an actuarial valuation at the end of each reporting period. Gains or losses arising from adjustments and changes in actuarial assumptions for post-employment defined benefit obligations are included in other comprehensive income, changes in the provision for other long-term benefits are recognised in profit or loss.

2.10. Taxation

The income tax includes current tax and deferred tax.

2.10.1. Current tax

Current tax calculation is based on taxable profit for the year. The taxable profit differs from the profit recorded in the consolidated statement 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 not taxable or deductible. The Group's current tax is calculated using tax rates in accordance with the legislation that has been enacted or substantively enacted by the end of the reporting period.

2.10.2. 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. These deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets or liabilities in a transaction which does not have an impact on taxable or accounting 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the Group intends to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

2.10.3. Current tax 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 other comprehensive income or directly in equity), in which case tax is also recognised outside of profit or loss.

2.11. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated impairment losses and, in case of buildings and equipment, less accumulated depreciation. 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 depreciation of other assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, 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.

The following useful lives were used in the depreciation calculation:

	Number of years
Buildings	20–50
Vehicles	
Locomotives	*20–35*
Passenger train units	*20–30*
Freight wagons (without components)	*25–33*
Optical fibres	50
Machinery, equipment and other	8–20

Property, plant and equipment items are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of these assets. Gain or loss arising on the disposal or retirement 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 railway vehicles. The costs of repairs are recorded as a separate asset (component) and are depreciated over the useful life of repairs. The depreciation period of the components is determined for the class of railway vehicles and component types. Freight railway vehicles are depreciated using the output component method based on mileage.

Average depreciation period:

	Number of years
First substantial repair of units	4
First substantial repair of vehicle	6
Major repair of vehicle	11

Strategic spare parts (exchangeable units) are reported within Vehicles and are depreciated when consumed (fitted to the vehicle) over the useful life.

Other spare parts that meet the conditions for classification in accordance with IAS 16 are reported in the Components. Other spare parts are depreciated when consumed (fitted to the vehicle). The depreciation period is set at half the estimated useful life of the vehicle for which it is used.

2.12. 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.

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its sale. Gains and losses on derecognition of the property (determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss in the period in which the property is derecognised.

The depreciation method and useful life are determined by the Group for investment property in accordance with the property included in the Buildings category (see Note 2.13).

2.13. Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over 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.

The following useful lives were used in the amortisation calculation:

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

An intangible asset is derecognised upon disposal, or when no future economic benefits are expected from its use or sale. 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.

2.14. Goodwill

Goodwill is initially measured at the amount corresponding to the difference between the consideration increased by the value of any non-controlling interest and by the fair value of any previously held interest and the net amount of acquired identifiable assets and assumed liabilities and contingent liabilities. After initial recognition, goodwill is recognised 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 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 a cash-generating unit is lower than its carrying amount, an impairment loss 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.

2.15. 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 impossible 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 a 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.

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 had been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognised immediately in profit or loss.

2.16. Investments in joint ventures and associates

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 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 showing 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.

If the Group's entities trade with a joint venture or an associate of the Group, profits or losses arising from those transactions with a 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.

2.17. 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. Spare parts that meet the conditions of classification in accordance with IAS 16 are recognised as Property, plant and equipment (Note 2.13).

2.18. 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 recognised 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 recognised 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.

2.19. 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, except for trade receivables that have no significant financing component – these are measured at transaction price. 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. Transaction costs that are directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss 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 business model 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.

2.19.1. 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 of 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.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can 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 through the expected life of the financial asset to that asset's net carrying amount. If a financial asset is considered to be credit-impaired, interest income is calculated using the asset's residual value (i.e. gross book value less allowances).

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

2.19.2. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments that were designated as investments in equity instruments at fair value through other comprehensive income at initial recognition.

These investments in equity instruments are initially measured at fair value increased by transaction costs. Subsequently, they are measured at fair value while gains and losses from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve. Cumulative profits or losses will not be reclassified to profit or loss upon derecognition of equity investments; they will be transferred to retained earnings instead.

Dividends from these equity investments are recognised in profit or loss when the Company has the right to receive the dividends.

2.19.3. Financial assets at amortised cost

Financial assets at amortised cost 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 by applying the effective interest method less any allowance for expected credit losses. These assets are recognised when the cash, goods or services are provided directly to a debtor by the Group with no intention of trading the receivable.

2.19.4. Financial assets at fair value through profit or loss

Financial assets which are not measured at amortised 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 measured at fair value at the end of each reporting period, and all gains or losses of fair value are recognised 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 35.3.

2.19.5. Expected credit losses on financial assets

Financial assets, other than those at fair value through profit or loss, are reduced by an allowance for expected credit losses as at the asset recognition and at subsequent measurement the amount of expected credit losses is always updated at the financial statements date.

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 and receivables from finance leases.

The simplified approach is applied to short-term trade receivables not containing a significant financing component and finance lease receivables. The Group recognises the allowances for receivables assessed on a portfolio basis based on the impairment matrix including historical inputs and inputs reflecting future expectations. The Group calculates allowances for portfolio assessed receivables.

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; and
- payment discipline.

In respect of all other financial instruments, the Group reports the lifetime expected financial losses if there was a significant increase in credit risk since the initial recognition. However, if there was no significant increase in credit risk since the initial recognition, the Group calculates a loss allowance for this financial instrument in the amount corresponding to a 12-month expected credit loss.

(i) Significant increase in credit risk

When assessing whether the credit risk of a financial asset has increased significantly since the initial recognition, and when assessing the expected credit loss, the Group sees the information which is relevant and available without unreasonable costs or efforts as adequate and well-founded information.

It involves both qualitative information and analyses, based on historical experience of the Group and informed assessment of the credit risk, including forward-looking information.

The Group assumes that the credit risk in a financial asset significantly has increased if it is by more than 30 days past due date, if the Group has no adequate and provable information that would document otherwise.

In spite of the above, the Group assumes that there has been no significant increase in the credit risk relating to a financial instrument since the initial recognition date, if it is determined that the credit risk of the financial instrument is low as at the financial statements date. A financial instrument bears low credit risk, if:

1) financial instruments have a low default risk;
2) the debtor has a strong ability to meet its contractual obligations in cash flows in the near future; and
3) negative changes in economic and business conditions may, however, do not have to limit the ability of the debtor to meet its contractual obligations in cash flows in the long term.

The Group believes that there is a low credit risk in a financial asset if an external credit rating of this asset corresponds to the "investment grade" under the internationally recognised definition or if the international rating is not available, the asset has a "no default" internal rating. No default means that the counterparty has a strong financial position and there are no due amounts from prior periods.

(ii) Definition of default

Based on historical experience, the Group uses the following criteria for default determination:

- if information gathered from internal or external sources indicates that the debtor will not be able to pay its creditors in full (announcement of bankruptcy, initiation of insolvency proceedings); and
- If the financial asset is more than 90 days past due and the Group has no reasonable and supportable information to demonstrate that the delay in payments is not a sufficient criterion for default determination.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired if one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- breach of contract, such as a delay or more than 90 days past due;
- restructuring of a financial liability (for economic or contractual reasons relating to the debtor's financial difficulties) under the conditions that the Group would not otherwise consider; and
- it is likely that a debtor will enter bankruptcy or another financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures. Any recoveries made are recognised in profit or loss.

2.19.6. 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 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 amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. Upon derecognition of an investment in an equity instrument that the Group recognises 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.

2.19.7. 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 held for trading 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 recognised 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 35.3.

2.19.8. Financial liabilities measured at amortised cost

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

Loans are initially recognised at fair value less transaction costs. In subsequent periods, loans are carried at amortised cost using the effective interest method.

2.19.9. 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. Modifications to liabilities only occur when the debtor changes and are recorded as derecognition.

2.19.10. 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.

The derivative with a positive fair value is recorded as a financial asset, while the derivative with a negative fair value is recorded as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has an enforceable right to set-off and intends to exercise it.

2.19.11. Hedge accounting

The Group designates certain hedging instruments as either cash flow hedges or fair value hedges. Hedge accounting is kept in compliance with the requirements of IFRS 9.

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 existence of an economic relationship, 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 basis spreads separately from cross-currency interest rate swaps and the forward element from foreign currency swaps through other comprehensive income and are accumulated in the costs of hedging reserve. If the hedged item is time related, the amount accumulated in the costs of hedging reserve is reclassified to profit or loss through amortisation on a systematic and rational basis.

If the 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.

2.19.12. 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. The Group recognises the cost of hedging reserve separately if the criteria of cost recognition through other comprehensive income have been 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.

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. Termination of hedge accounting is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedging reserve remains in equity until a forecast transaction occurs. When a forecast transaction is no longer expected to occur, gain or loss accumulated in the cash flow hedging reserve is reclassified immediately to profit or loss.

2.19.13. Fair value hedge

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

The Group terminates hedge accounting only when the hedging relationship (or part of it) ceases to meet the qualification criteria (after rebalancing, if relevant), i.e., upon expiration of the hedging instrument or upon its sale, termination or implementation of the contract in question. The termination of hedge accounting is accounted for prospectively. The adjustment to the carrying amount of the hedged item that reflects fair value and arises from the hedged risk is amortised to profit or loss from the date of the adjustment.

3. Application of New and Revised International Financial Reporting Standards

3.1. Standards and interpretations effective for the annual period ended 31 December 2023

During the year ended 31 December 2023, the following standards, amendments and interpretations (relevant to the Group's activities) became effective:

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 17 and its amendments – *Insurance Contracts*	1 January 2023
IAS 1 – Amendments to IAS and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*	1 January 2023
IAS 8 – Amendments to IAS 8 – *Definition of Accounting Estimates*	1 January 2023
IAS 12 – Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
IAS 12 – Amendments to IAS 12 – *International Tax Reform – Pillar Two Model Rules*	1 January 2023

Amendments to IAS 1 and IAS 12 have an impact on the disclosure of Group's accounting policies, however, they have no impact on the valuation, recognition or presentation of any items in the consolidated financial statements. The amendment to IAS 12 relating to the international tax reform introduces a temporary exception to the accounting requirements for deferred tax – the Group used an exception for the recognition and disclosure of information on deferred tax assets and liabilities relating to pillar two income taxes.

The adoption of other above-stated amendments during the period did not have a significant impact on the disclosures or amounts presented in these financial statements.

3.2. Standards and interpretations applied before the effective date

The Group has not applied any standard or interpretation before the effective date.

3.3. Standards and interpretations issued but not yet applied

As at the date of the consolidated financial statements, the following standards and interpretations (relevant to the Group's activities) were published, but were not yet effective or applied by the Group before their effective date.

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
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 16 – Amendment to IFRS 16 – *Lease Liability in a Sale and Leaseback*	1 January 2024
IAS 1 – Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*	1 January 2024
IAS 1 – Amendment to IAS 1 – *Non-current Liabilities with Covenants*	1 January 2024
IAS 7 and IFRS 7 – Amendments to IAS 7 and IFRS 7 – *Supplier Finance Agreement*	1 January 2024 *
IAS 21 – Amendments to IAS 21 – *Lack of Exchangeability*	1 January 2025 *

** Standards, amendments and interpretations that have not yet been approved for use in the EU.*

The management of the Group expects that the adoption of the above-stated amendments to the existing standards in the following periods will not have a significant impact on the Group's consolidated financial statements.

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 clearly evident 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 judgements, basic 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 presented below.

4.1. Key sources of estimation uncertainty

4.1.1. Impairment of assets

The Group assesses the recoverable amount of all assets when there are indicators of their impairment. This assessment is based on expected 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

The Group is involved in a number of regulatory, court and out-of-court commercial disputes. Where the criteria for the recognition of provisions have been 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 34.1.

4.1.3. Lease – rental period

The Group uses an estimate to determine the lease term of contracts concluded for an indefinite period. This estimate is made with respect to the period and termination conditions of individual contracts. For the contracts with indefinite duration assessed on the basis of a portfolio approach, the Group has determined the estimated lease term as a period of 5 years for buildings and 3 years for freight railway vehicles, as considering past experience, it is reasonably certain that these leases will not be terminated by the Group during this estimated lease term.

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

Contracts with SŽ for the lease of premises at railway stations are concluded for individual areas (six large framework contracts). When measuring individual leased premises under the same contract, the Group used aggregation into portfolios 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 evaluated in the same way as contracts with indefinite duration and the estimated lease term is therefore set at 5 years for the purposes of lease term determination. Lease contracts contain an early termination clause with a 3-month notice period (without a sanction for an early rental termination), however, the Group uses it primarily in the event of termination of transport at a given location.

4.2. Judgements used in the application of accounting policies

4.2.1. Payments from the public service customers

The Group receives payments from the regional budgets and the budget of the Ministry of Transport for railway transport as the provision of public services. The Group also receives payments from the budget of the Ministry of Transport for the provision of transport services at discounted prices for selected population groups (students, pensioners, individuals with reduced mobility). The Group recognises these payments as revenue from contracts with customers.

In case of payments from the customers, the essence of the contractual relation with the regions or the Ministry of Transport is the order of transport service availability in a given location or on a specified line. This service is provided by the Group regardless of the number of passengers using a transportation service. This is not a grant since the contract for the transport service availability has been competed among a number of parties interested in providing that service and the subject of the service is not transport of specific individuals, but public transportation availability. Payment for the provision of the service is received by the company which wins a tender and ensures the service by its own means, in compliance with the competed conditions.

The preferential prices for different categories of customers (students, pensioners, individuals with reduced mobility) are measures where a customer uses the service (passenger transport) and pays only part of its price and the remaining part is paid by a third party (in this case the state). It is not a grant to the carrier since in fact it is a direct subsidy of a market price to the population groups and not an economic incentive to influence the behaviour of a carrier 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, which is the Board of Directors of the Company, 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 transport – other information on rail passenger transport is disclosed in Note 6.
- Freight transport – other information on rail freight transport is disclosed in Note 6.
- Asset management – the segment provides the management and operations of real estate owned by the Group, including internal and external leases.
- Certification and testing - the segment provides research, development and testing in the field of rolling stock and infrastructure equipment.

5.2. Segment revenues and expenses

The Ministry of Transport is a significant customer whose transactions represent more than 10% of revenues. These revenues belong to the Passenger transport segment. For more information, refer to Note 31.5.

Below is the analysis of the Group's results by reportable segments in the format in which the report is presented to the chief operating decision maker.

(CZK million)

2023	Passenger transport	Freight transport	Asset management	Certification and testing	Total of reportable segments	Other *	Elimination **	Total
Revenue								
of which revenues from external customers outside the Group	**29,880**	**15,248**	**135**	**822**	**46,085**	**2,310**	**-**	**48,395**
Revenue from passenger transport	11,141	-	-	-	11,141	-	-	11,141
Revenue from freight transport	-	14,159	-	-	14,159	-	-	14,159
Revenue from the customers	18,515	-	-	-	18,515	-	-	18,515
Revenue from other services	224	1,089	135	822	2,270	2,310	-	4,580
of which revenues in the Group	**264**	**72**	**-**	**14**	**350**	**4,228**	**(4,578)**	**-**
Revenue from passenger transport	8	-	-	-	8	-	(8)	-
Revenue from other services	256	72	-	14	342	4,228	(4,570)	-
Total revenue from contacts with customers	**30,144**	**15,320**	**135**	**836**	**46,435**	**6,538**	**(4,578)**	**48,395**
Rental income outside the Group	29	391	331	2	753	-	-	753
Rental income in the Group	10	18	50	-	78	3	(81)	-
Total rental income	**39**	**409**	**381**	**2**	**831**	**3**	**(81)**	**753**
Total revenue	**30,183**	**15,729**	**516**	**838**	**47,266**	**6,541**	**(4,659)**	**49,148**
Traction costs	(3,693)	(1,696)	-	-	(5,389)	-	13	(5,376)
Payment for the use of the railway infrastructure and allocated infrastructure capacity	(1,812)	(1,048)	-	-	(2,860)	-	1	(2,859)
Other services, consumption of materials and energy	(5,557)	(3,636)	(622)	(182)	(9,997)	(4,529)	4,170	(10,356)
Total purchased consumables and services	**(11,062)**	**(6,380)**	**(622)**	**(182)**	**(18,246)**	**(4,529)**	**4,184**	**(18,591)**
Staff costs	(10,265)	(5,402)	(267)	(174)	(16,108)	(1,522)	427	(17,203)
Depreciation and amortisation	(6,255)	(2,665)	(243)	(61)	(9,224)	(298)	175	(9,347)
Impairment ***	(339)	76	-	-	(263)	5	-	(258)
Other operating income	975	460	2,589	6	4,030	652	(849)	3,833
Other operating expenses	(368)	(578)	(7)	(87)	(1,040)	(106)	95	(1,051)
Impairment losses and gains on financial assets (net of reversals)	15	(23)	4	-	(4)	8	-	4
Profit/(Loss) on operating activities	**2,884**	**1,217**	**1,970**	**340**	**6,411**	**751**	**(627)**	**6,535**
Finance costs	(2,729)	(592)	(12)	(6)	(3,339)	(73)	86	(3,326)
Finance income ****	468	108	23	20	619	63	(65)	617
Profit/(Loss) before tax	**623**	**733**	**1,981**	**354**	**3,691**	**741**	**(606)**	**3,826**
Income tax expense	(111)	(407)	(8)	(70)	(596)	(87)	53	(630)
Profit/(Loss) for the period from continuing operations	**512**	**326**	**1,973**	**284**	**3,095**	**654**	**(553)**	**3,196**
Profit/(Loss) for the period	**512**	**326**	**1,973**	**284**	**3,095**	**654**	**(553)**	**3,196**

** The Others column includes income and expense of all subsidiaries apart from ČD Cargo Group and Výzkumný Ústav Železniční, as well as income and expenses that do not belong to Passenger transport and Asset management segments.*

*** The Elimination column includes eliminations of intragroup relations.*

**** Impairment includes impairment losses on Property, plant and equipment and investment property.*

***** It also includes a share of profits of associates and joint ventures.*

(CZK million)

2022	Passenger transport	Freight transport	Asset management	Certification and testing	Total of reportable segments	Other *	Elimination **	Total
Revenue								
of which revenues from external customers outside the Group	**26,771**	**14,238**	**145**	**685**	**41,839**	**1,710**	**-**	**43,549**
Revenue from passenger transport	9,758	-	-	-	9,758	-	-	9,758
Revenue from freight transport	-	13,299	-	-	13,299	-	-	13,299
Revenue from the customers	16,839	-	-	-	16,839	-	-	16,839
Revenue from other services	174	939	145	685	1,943	1,710	-	3,653
of which revenues in the Group	**224**	**69**	**-**	**5**	**298**	**3,951**	**(4,249)**	**-**
Revenue from passenger transport	7	-	-	-	7	-	(7)	-
Revenue from other services	217	69	-	5	291	3,951	(4,242)	-
Total revenue from contacts with customers	**26,995**	**14,307**	**145**	**690**	**42,137**	**5,661**	**(4,249)**	**43,549**
Rental income outside the Group	39	351	281	2	673	-	-	673
Rental income in the Group	11	9	37	-	57	2	(59)	-
Total rental income	**50**	**360**	**318**	**2**	**730**	**2**	**(59)**	**673**
Total revenue	**27,045**	**14,667**	**463**	**692**	**42,867**	**5,663**	**(4,308)**	**44,222**
Traction costs	(4,173)	(1,751)	-	-	(5,924)	-	10	(5,914)
Payment for the use of the railway infrastructure and allocated infrastructure capacity	(1,812)	(1,138)	-	-	(2,950)	-	1	(2,949)
Other services, consumption of materials and energy	(4,908)	(3,586)	(540)	(173)	(9,207)	(3,627)	3,748	(9,086)
Total purchased consumables and services	**(10,893)**	**(6,475)**	**(540)**	**(173)**	**(18,081)**	**(3,627)**	**3,759**	**(17,949)**
Staff costs	(9,824)	(4,892)	(265)	(149)	(15,130)	(1,427)	401	(16,156)
Depreciation and amortisation	(6,021)	(2,555)	(190)	(72)	(8,838)	(346)	140	(9,044)
Impairment ***	(180)	48	-	-	(132)	(18)	-	(150)
Other operating income	1,281	373	301	5	1,960	642	(575)	2,027
Other operating expenses	(390)	(464)	(38)	(20)	(912)	(162)	78	(996)
Impairment losses and gains on financial assets (net of reversals)	10	(35)	-	-	(25)	(27)	-	(52)
Profit/(Loss) on operating activities	**1,028**	**667**	**(269)**	**283**	**1,709**	**698**	**(505)**	**1,902**
Finance costs	(1,756)	(430)	4	(1)	(2,183)	(61)	52	(2,192)
Finance income ****	600	73	23	14	710	36	(60)	686
Profit/(Loss) before tax	**(128)**	**310**	**(242)**	**296**	**236**	**673**	**(513)**	**396**
Income tax expense	(317)	(101)	-	(57)	(475)	(62)	2	(535)
Profit/(Loss) for the period from continuing operations	**(445)**	**209**	**(242)**	**239**	**(239)**	**611**	**(511)**	**(139)**
Profit/(Loss) for the period	**(445)**	**209**	**(242)**	**239**	**(239)**	**611**	**(511)**	**(139)**

** The Others column includes income and expense of all subsidiaries apart from ČD Cargo Group and Výzkumný Ústav Železniční, as well as income and expenses that do not belong to Passenger transport and Asset management segments.*

*** The Elimination column includes eliminations of intragroup relations.*

**** Impairment includes impairment losses on Property, plant and equipment and investment property.*

***** It also includes a share of profits of associates and joint ventures.*

6.Revenues

6.1. Breakdown of revenue

(CZK million)

	2023	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Passenger transport segment	**29,880**	**26,771**
Revenue from passenger transport – fare	11,141	9,758
Domestic passenger transport	*7,831*	*6,868*
*International passenger transport **	*3,310*	*2,890*
Revenue from passenger transport – payments from public service customers	18,515	16,839
Payment from the state budget	*4,991*	*4,534*
Payment from the regional budgets	*13,524*	*12,305*
Revenue from other services	224	174
Freight transport segment	**15,248**	**14,238**
Revenue from freight transport	14,159	13,299
Revenue from domestic freight transport	*4,728*	*5,153*
Revenue from foreign freight transport	*9,431*	*8,146*
Revenue from freight transport – Germany	*3,111*	*2,411*
Revenue from freight transport – Austria	*1,105*	*1,113*
Revenue from freight transport – Slovakia	*1,202*	*1,034*
Revenue from freight transport – Poland	*1,720*	*1,507*
Revenue from freight transport – other countries	*2,293*	*2,081*
Other revenue from freight transport **	882	734
Other revenue from domestic freight transport	*478*	*463*
Other revenue from foreign freight transport	*404*	*271*
Other transport-related services	207	205
Asset management segment	**135**	**145**
Revenue from other services	135	145
Certification and testing segment	**822**	**685**
Revenue from other services	822	685
Not assigned to segments	**2,310**	**1,710**
Sale of other services	2,310	1,710
Sale of other services recognised over time	*2,310*	*1,710*
Sales of telematics services	*1,705*	*1,189*
Sales of other own services	*605*	*521*
Total revenue from contacts with customers	**48,395**	**43,549**

(CZK million)

	2023	2022
RENTAL INCOME		
Asset management segment	331	281
Freight transport segment	391	351
Passenger transport segment	29	39
Certification and testing segment	2	2
Total rental income	**753**	**673**
Total revenue	**49,148**	**44,222**

** Includes sales for the use of passenger train units in the RIC (Regolamento Internazionale delle Carrozze) regime and performance of train units and personnel in cross-border transport in the amount of CZK 1,209 million for 2023 (2022: CZK 1,174 million).*

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

Payments from public service customers relate to regional and long-distance domestic passenger transport.

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 contracts with the state and the regional authorities except for trains operated at commercial risk.

In 2023, the Group 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 2022/23 timetable took effect, the Group has operated a total of 21 long-distance transport lines on the basis of 7 public service contracts, which represents 81% of services ordered as a public service by the Ministry of Transport of the Czech Republic.

In 2023, regional transport was operated on the basis of 36 concluded contracts, most of which have been valid since 2020. The vast majority of contracts were concluded in the regime of “market consultation” and subsequent direct assignment. An exception are the contracts with the South Moravian region, with the Pilsen region for the P2 operating set and with the Liberec region for the JIHOŽ operating set which were concluded within a standard tender procedure.

The year 2023 was the first year after the COVID-19 pandemic which was not directly impacted by restrictions on movements of persons imposed by the state which had a positive impact on revenue collection. However, 2023 was concurrently the last year when it was possible to enter into public service contracts in the form of a direct assignment and numerous customers used this possibility. The Group entered into new contracts or amendments to contracts on extension of their effect in the Central Bohemian, South Bohemian, Liberec, Ústí nad Labem, Pilsen, Moravian-Silesian, South Moravian regions, with the Capital City of Prague and the Ministry of Transport for services in long-distance transport. On the contrary, the Group did not manage to extend the services in the Pilsen region for the P1 Jih line, in the South Moravian region for the PS Jih line (starting from December 2024) and the Ústí nad Labem region for PS Elektrická páteř (starting from December 2026) and in the tender organised by the Ministry of Transport, the Group did not extend its services on the R9 Praha – Havlíčkův Brod – Brno line (starting from December 2026).

The overall scope of freight transport has been stable for a long time. The growth and modernisation of the Group’s rolling stock lead to the expansion of both domestic and foreign freight transport. The war conflict in Ukraine caused a significant decrease in the volume of services in Russia and Kazakhstan only. Invoiced services to other countries, including domestic, are growing.

Significant transactions with the main customers with government participation are presented in Note 31.5.

6.2. Contract liabilities and refund liabilities

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

(CZK million)

Contract liabilities related to revenue from contracts with customers	31 Dec 2023	31 Dec 2022
Prepaid products – i.e., kilometric bank, annual ticket	203	169
Prepayments received	85	303
Revenues from domestic passenger transport over time	2	3
Contract liabilities from telecommunication services	173	142
Other contract liabilities	19	17
Total contract liabilities	**482**	**634**

(CZK million)

Refund liabilities	31 Dec 2023	31 Dec 2022
Liabilities from rebates and claims	148	51
Other refund liabilities	527	89
Total refund liabilities	**675**	**140**

An increase in refund liabilities in 2023 is due to the current annual settlement with the regions, based on which a part of compensations for 2023 received in the form of advance payments will be returned to the regions during the year.

6.2.1. Revenues from contract liabilities

(CZK million)

Revenues included in the opening balance of contract liabilities	2023	2022
Revenue from passenger transport	160	129
Sale of other services	462	209
Total	**622**	**338**

6.2.2. Remaining contract liabilities

Passenger transport services are usually provided within a few hours and paid by passengers for just before the service is provided. In case of prepaid tickets, a contract liability is recognised. As of 31 December 2023, the Group has concluded 35 contracts with public service customers (the Ministry of Transport and the regions). Validity of these contracts varies individually from 1 to 15 years. According to these contracts, the Group is obliged to provide transport services to the specified extent. Income is recognised in the amount that the Group has a right to invoice. The customers usually pay a fixed amount based on the payment schedule. If services provided by the Group exceed payments, a receivable is recognised due to the fact that a right to payment 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 services provided, a liability is recognised. The Group does not disclose the allocated transaction price under practical expedient from IFRS 15.121. Transport revenue is disclosed in Note 6.1.

7. Other Operating Income

(CZK million)

	2023	2022
Gain from disposal of property, plant and equipment and investment property	2,041	229
Gain on disposal of redundant assets	132	129
Compensations for shortage and damage	216	286
Contractual penalties and default interest	43	67
Dividends received	1	2
Foreign exchange gains – operating	321	231
Release of provisions (Note 27)	727	802
Income from grants	12	41
Income from energy recovery	106	78
Other	234	162
Total other operating income	**3,833**	**2,027**

An increase in the gain from the disposal of property, plant and equipment and investment property in 2023 is due to considerable disposal of property in the areas of Smíchov and Masaryk train stations. The Group reported a gain of CZK 1,767 million from these disposals.

8. Cost of Services, Raw Materials and Energy

(CZK million)

	2023	2022
Traction costs	(5,376)	(5,914)
Traction fuel (diesel)	*(1,627)*	*(1,992)*
Traction electricity	*(3,749)*	*(3,922)*
Payment for the use of railroads	(2,768)	(2,855)
Infrastructure capacity allocation	(91)	(94)
Other services, raw materials and energy	(11,372)	(10,231)
Consumed material	*(2,614)*	*(2,038)*
Consumed other energy	*(592)*	*(551)*
Consumed fuel	*(101)*	*(112)*
Repairs and maintenance	*(876)*	*(830)*
Travel costs	*(320)*	*(252)*
Low-value rent or short-term rent	*(309)*	*(327)*
RIC vehicle charges *	*(420)*	*(390)*
RIV vehicle charges *	*(169)*	*(279)*
Transportation charges	*(1,685)*	*(1,779)*
Substitute bus service	*(5)*	*(161)*
Services of dining and sleeping carriages	*(222)*	*(192)*
Services associated with the use of buildings	*(348)*	*(301)*
Operational cleaning of rolling stock	*(623)*	*(573)*
Border area services	*(530)*	*(573)*
Advertising and promotion costs	*(127)*	*(111)*
Commission for the sale fares paid to other carriers, resellers	*(174)*	*(154)*
Operation, maintenance and other IT-related services	*(1,209)*	*(475)*
Environmental services	*(43)*	*(33)*
Consulting, expert and auditing services	*(167)*	*(211)*
Complex convalescent stays for employees	*(43)*	*(14)*
Catering	*(68)*	*(55)*
Recreational services	*(197)*	*(169)*
Other services	*(530)*	*(651)*
Cost of services, consumption of material and energy	**(19,607)**	**(19,094)**
Capitalised services and consumption of material	1,016	1,145
Total cost of services, raw materials and energy	**(18,591)**	**(17,949)**

** RIC and RIV vehicle charges are fees for the inclusion of foreign train units/wagons in the Group's trains in the Czech Republic, which are billed in the RIC (Regolamento Internazionale delle Carrozze) and RIV (Regolamento Internazionale Veicoli) regimes in accordance with the International Coach Regulations (RIC) and the International Wagon Regulations (RIV) in the international transport.*

In 2022, as a result of the energy crisis, the Group recognised the aid of CZK 253 million following a government regulation regarding the support of POZE (supported renewable energy sources). The Group recognised this aid as a decrease in the value of traction electricity. In 2023, the Company received no similar aid.

Other services include the cost of craft work, the cost of investigating extraordinary events, the cost of operating lodgings and further consist of other individually insignificant items.

Consulting, expert and auditing services also include audit and non-audit services provided by Deloitte network companies. The 2022 figures relate to PwC network companies, as PwC was the statutory auditor. The total remuneration for these services is presented below:

(CZK million)

	2023	2022
Statutory audit of annual financial statements	(5)	(6)
Other non-audit services	(2) *	(9)
Total	**(7)**	**(15)**

** Methodological assistance in the field of direct and indirect taxes on selected projects.*

9. Staff Costs

(CZK million)

	2023	2022
Payroll costs and severance pays	(12,734)	(11,884)
Statutory social security and health insurance	(1,603)	(1,451)
Contributions to post-employment benefits	(2,923)	(2,786)
Other employee benefits costs	(364)	(290)
Staff costs	**(17,624)**	**(16,411)**
Capitalised staff costs	421	255
Total staff costs	**(17,203)**	**(16,156)**

Other employee benefits costs mainly include allowances for meals, allowances for convalescent stays, allowances for life insurance and remuneration of members of statutory bodies.

10. Depreciation, Amortisation and Impairment

(CZK million)

	2023	2022
Depreciation of property, plant and equipment	(7,409)	(7,494)
Depreciation of investment property	(29)	(35)
Depreciation of right-of-use assets	(1,640)	(1,191)
Amortisation of intangible assets	(316)	(324)
Impairment losses on property, plant and equipment, and investment property (Note 15, 16)	(258)	(150)
Depreciation, amortisation and impairment	**(9,652)**	**(9,194)**
Capitalised depreciation	47	-
Total depreciation, amortisation and impairment	**(9,605)**	**(9,194)**

In 2023, Depreciation of property, plant and equipment was decreased by CZK 32 million (2022: increased by CZK 134 million) due to the allocation of costs of creation and usage of the provision for onerous contracts (Note 27.3).

11. Other Operating Expenses

(CZK million)

	2023	2022
Write-off of inventories to net realisable value	(52)	(23)
Costs of contractual fines and default interest	(38)	(12)
Taxes and fees	(29)	(26)
Insurance	(238)	(211)
Foreign exchange losses – operating	(298)	(267)
Shortages and damages compensation	(141)	(176)
Expenses for uniforms and personal protective equipment	(47)	(45)
Reimbursement of employee expenses	(16)	(17)
Fines and penalties	(3)	(11)
Other expenses	(189)	(208)
Total other operating expenses	**(1,051)**	**(996)**

12. Finance Costs

(CZK million)

	2023	2022
Interest on bank overdrafts and loans	(1,132)	(730)
Interest on issued bonds	(1,275)	(868)
Interest on lease liabilities	(199)	(101)
Interest on secured loans	(73)	(61)
Other interest expense	(145)	(264)
Less: amounts included in the cost of qualifying assets	229	162
Unwinding of the discount of provisions for liabilities and charges	(12)	(17)
Expenses from derivative operations	(2)	(31)
Foreign exchange losses on loans, borrowings and lease liabilities	(645)	(222)
Bank charges	(14)	(13)
Other finance costs	(58)	(47)
Total finance costs	**(3,326)**	**(2,192)**

Other interest expense represents cash flow hedge expenses reclassified from other comprehensive income during the period.

The capitalisation rate of borrowing costs in 2023 is 0.19% p.a. (2022: 0.14 % p.a.).

13. Finance Income

(CZK million)

	2023	2022
Foreign exchange gains on loans, borrowings and lease liabilities	227	577
Interest received	372	92
Other finance income	7	1
Total finance income	**606**	**670**

An increase in interest received is due to the appreciation of available funds from term deposits.

14. Income Tax

14.1. Income tax recognised in profit or loss

(CZK million)

	2023	2022
Tax for the current year recognised in the statement of profit or loss	(284)	(213)
Deferred tax recognised in the statement of profit or loss	(317)	(300)
Current income tax related to previous periods	(29)	(22)
Total income tax expense related to continuing operations	**(630)**	**(535)**

Reconciliation of the total tax charge for the year to accounting profit/(loss) multiplied by the applicable tax rate:

(CZK million)

	2023	2022
Profit/(Loss) for the period before tax	**3,826**	**396**
Statutory tax rate on corporate income in the Czech Republic	19%	19%
Expected income tax (expense)/income	**(727)**	**(75)**
Adjustments:		
Effect of the unrecognised deferred tax asset	373	(342)
Impact of different tax rates in other countries	(8)	(7)
Non-taxable income – release of provision for penalties	-	146
Other non-taxable income	60	16
Tax non-deductible expenses – shortages and damages	(3)	(17)
Tax non-deductible payroll expenses	(43)	(32)
Borrowing costs	1	(2)
Other tax non-deductible expenses	(56)	(187)
Dissolution/drawdown of provisions and loss allowances	(16)	(15)
Difference between tax and accounting depreciation	3	2
Current income tax related to previous periods	(29)	(22)
Effect of a change in the rate	(185)	-
Income tax recognised in profit or loss	**(630)**	**(535)**

14.2. Income tax recognised in other comprehensive income

(CZK million)

	2023	2022
Change in cash flow hedging reserve	199	274
Change in cost of hedging reserve	(14)	1
Change in the revaluation reserve of investments in equity instruments at fair value through other comprehensive income	(6)	14
Total income tax recognised in other comprehensive income	**179**	**289**

14.3. Deferred tax

Reported deferred tax assets and liabilities are calculated as follows:

(CZK million)

	31 Dec 2023	31 Dec 2022
Deferred tax assets		
Non-current assets	3	755
Provisions	651	394
Receivables	80	83
Compensation for unjust enrichment (Note 21)	715	-
Borrowing costs	152	72
Loans, borrowings and lease liabilities	9,462	5,786
Liabilities to employees	174	168
Refund obligations	15	16
Other	108	69
Basis for calculation of deferred tax	**11,360**	**7,343**
Corporate income tax rate	21%	19%
Total deferred tax assets – recognised	**2,386**	**1,395**
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,378)	(1,381)
Net deferred tax assets – recognised	**8**	**14**
Deferred tax liabilities		
Non-current assets *	(20,138)	(15,639)
Receivables – contractual fines	(40)	-
Derivatives	(90)	(853)
Financial assets at fair value through other comprehensive income	(60)	(36)
Other	(1)	-
Basis for calculation of deferred tax	**(20,329)**	**(16,528)**
Corporate income tax rate	21%	19%
Total deferred tax liabilities – recognised	**(4,269)**	**(3,140)**
Set-off of deferred tax liabilities pursuant to set-off provisions	2,378	1,381
Net deferred tax liabilities – recognised	**(1,891)**	**(1,759)**

** Including right-of-use assets.*

Given the low expected future taxable profits, the utilisation of deferred tax asset of the Parent Company is uncertain. The unrecognised deferred tax asset as at 31 December 2023 and 31 December 2022 was calculated as follows:

(CZK million)

	31 Dec 2023	31 Dec 2022
Deferred tax asset		
Non-current assets	-	1,829
Compensation for unjust enrichment (Note 21)	2,849	2,999
Provisions	296	875
Receivables	75	76
Borrowing costs	1,116	1,160
Contractual penalties	39	35
Inventories	82	66
Lease liabilities	57	7
Payables to employees	199	141
Basis for calculation of deferred tax	**4,713**	**7,188**
Corporate income tax rate	21%	19%
Deferred tax asset – unrecognised	**990**	**1,366**

Borrowing costs include interest and other costs (in particular exchange rate differences) associated with drawn funds that meet the requirements of the tax law. It is possible to apply them in the next years.

The tax effect of temporary difference movements is calculated as follows:

(CZK million)

	1 Jan 2023	Deferred tax recognised in profit or loss	Deferred tax recognised in other comprehensive income	31 Dec 2023
Deferred tax assets				
Non-current assets	142	(141)	-	1
Provisions	75	62	-	137
Receivables	16	1	-	17
Compensation for unjust enrichment (Note 21)	-	150	-	150
Borrowing costs	14	18	-	32
Loans, borrowings and lease liabilities	1,099	838	51	1,988
Payables to employees	32	5	-	37
Refund obligations	3	-	-	3
Other	14	7	-	21
Total deferred tax assets – recognised	**1,395**	**940**	**51**	**2,386**

(CZK million)

	1 Jan 2023	Deferred tax recognised in profit or loss	Deferred tax recognised in other comprehensive income	31 Dec 2023
Deferred tax liabilities				
Non-current assets	(2,971)	(1,258)	-	(4,229)
Receivables – contractual fines	-	(8)	-	(8)
Derivatives	(162)	9	134	(19)
Financial assets at fair value through other comprehensive income	(7)	-	(6)	(13)
Other	-	-	-	-
Total deferred tax liabilities – recognised	**(3,140)**	**(1,257)**	**128**	**(4,269)**

(CZK million)

	1 Jan 2022	Deferred tax recognised in profit or loss	Deferred tax recognised in other comprehensive income	Reclassification to discontinued operations	Acquisition	31 Dec 2022
Deferred tax assets						
Non-current assets	460	(318)	-	-	-	142
Provisions	117	(52)	-	10	-	75
Receivables	6	10	-	-	-	16
Borrowing costs	9	5	-	-	-	14
Loans, borrowings and lease liabilities	974	142	(17)	-	-	1,099
Payables to employees	-	32	-	-	-	32
Refund obligations	-	3	-	-	-	3
Other	4	10	-	-	-	14
Total deferred tax assets – recognised	**1,570**	**(168)**	**(17)**	**10**	**-**	**1,395**
Deferred tax liabilities						
Non-current assets	(2,830)	(129)	-	(2)	(10)	(2,971)
Derivatives	(451)	(3)	292	-	-	(162)
Financial assets at fair value through other comprehensive income	(21)	-	14	-	-	(7)
Total deferred tax liabilities – recognised	**(3,302)**	**(132)**	**306**	**(2)**	**(10)**	**(3,140)**

14.4. Top-up tax

The Group falls under the scope of the Act on Top-up Taxes (global minimum tax). The approved act came into effect on 31 December 2023. The Group expects that the top-up tax will be zero given the compliance with the safe harbour test rules. The Group applies an exception for the recognition and disclosure of the information on the deferred tax relating to pillar two income taxes under IAS 12. The Group currently analyses the impacts resulting from the application of this legislation.

15. Property, Plant and Equipment

(CZK million)

	Land	Buildings	Machinery, equipment and other	Vehicles for own use *	Vehicles leased out	Components	Assets under construction	Prepayments	Total
Cost									
Balance as at 1 Jan 2022	**5,600**	**15,940**	**5,108**	**102,199**	**3,461**	**27,705**	**2,232**	**4,131**	**166,376**
Additions	-	193	157	4,973	-	5,424	1,814	5,826	18,387
Disposals	(64)	(109)	(162)	(662)	-	(3,032)	(17)	-	(4,046)
Reclassification **	(110)	(446)	139	(1,158)	1,141	479	(1,364)	(8)	(1,327)
Reclassification to non-current assets and disposal groups held for sale	12	62	86	5	-	-	28	-	193
Balance as at 31 Dec 2022	**5,438**	**15,640**	**5,328**	**105,357**	**4,602**	**30,576**	**2,693**	**9,949**	**179,583**
Additions	(12)	228	178	4,923	-	5,455	2,395	2,947	16,114
Disposals	(140)	(71)	(168)	(859)	-	(2,750)	(224)	(1,388)	(5,600)
Reclassification **	(24)	678	100	15	362	267	(937)	-	461
Balance as at 31 Dec 2023	**5,262**	**16,475**	**5,438**	**109,436**	**4,964**	**33,548**	**3,927**	**11,508**	**190,558**
Accumulated depreciation and impairment									
Balance as at 1 Jan 2022	**79**	**8,973**	**3,783**	**58,494**	**1,596**	**12,022**	**342**	**-**	**85,289**
Depreciation	-	319	278	3,336	113	3,313	1	-	7,360
Impairment loss	-	-	23	719	-	-	-	-	742
Reversal of impairment	(8)	(26)	(7)	(546)	-	(18)	-	-	(605)
Disposals	-	(92)	(161)	(528)	-	(3,025)	(1)	-	(3,807)
Reclassification **	-	(488)	13	(550)	439	198	(336)	-	(724)
Reclassification from non-current assets and disposal groups held for sale	-	12	75	5	-	-	-	-	92
Balance as at 31 Dec 2022	**71**	**8,698**	**4,004**	**60,930**	**2,148**	**12,490**	**6**	**-**	**88,347**
Depreciation	-	318	269	3,417	124	3,241	25	-	7,394
Impairment loss	-	8	13	675	-	-	28	-	724
Reversal of impairment	(2)	-	(18)	(403)	-	-	(2)	-	(425)
Disposals	-	(54)	(168)	(486)	-	(2,739)	(25)	-	(3,472)
Reclassification **	-	306	3	(4)	74	(115)	-	-	264
Balance as at 31 Dec 2023	**69**	**9,276**	**4,103**	**64,129**	**2,346**	**12,877**	**32**	**-**	**92,832**
Net book value									
Balance as at 1 Jan 2022	5,521	6,967	1,325	43,705	1,865	15,683	1,890	4,131	81,087
Balance as at 31 Dec 2022	5,367	6,942	1,324	44,427	2,454	18,086	2,687	9,949	91,236
Balance as at 31 Dec 2023	5,193	7,199	1,335	45,307	2,618	20,671	3,895	11,508	97,726

** Means of transport purchased for secured loans are reported in the financial statements under the item "Vehicles". Their residual value is CZK 3,494 million as of 31 December 2023 and CZK 4,020 million as of 31 December 2022.*

*** Reclassifications mainly represent transfers of asset items between individual groups (IAS 16 and IAS 40) and the transfer (capitalisation) of items from assets under construction to individual items of tangible assets (Land, Buildings, Machinery, equipment and others, Vehicles).*

Strategic spare parts (exchangeable units) with the acquisition cost of CZK 172 million and the net book value of CZK 13 million as of 31 December 2023 are reported in Vehicles (31 December 2022: the acquisition cost of CZK 172 million and the net book value of CZK 35 million). Other spare parts with the net book value of CZK 803 million as of 31 December 2023 are reported in Components (31 December 2022: CZK 580 million).

The most significant additions include the acquisition and modernisation of railway vehicles as part of the renewal of the Parent Company's rolling stock in the amount of CZK 5,953 million in 2023 (2022: CZK 3,683 million). Due to the long-term nature of the acquisition of this type of assets, significant balances are recognised in Assets under construction.

Additions in the area of freight transport are disclosed in the following table:

(CZK million)

	2023	2022
Technical improvement on traction vehicles	56	607
Overhaul repairs (components) of freight wagons	742	841
Vectron traction vehicles	175	-
Repairs of R and D type (components) traction vehicles	412	296
Car body components for freight wagons	240	203
Wheelsets (components) for freight wagons	188	186
Freight wagons of the Zacns class	291	172
Reconstruction of traction vehicles of the 163 class to the 363 class	-	133
Technical inspections (components) for freight wagons	102	101
Technical improvement on freight wagons	72	99
Traction vehicles of the TRAXX 388 class	85	395
Other	56	145
Total	**2,419**	**3,178**

Significant additions in telematics include the purchase and renovation of buildings in the amount of CZK 56 million and expenses relating to the purchase of two new buildings and renovation of them and of other structures totalling CZK 71 million.

In 2023, the Group provided advances of CZK 1,505 million for the supply of 230km/h passenger train units and CZK 1,440 million for the supply of DMUs 120. In 2022, the Group provided advances of CZK 3,011 million for the supply of passenger train units, CZK 2,000 million for the supply of EMUs, CZK 1,480 million for the supply of locomotives, CZK 600 million for the supply of DMUs and CZK 400 million for the equipment by the mobile part of the European Train Control System ("ETCS").

As at 31 December 2023, the Group recognises grant promises in the amount of CZK 264 million (31 December 2022: CZK 1,084 million), which are reported in Other assets (Note 23). As at 31 December 2023, the most significant promises are for ETCS. As of 31 December 2023, the Group records liabilities from investment grants in the amount of CZK 408 million (31 December 2022: CZK 246 million), which are reported in Other liabilities and contract liabilities (Note 29).

In 2023, the Group partially used the grant advance received for the implementation of the European Train Control System (ETCS) for locomotives for freight transport. Locomotives of the 753.7 class and the 130 class have been equipped with the ETCS system and the implementation on the 742.7 class is in progress and the ETCS is being upgraded in the locomotive of the 383 class. Further, the Group received a grant for the ETCS in the 363.5, 240, 388 and 393 classes. In total, these were assets of CZK 316 million (31 December 2022: CZK 427 million).

Operating lease agreements in which the Group acts as a lessor and which relate to movable property are described in Note 32.

15.1. Impairment losses recognised in the reporting period

15.1.1. Asset impairment analysis

Passenger transport

As at the consolidated balance sheet date, the Group's management assessed if there were any indications of impairment of non-financial assets. The Group's management concluded that impairment indicators exist for the Passenger transport cash-generating unit where the Group's management includes rolling stock (locomotives, passenger train units, other rolling stock including leased and recognised as Right-of-use assets), other standalone movables used to operate passenger rail transport and the allocated part of corporate assets. This group of assets is tested for potential impairment as one cash-generating unit as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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 five years. The five-year period reflects the assumptions for short- to medium-term market development and is used by the management as it allows for a better reflection of the planned investment programme than the shorter period. The Group's management is confident that due to the character of the railway transport, it is able to forecast future cash flows over the whole five-year period with sufficient reliability. Cash flows beyond the five-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 transport).

The calculation of future expected cash flows is based on an estimate of revenues, direct and indirect operating expenses and expenditures for the replacement of tangible non-current assets for the period of 2024-2028. Revenues from the sale of services are projected on the basis of the expected collection of fares and the contracted payments from public service customers (the state and the regions) and compensation for the energy increase. Operating expenses are estimated based on the current structure of the Passenger transport segment and are adjusted for the expected development and impact of cost-saving measures in the area of operating and staff costs. Capital expenditures are based on the historical experience of the Group's management, planned development of passenger transport and commitments arising from contracts with public service customers. 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 Group's strategy.

The discount rate reflects the level of risk specific to the cash-generating unit as assessed by the Group'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 cash flows expressed in nominal values were estimated and discounted using a discount rate of 6.98% (2022: 9.29%).

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 3% (2022: 3%) was used to calculate the recoverable amount.

The analysis performed as at 31 December 2023 confirmed that the recoverable amount of the cash-generating unit exceeds its carrying amount by CZK 57,244 million (2022: CZK 3,903 million).

Sensitivity analysis of impairment tests

When testing the recoverable amount of non-current assets of the cash-generating unit, a sensitivity analysis of the test results to changes in following significant parameters used in the model was performed: the estimated future operating cash flows, the estimated capital expenditures for replacement of assets, the discount rate used for calculating the present value of future cash flows and the growth rate.

(CZK million)

31 December 2023	Operating cash flows for perpetuity		Estimated capital expenditures for perpetuity		Discount rate		Growth rate	
Parameter value	CZK 6,984 million		CZK 9,544 million		6.98%		3%	
	Increase by 10%	Decrease by 10%	Decrease by 10%	Increase by 10%	Decrease by 50 basis points	Increase by 50 basis points	Increase by 100 basis points	Decrease by 100 basis points
Increase/(Decrease) of recoverable amount	12,952	(12,952)	17,232	(17,408)	20,905	(16,262)	43,693	(26,134)
Impairment Yes/No	No	No	No	No	No	No	No	No
Value of impairment	-	-	-	-	-	-	-	-

(CZK million)

31 December 2022	Operating cash flows for perpetuity		Estimated capital expenditures for perpetuity		Discount rate		Growth rate	
Parameter value	CZK 7,276 million		CZK 9,236 million		9.29%		3%	
	Increase by 10%	Decrease by 10%	Decrease by 10%	Increase by 10%	Decrease by 50 basis points	Increase by 50 basis points	Increase by 100 basis points	Decrease by 100 basis points
Increase/(Decrease) of recoverable amount	8,198	(8,198)	8,440	(8,909)	8,134	(7,130)	16,144	(11,423)
Impairment Yes/No	No	Yes	No	Yes	No	Yes	No	Yes
Value of impairment	-	(4,295)	-	(5,006)	-	(3,227)	-	(7,520)

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

As at 31 Dec 2023	Operating cash flows for perpetuity	Estimated capital expenditures for perpetuity	Discount rate	Growth rate
Parameter value	CZK 6,984 million	CZK 9,544 million	6.98%	3%
Parameter value where recoverable amount would equal carrying value	CZK 3,897 million	CZK 12,630 million	9.49%	(0.12)%

As at 31 Dec 2022	Operating cash flows for perpetuity	Estimated capital expenditures for perpetuity	Discount rate	Growth rate
Parameter value	CZK 7,276 million	CZK 9,236 million	9.29%	3%
Parameter value where recoverable amount would equal carrying value	CZK 6,930 million	CZK 9,583 million	9.56%	2.69%

15.1.2. Other impairment losses

Furthermore, based on an inventory count and internal analyses, the Group's management identified fixed assets for which significant doubt about their future usability exists. Impairment losses were recognised for these items in the amount of the difference between the carrying value and the estimated recoverable amount. The recoverable amount of the 680 class tilting trains (Pendolino) and the 380 class locomotives was estimated as their fair value less cost to sell. Therefore, the recoverable amount of these railway vehicles was determined regardless of the cash-generating unit to which they belong. The assets belong to the Passenger transport cash-generating unit.

The market value of the 680 class EMUs was determined on the basis of an expert opinion. The impairment of these EMUs as of 31 December 2023 amounted to CZK 438 million (31 December 2022: CZK 560 million). Movement in impairment in 2023 amounting to CZK 94 million was due to a disposal of two damaged carriages in one trainset damaged in 2022 and a reversal of impairment of CZK 28 million. The movement in impairment in 2022, amounting to CZK 172 million, was primarily due to a recognition of an allowance for one damaged trainset.

The market value of the 380 class locomotives was determined on the basis of an expert opinion. The impairment of these locomotives as of 31 December 2023 amounted to CZK 1,634 million (31 December 2022: CZK 1,594 million).

Impairment losses and their reversal are presented in Depreciation, amortisation and impairment in the consolidated statement of profit or loss.

15.2. Pledged assets

The Group records loans that are collateralised by assets with the net book value of CZK 3,494 million as of 31 December 2023 and CZK 4,020 million as at 31 December 2022.

As at 31 December 2023, the Group records assets pledged to EUROFIMA with the net book value of CZK 2,742 million.

16. Investment Property

The value of investment property:

(CZK million)

	2023	2022
Balance at the beginning of the year	**938**	**475**
Additions from subsequent capitalised expenses	93	3
Depreciation	(29)	(35)
Disposals	-	(1)
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	89	606
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	(191)	(97)
Increase/(Decrease) in impairment loss	41	(13)
Balance at the end of the year	**941**	**938**

(CZK million)

	Balance as at 31 Dec 2023	Balance as at 31 Dec 2022	Balance as at 1 Jan 2022
Cost	**1,825**	**2,139**	**1,142**
Accumulated depreciation and impairment	(884)	(1,201)	(667)
Net book value	**941**	**938**	**475**

The Group includes the percentage value of the residual price of the leased part of the property, where at least 1% of its useful area is leased to an external lessee as an investment in real estate.

The real estate is located around the railroads, in train stations and depots of railway vehicles. The Group applies a market approach to determine the fair value of its land and an income approach to determine the fair value of its buildings.

When calculating the fair value of a building, firstly, the annual rental income from the building is calculated as a multiple of the size of a property, occupancy as per a particular type of premises and external annual rent as per individual type of premises. Secondly, the fair value of the building is calculated as the annual rental income less the costs incurred on the building during the year and divided by the capitalisation 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 estate as at 31 December 2023 and 31 December 2022, depending on the type of real estate and its location, a yield in the range of 6-10% was used.

In respect of land, the fair value is calculated by multiplying the market price for m^2 for the specific locality and the size of the land. The market price for m^2 is determined each year by an expert based on the latest land price maps.

The estimated Investment property fair value amounted to CZK 7,651 million as at 31 December 2023 (31 December 2022: CZK 7,882 million). Investment property is classified as Level 3 in terms of the method of determining fair value.

Operating lease agreements in which the Group acts as a lessor and which relate to investment property are described in Note 32.

17. Intangible Assets and Goodwill

(CZK million)

	Internally generated software	Software licences	Assets under construction	Contractual relations and customer relations	Know-how and trademarks	Total
Cost						
Balance as at 1 Jan 2022	**3,165**	**858**	**244**	**189**	**11**	**4,467**
Additions	168	20	129	-	-	317
Disposals	-	(20)	(6)	-	-	(26)
Reclassification	248	39	(239)	-	-	48
Reclassification from non-current assets and disposal groups held for sale	6	-	-	-	-	6
Balance as at 31 Dec 2022	**3,587**	**897**	**128**	**189**	**11**	**4,812**
Additions	132	9	200	-	-	341
Disposals	-	(2)	-	-	-	(2)
Reclassification	102	7	(109)	-	-	-
Balance as at 31 Dec 2023	**3,821**	**911**	**219**	**189**	**11**	**5,151**
Accumulated amortisation						
Balance as at 1 Jan 2022	**2,413**	**783**	**-**	**156**	**6**	**3,358**
Amortisation	266	24	-	33	1	324
Disposals	-	(20)	-	-	-	(20)
Reclassification	17	24	-	-	-	41
Reclassification to non-current assets and disposal groups held for sale	6	-	-	-	-	6
Balance as at 31 Dec 2022	**2,702**	**811**	**-**	**189**	**7**	**3,709**
Amortisation	287	28	-	-	1	316
Disposals	-	(2)	-	-	-	(2)
Reclassification	-	-	-	-	-	-
Balance as at 31 Dec 2023	**2,989**	**837**	**-**	**189**	**8**	**4,023**
Net book value						
Balance as at 1 Jan 2022	752	75	244	33	5	1,109
Balance as at 31 Dec 2022	885	86	128	-	4	1,103
Balance as at 31 Dec 2023	832	74	219	-	3	1,128

The amortisation costs were reported in Depreciation, amortisation and impairment in the consolidated statement of profit or loss.

Intangible fixed assets used for business activities in passenger transport primarily include DISOD, PARIS, APS, In-karta, POP, UNIPOK, IS OPT and KASO software.

Intangible non-current assets used for freight transport include operational business roles under the PROBIS project, the Altworx software used for monitoring and assessment of the use of principal capacities (operating personnel, traction vehicles and freight wagons), the dispatching information system under the Integrated Trains project, ÚDIV (Ústřední dirigování vozů – Central Wagon-to-Train Allocation) and the PRIS operating information system.

The Group uses the SAP information system and further develops it.

Additions to intangible non-current assets predominantly include adjustments and upgrades to the existing system.

The value of goodwill:

(CZK million)

	Goodwill	Total
Balance as at 1 Jan 2022	141	141
Balance as at 31 Dec 2022	141	141
Balance as at 31 Dec 2023	141	141

Goodwill impairment analysis

The Group recognises goodwill from the acquisition of an interest in the CHAPS group by the ČD – Informační Systémy, a.s.

The impairment analysis was performed on the basis of the discounted cash flow method, which determined the value of the assets of CHAPS and its subsidiaries.

The calculation of future expected cash flows is based on estimated revenues and direct and indirect operating expenses for the period of 2024-2028. The projection of expected future cash flows takes into account expected economic development, competition and other market factors, as well as CHAPS strategy.

The discount rate expresses the level of risk in a given sector as assessed by the Group's management. The basis for the discount rate calculation is the WACC value calculated based on the capital asset pricing model („CAPM"). To calculate the recoverable amount, estimated cash flows expressed in nominal values were discounted using a discount rate of 10.66% (2022: 12.34%).

The expected growth rate is derived from the expected future development of the market, gross domestic product, wage and interest rate levels and the expected economic growth of the country. A growth rate of 3% (2022: 3%) was used to calculate the recoverable amount.

The analysis performed as at 31 December 2023 confirmed that the recoverable amount of CHAPS and its subsidiaries exceeds its carrying value (net assets and goodwill value) by CZK 572 million (2022: CZK 388 million).

Sensitivity analysis of impairment test

When testing the goodwill value determined by the discounted cash flow method, the sensitivity of the test results to changes in the following significant parameters used in the model has been performed: expected future cash flows, a discount rate for calculating the present value of future cash flows and a growth rate.

A change in expected future cash flows according to the model by 20%, with other parameters remaining unchanged, would lead to a change in the recoverable amount of CZK 105 million (2022: CZK 94 million). A change in the discount rate by 1% with other parameters remaining unchanged would lead to a change in the recoverable amount of CZK 35 million (2022: CZK 45 million). A change in the growth rate by 1% with other parameters remaining unchanged would lead to a change in the recoverable amount of CZK 142 million (2022: CZK 45 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). Smaller part of the contracts is concluded for an indefinite period (see Note 4.1.3).

(CZK million)

	Land	Premises at railway stations	Administrative buildings	Machinery and equipment	Locomotives	Freight wagons and other vehicles	Total
Cost							
Balance as at 1 Jan 2022	**3**	**369**	**1,152**	**922**	**1,580**	**3,181**	**7,207**
Additions	-	-	130	133	978	910	2,151
Disposals	-	(51)	(240)	(13)	14	(502)	(792)
Change in estimate *	-	37	59	14	40	179	329
Reclassification	-	-	(1)	-	(18)	-	(19)
Balance as at 31 Dec 2022	**3**	**355**	**1,100**	**1,056**	**2,594**	**3,768**	**8,876**
Additions	1	-	249	11	2,424	59	2,744
Disposals	(2)	(2)	(384)	(155)	48	(713)	(1,208)
Change in estimate *	-	43	68	125	162	260	658
Reclassification	-	-	2	-	47	-	49
Balance as at 31 Dec 2023	**2**	**396**	**1,035**	**1,037**	**5,275**	**3,374**	**11,119**
Accumulated depreciation and impairment							
Balance as at 1 Jan 2022	**1**	**205**	**410**	**242**	**493**	**893**	**2,244**
Depreciation	1	32	143	160	333	522	1,191
Disposals	-	(25)	(65)	(2)	-	(222)	(314)
Reclassification	-	-	-	-	(5)	-	(5)
Balance as at 31 Dec 2022	**2**	**212**	**488**	**400**	**821**	**1,193**	**3,116**
Depreciation	-	31	112	150	828	519	1,640
Disposals	(1)	-	(184)	(7)	-	(321)	(513)
Reclassification	-	-	1	-	23	-	24
Balance as at 31 Dec 2023	**1**	**243**	**417**	**543**	**1,672**	**1,391**	**4,267**
Net book value							
Balance at 1 Jan 2022	2	164	742	680	1,087	2,288	4,963
Balance at 31 Dec 2022	1	143	612	656	1,773	2,575	5,760
Balance at 31 Dec 2023	1	153	618	494	3,603	1,983	6,852

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

In 2023, additions to the Locomotives category primarily include 12 newly leased Vectron locomotives (2022: 10 newly leased Vectron locomotives).

The amounts recognised in the consolidated statement of profit or loss:

(CZK million)

	2023	2022
Depreciation of right-of-use assets	(1,640)	(1,191)
Interest expense on lease liabilities	(199)	(101)
Expense related to short-term leases	(267)	(308)
Expense related to low-value assets leases	(42)	(19)
Expense related to variable lease payments not included in the measurement of the lease liability	(55)	(32)

Lease liabilities are disclosed in Note 26.2.

Sensitivity analysis of right-of-use assets and lease liabilities

When calculating the value of right-of-use assets and lease liabilities for lease contracts with indefinite lease term, a sensitivity analysis to changes in estimated lease term was performed.

For buildings, a change in the estimated lease term by one year with other parameters unchanged would lead to a change in the value of right-of-use assets and lease liabilities by CZK 75 million (2022: CZK 96 million).

For locomotives and freight wagons, a change in the estimated lease term by one year with other parameters unchanged would lead to a change in the value of right-of-use assets and lease liabilities by CZK 157 million (2022: CZK 219 million).

19. Investments in Joint Ventures and Associates

(CZK million)

Entity		Carrying value of investment as at 31 Dec 2023	Ownership percentage as at 31 Dec 2023	Carrying value of investment at 31 Dec 2022	Ownership percentage at 31 Dec 2022
RAILLEX, a.s.	Associate	16	50%	11	50%
BOHEMIAKOMBI, spol. s r.o.	Associate	-	30%	-	30%
Ostravská dopravní společnost, a.s.	Associate	18	50%	18	50%
Ostravská dopravní společnost - Cargo, a.s.	Associate	32	20%	34	20%
Terminál Mošnov, a.s.	Associate	-	25%	2	25%
JLV, a.s.	Associate	137	38.79%	135	38.79%
Masaryk Station Development, a.s.	Associate	3	34%	3	34%
Total – associates		**206**		**203**	
Smíchov Station Development, a.s.	Joint venture	-	51%	-	51%
Žižkov Station Development, a.s.	Joint venture	-	51%	-	51%
Total – joint ventures		**-**		**-**	
Total – investments in joint ventures and associates		**206**		**203**	

Summary of financial information on associates:

(CZK million)

	31 Dec 2023	31 Dec 2022
Total assets	1,054	1,080
of which: non-current assets	*471*	*532*
current assets	*583*	*548*
Total liabilities	461	481
of which: non-current liabilities	*183*	*175*
current liabilities	*278*	*306*
Net assets	593	599
Share of the Group in associates' net assets	**206**	**203**

(CZK million)

	2023	2022
Total revenue	1,811	1,732
Profit for the period	32	45
Total comprehensive income for the period	32	45
Share of the Group in associates' profit for the period	**11**	**16**
Share of the Group in total comprehensive income for the period	**11**	**16**

Summary of financial information on associates:

(CZK million)

	31 Dec 2023	31 Dec 2022
Total assets	11	10
of which: non-current assets	*10*	*9*
current assets	*1*	*1*
Total liabilities	15	14
of which: non-current liabilities	*3*	*2*
current liabilities	*12*	*12*
Net liabilities	(4)	(4)
Share of the Group of net liabilities	**(2)**	**(2)**

In 2023 and 2022, the Group had an immaterial share in the profit or loss and total comprehensive income of joint ventures.

20. Inventories

(CZK million)

	31 Dec 2023	31 Dec 2022
Spare parts for machinery and equipment	229	231
Spare parts for rolling stock and locomotives	2,676	2,376
Fuels, lubricants and other oil products	50	49
Work clothes, work shoes, protective aids	90	108
Other	208	183
Total cost	**3,253**	**2,947**
Impairment of inventories to their net realisable value *	(175)	(123)
Total net book value	**3,078**	**2,824**

** Amount of the inventories for which an allowance was accounted is CZK 362 million as at 31 December 2023 and CZK 253 million as at 31 December 2022.*

The amount of inventories recognised as an expense in 2023 was CZK 3,448 million (2022: CZK 3,009 million).

21. Trade Receivables

(CZK million)

31 Dec 2023	Long-term	Short-term	Total
Trade receivables – gross	1,416	4,151	5,567
Expected credit loss allowance	-	(298)	(298)
Trade receivables – net	**1,416**	**3,853**	**5,269**

(CZK million)

31 Dec 2022	Long-term	Short-term	Total
Trade receivables – gross	557	4,538	5,095
Expected credit loss allowance	(12)	(295)	(307)
Trade receivables – net	**545**	**4,243**	**4,788**

Movements in the expected credit loss allowance:

(CZK million)

	2023	2022
Allowance as at 1 January	**307**	**235**
Charge for the year – trade receivables	47	108
Use of allowance – trade receivables	(30)	(13)
Release of allowance – trade receivables	(26)	(23)
Allowance as at 31 December	**298**	**307**

The increase in long-term receivables as at 31 December 2023 is attributable primarily to a receivable of CZK 739 million for the sale of plots of land with maturity in 2028.

In 2021-2023, the Group billed SŽ the compensation for unjust enrichment resulting from SŽ using the Group's property, mainly land plots under the railway infrastructure. The Group determined the compensation for 2017-2023 at the amount of CZK 4,242 million as at 31 December 2023 including VAT (as at 31 December 2022 for 2017-2022 in the amount of CZK 3,544 million including VAT) based on an expert's opinion. No agreement has been reached yet on the amount of the compensation, mainly due to a need to pre-notify the transaction by the European Commission. Due to this uncertainty, the Group did not recognise a receivable from this claim. However, as at 31 December 2023, a receivable arises from the Group's claim to either collect or refund the related VAT amounting to CZK 678 million that was presented in the long-term trade receivables – gross (as at 31 December 2022: CZK 557 million).

Further information on trade receivables is provided in Note 35.8 Credit risk management.

22. Other Financial Assets

(CZK million)

	31 Dec 2023	31 Dec 2022
Equity investments at fair value through other comprehensive income	333	341
Finance lease receivables	112	127
Hedging derivatives *	46	119
Restricted cash	60	334
Other	17	12
Total non-current financial assets	**568**	**933**
Finance lease receivables	27	23
Hedging derivatives *	295	341
Receivables from damages and losses	82	47
Restricted cash	556	262
Other	302	263
Total current financial assets	**1,262**	**936**
Total	**1,830**	**1,869**

** Hedging derivatives and equity investments at fair value through other comprehensive income are measured at fair value; other financial assets are measured at amortised cost.*

The Group has designated the below securities as equity investments at fair value reported through other comprehensive income as the investment is expected to be held for strategic purposes rather than for profit from subsequent sale and there are no plans to sell this investment in the short or medium term.

(CZK million)

	Fair value as at 31 Dec 2023	Fair value as at 31 Dec 2022	Dividends reported in 2023	Dividends reported in 2022
EUROFIMA	323	329	1	2
Hit Rail B.V.	4	4	-	-
XT-Card	4	5	-	-
Echis	2	3	-	-
Total	**333**	**341**	**1**	**2**

During 2023, the Group sold no strategic investments and transferred no accumulated profits or losses within equity relating to these investments.

Restricted cash includes cash that the Group is obliged to have deposited in special bank accounts and which can be disposed of only once the conditions with which they are connected have been met. These are funds that relate mainly to grants from the European Union or the ministries and that cash can be used only in line with the grant conditions and for the acquisition of specific grant-related assets or technical improvement of these assets.

The Other item in the Current financial assets includes a receivable from Sberbank in the gross amount of CZK 274 million less an allowance of CZK 65 million. Sberbank was declared bankrupt in 2022, the Group filed the claim in due time in the insolvency proceedings and expects settlement during 2024.

Movements in the expected credit loss allowance:

(CZK million)

	2023	2022
Loss allowance as at 1 January	**30**	**50**
Creation of allowance – other financial assets	10	5
Release of allowance – other financial assets	(18)	(25)
Loss allowance as at 31 December	**22**	**30**

Further information on Other financial assets is provided in Note 35.8 Credit risk management.

22.1. Finance lease receivables

The Group leased the station building at the Brno - main railway station and a part of the building in the Lovosice logistics centre in the form of a finance lease.

Maturity analysis of future lease payments:

(CZK million)

	31 Dec 2023	31 Dec 2022
1st year	51	44
2nd year	37	44
3rd year	31	31
4th year	31	27
5th year	25	26
Over 5 years	437	401
Undiscounted lease payments	**612**	**573**
Less: unrealised financial income	(471)	(421)
Present value of lease payments	**141**	**152**
Expected credit loss allowance	(2)	(2)
Net investment in lease	**139**	**150**
In the consolidated statement of financial position as:		
Other current financial assets	*27*	*23*
Other non-current financial assets	*112*	*127*
Total	**139**	**150**

The amounts recognised in the consolidated statement of profit or loss:

(CZK million)

	2023	2022
Net income from finance lease investments	26	25

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

None of the finance lease receivables are past due at the end of the reporting period and taking into account past experience and future prospects of the industry in which the lessee operates, the Group's management believes that no finance lease receivables are impaired.

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

Further information on finance lease receivables is provided in Note 35.8 Credit risk management.

23. Other Assets

(CZK million)

	31 Dec 2023	31 Dec 2022
Prepayments provided	6	7
Other	30	29
Total non-current	**36**	**36**
Prepayments provided	358	334
Tax receivables – VAT	515	659
Tax receivables – other (except for taxes on corporate income)	7	24
Prepaid expenses	348	273
Grants	264	1,084
Compensation from the insurance company (Note 27)	-	297
Other	126	39
Total current	**1,618**	**2,710**
Total	**1,654**	**2,746**

The Grants item represents the investment grants. As at 31 December 2022, this mainly concerns a grant of CZK 551 million from the Ministry of Transport for the renewal of the rolling stock in the Moravian-Silesian Region.

24. Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost in the consolidated statement of financial position. The Group expects immaterial credit losses on these items due to the high credit quality of cash deposits held with reputable financial institutions with a high investment credit rating with which the Group cooperates on the basis of long-term and stable relationships.

For the purposes of the consolidated cash flow statement, cash includes cash on hand, cash in bank accounts and depository bills. The cash at the end of the reporting periods recognised in the consolidated cash flow statement can be reconciled with the relevant items in the consolidated statement of financial position as follows:

(CZK million)

	31 Dec 2023	31 Dec 2022
Cash and cash in transit	71	51
Bank accounts *	7,801	5,818
Depository bills	247	2,892
Total	**8,119**	**8,761**

** Bank rating analysis is provided in Note 35.8.*

25. Equity

25.1. 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. As at 31 December 2023 and as at 31 December 2022, 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. There were no changes in the share capital during 2023.

The shareholder is entitled to attend and vote at the General Meeting. It has the right to request and receive explanations of matters concerning the Company or its controlled entities. The voting right is associated with the share and is governed by its nominal value, so for every CZK 1 billion of the nominal value of the share, there is one vote. When a shareholder is the state, it exercises the rights of the Company's shareholder in accordance with the law through the Steering Committee.

25.2. Other capital funds

(CZK million)

	31 Dec 2023	31 Dec 2022
Share premium	16,440	16,440
Reserve fund	489	468
Cash flow hedging reserve	209	1,074
Costs of hedging reserve	(102)	(172)
Revaluation of investments in equity instruments at fair value through other comprehensive income	67	50
Actuarial remeasurements of defined benefit obligations	104	104
Foreign currency translation reserve	(14)	(96)
Other	47	17
Total	**17,240**	**17,885**

25.2.1. Share premium

The share premium represents the difference between the nominal value of the shares and the non-monetary contribution at the establishment of the Company, by which the issue price of the shares was paid.

The amount of share premium, which was thus determined during the transition to IFRS accounting is CZK 16,440 million as at 31 December 2023 and 31 December 2022.

25.2.2. Reserve fund

(CZK million)

	2023	2022
Balance at the beginning of the year	**468**	**502**
Allocation to the reserve fund	21	20
Transfer from the reserve fund	-	(54)
Balance at the year-end	**489**	**468**

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

25.2.3. Cash flow hedging reserve

(CZK million)

	2023	2022
Balance at the beginning of the year	**1,074**	**2,245**
Revaluation gain/(loss)	(1,042)	(1,684)
Reclassification to profit or loss	(22)	239
Total change in the cash flow hedging reserve	**(1,064)**	**(1,445)**
Income tax	199	274
Balance at the year-end	**209**	**1,074**

The cash flow hedging reserve includes accumulated gains and losses from the effective hedging of cash flows. The accumulated deferred gain or loss from hedging derivatives is reclassified to the profit or loss only when a hedging transaction affects the profit or loss or is included in the hedged non-financial item as an adjustment to the carrying value in accordance with the relevant accounting policies.

Gains and losses reclassified from equity during the year are presented in Revenues, Cost of services, raw materials and energy and Finance costs in the consolidated statement of profit or loss.

Reclassifications from cash flow hedging 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 fixed rate	2023	2022
Balance at the beginning of the year	**678**	**2,070**
Change in fair value of hedging derivatives	(536)	(1,845)
Reclassification to profit or loss	(28)	127
Related income tax – change	105	326
Balance at the year-end	**219**	**678**

(CZK million)

Currency forwards and swaps – hedging of future revenue in foreign currencies	2023	2022
Balance at the beginning of the year	**91**	**46**
Change in fair value of hedging derivatives	(164)	(14)
Reclassification to profit or loss	98	69
Related income tax – change	11	(10)
Balance at the year-end	**36**	**91**

(CZK million)

Interest rate swaps – hedging of bonds and lease contracts with a variable rate	2023	2022
Balance at the beginning of the year	**137**	**33**
Change in fair value of hedging derivatives	(103)	138
Reclassification to profit or loss	(81)	(9)
Related income tax – change	34	(25)
Balance at the year-end	**(13)**	**137**

(CZK million)

Commodity forwards – securing prices for the purchase of diesel and traction electricity	2023	2022
Balance at the beginning of the year	**(2)**	**21**
Change in fair value of hedging derivatives	18	(50)
Reclassification to profit or loss	(11)	21
Related income tax – change	(1)	6
Balance at the year-end	**4**	**(2)**

(CZK million)

Lease - securing foreign currency liabilities from IFRS 16	2023	2022
Balance at the beginning of the year	**150**	**75**
Change in fair value of lease liability	(99)	62
Reclassification to profit or loss	-	31
Related income tax – change	17	(18)
Balance at the year-end	**68**	**150**

(CZK million)

Loans and bonds – revaluation	2023	2022
Balance at the beginning of the year	**20**	**-**
Change in fair value of revaluation of loans and bonds	(158)	25
Related income tax – change	33	(5)
Balance at the year-end	**(105)**	**20**

25.2.4. Costs of hedging reserve

Costs of hedging represent accumulated gains and losses from changes in fair value excluded from hedging instruments related to the currency base margin of cross-currency interest rate swaps and forward components of currency swaps.

The Group has assessed that the separate currency base margin relates to a period of time, not to a specific transaction. Therefore, the Group systematically amortises costs of hedging through profit or loss over the duration of the hedging relationship to the extent they are associated with the hedged item.

(CZK million)

	2023	2022
Balance at the beginning of the year	**(172)**	**(166)**
Reclassification to profit or loss	(4)	(25)
Change of fair value in costs of hedging	88	18
Income tax	(14)	1
Balance at the year-end	**(102)**	**(172)**

Additional information regarding derivatives and hedging accounting is provided in Note 35.

25.2.5. Foreign currency translation reserve

(CZK million)

	2023	2022
Balance at the beginning of the year	**(96)**	**(59)**
Foreign exchange rate gains or losses arising from translation of foreign operations	82	(37)
Balance at the year-end	**(14)**	**(96)**

Foreign exchange rate gains or losses related to 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 reserve.

25.2.6. Revaluation of investments to equity instruments at fair value through other comprehensive income

Revaluation of investments to equity instruments at fair value through other comprehensive income includes the accumulated net change in fair value of equity instruments revalued through other comprehensive income, after deducting accumulated gains/losses transferred to retained earnings on derecognition.

(CZK million)

	2023	2022
Balance at the beginning of the year	**50**	**109**
Revaluation	8	(58)
Expected credit losses	15	(15)
Income tax	(6)	14
Balance at the year-end	**67**	**50**

26. Loans, Borrowings and Lease Liabilities

(CZK million)

	31 Dec 2023	31 Dec 2022
Bank loans	2,185	1,738
Loan from EUROFIMA	290	-
Lease liabilities	2,503	1,365
Collateralised loans	355	426
Overdraft accounts	415	897
Issued bonds	1,094	10,591
Other received short-term loans and borrowings	69	44
Total short-term	**6,911**	**15,061**
Bank loans	13,015	11,636
Loan from EUROFIMA	11,321	-
Lease liabilities	4,418	4,421
Collateralised loans	2,149	2,425
Bonds issued	34,931	34,826
Other received long-term loans and borrowings	15	36
Total long-term	**65,849**	**53,344**
Total	**72,760**	**68,405**

Collateralised loans include loans that have been secured with the assets for which the loans were provided.

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

The detail of individual credit lines is described in Note 35.9.2.

The Group did not breach any terms of the loan agreements in 2023 or 2022.

26.1. Bonds issued

Issue date	Nominal value	Due date	Publicly traded	Coupon	Carrying value as at 31 Dec 2023 in CZK million	Carrying value as at 31 Dec 2022 in CZK million
5 Nov 2014	EUR 30 million	5 Nov 2024	No	2.875%	743	724
5 Nov 2014	EUR 150 million	5 Nov 2029	No	3.50%	3,711	3,617
3 June 2015	EUR 77.5 million	3 Jun 2035	No	3.00%	1,944	1,895
25 May 2016	EUR 400 million	25 May 2023	Yes	1.875%	-	9,742
23 May 2019	EUR 500 million	23 May 2026	Yes	1.50%	12,404	12,070
12 Oct 2022	EUR 500 million	12 Oct 2027	Yes	5.625%	12,445	12,118
29 Dec 2016	CZK 500 million	29 Dec 2023	Yes	1.26%	-	500
20 July 2018	CZK 1,000 million	20 Jul 2025	Yes	2.55%	1,010	1,010
17 July 2019	CZK 1,000 million	17 Jul 2026	No	2.17%	1,009	1,009
18 Nov 2019	CZK 770 million	18 Nov 2026	No	2.09%	771	771
31 July 2020	CZK 1,000 million	31 Jul 2027	No	1.65%	999	997
20 April 2022	EUR 40 million	20 Apr 2029	No	1.26%	989	964
Total					**36,025**	**45,417**
of which short-term					*1,094*	*10,591*
of which long-term					*34,931*	*34,826*

The Group did not breach any terms or conditions valid for the issued bonds in 2023 and 2022.

Bondholders could request early repayment of bonds within 90 days once the state's share in the issuer (ČD) falls below 75% or the issuer's share in the segments of passenger or freight transport falls under 50% and, at the same time, the issuer's rating falls below the investment grade.

26.2. Lease liabilities

The Group recognised lease liabilities as follows:

(CZK million)

	As at 31 Dec 2023	As at 31 Dec 2022
Short-term lease liabilities	2,503	1,365
Long-term lease liabilities	4,418	4,421
Total lease liabilities	**6,921**	**5,786**

Expenses relating to short-term leases and low-value assets leases, that are not included in the above short-term lease liabilities, are reported in Cost of services, raw materials and energy in the consolidated statement of profit or loss (see Note 8).

Total cash outflows related to leases amounted to CZK 2,251 million in 2023 and CZK 1,671 million in 2022.

The information on the right-of-use assets is disclosed in Note 18.

The Group is not exposed to significant liquidity risk with respect to lease liabilities. The analysis of the maturity of lease liabilities is disclosed in Note 35.9.1.

26.3. Bank loans

(CZK million)

Bank	Nominal value	Due date	Interest rates	Carrying value as at 31 Dec 2023	Carrying value as at 31 Dec 2022
UniCredit Bank	CZK 1,000 million	29 March 2029	variable	802	948
Raiffeisenbank	CZK 500 million	29 Dec 2028	variable	357	429
Všeobecná úverová banka	CZK 500 million	29 Dec 2028	variable	385	462
UniCredit Bank	CZK 1,000 million	29 March 2029	fixed	1,000	1,000
UniCredit Bank	CZK 1,000 million	29 March 2029	variable	1,001	1,000
UniCredit Bank	CZK 1,000 million	29 March 2029	variable	802	948
Raiffeisenbank	CZK 1,000 million	29 Dec 2028	variable	715	858
Raiffeisenbank	CZK 1,100 million	29 Dec 2028	variable	786	943
Všeobecná úverová banka	CZK 500 million	29 June 2029	variable	393	464
Všeobecná úverová banka	CZK 900 million	29 June 2029	variable	707	836
Evropská investiční banka	CZK 377 million	8 Dec 2031	fixed	377	-
UniCredit Bank	CZK 1,000 million	29 March 2030	fixed	625	725
UniCredit Bank	CZK 1,000 million	31 Dec 2027	fixed	571	714
ING Bank	CZK 1,000 million	31 Aug 2027	fixed	615	769
ING Bank	CZK 500 million	30 June 2028	fixed	346	423
Raiffeisenbank	CZK 1,000 million	30 June 2031	fixed	800	900
EIB loan – 1st tranche	CZK 500 million	2 July 2031	fixed	455	500
Tatrabanka	EUR 1.2 million	31 Aug 2023	fixed	-	4
Tatrabanka	EUR 1 million	31 July 2027	1M EURIBOR + 1.2% p.a.	15	18
Tatrabanka	EUR 1.5 million	29 Feb 2028	1M EURIBOR + 1.1% p.a.	27	33
Raiffeisenbank	EUR 40 million	30 June 2032	fixed	841	917
ING Bank	EUR 40 million	31 March 2028	fixed	890	483
Všeobecná úverová banka	EUR 30 million	21 March 2030	fixed	647	-
EIB loan – 2nd tranche	EUR 40 million	1 June 2033	fixed	989	-
Raiffeisenbank	EUR 40 million	1 June 2033	fixed	989	-
MBH Bank	EUR 3 million	30 Nov 2028	3M EURIBOR + 2% p.a.	65	-
Total				**15,200**	**13,374**
of which short-term				*2,185*	*1,738*
of which long-term				*13,015*	*11,636*

Bank loans have not been collateralised.

26.4. Payable to EUROFIMA

During 2023, the Group used a loan from Eurofima in which it owns 1% (Note 34), in the following three tranches:

	Nominal value	Final maturity	Interest rates	Carrying value at 31 Dec 2023 (in CZK million)
1st tranche	CZK 6,903 million	30 March 2033	fixed	7,146
2nd tranche	EUR 70 million	30 March 2033	fixed	1,767
3rd tranche	CZK 2,687 million	30 March 2033	fixed	2,698
Total				**11,611**
of which short-term				*290*
of which long-term				*11,321*

Payables to EUROFIMA are collateralised by pledged contracts for the financed assets.

27. Provisions

(CZK million)

	Balance as at 1 Jan 2022	Creation	Use	Release of unused part	Balance at 31 Dec 2022	Creation	Use	Release of unused part	Balance at 31 Dec 2023
Provision for legal disputes	1,708	-	-	702	1,006	30	-	7	1,029
of which: long-term part	*4*				*2*				*-*
Provision for post-employment benefits	98	-	33	-	65	140	12	-	193
of which: long-term part	*74*				*51*				*153*
Provision for other long-term employee benefits	274	163	152	1	284	169	157	-	296
of which: long-term part	*133*				*110*				*126*
Provisions for business risks	34	6	-	12	28	7	-	35	-
of which: long-term part	*-*				*-*				*-*
Provision for restructuring	-	-	-	-	-	23	-	-	23
of which: long-term part	*-*				*-*				*-*
Provision for onerous contracts	481	580	219	-	842	31	144	611	118
of which: long-term part	*261*				*427*				*11*
Provision for penalties	68	-	-	68	-	-	-	-	-
of which: long-term part	*-*				*-*				*-*
Provision for damages	500	-	-	49	451	-	-	451	-
of which: long-term part	*-*				*-*				*-*
Other provisions	93	135	66	15	147	319	112	66	288
of which: long-term part	*-*				*-*				*-*
Total provisions	**3,256**	**884**	**470**	**847**	**2,823**	**719**	**425**	**1,170**	**1,947**
Long-term	*472*				*590*				*290*
Short-term	*2,784*				*2,233*				*1,657*

27.1. Provisions for legal disputes

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

27.1.1. 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").

On 30 September 2022, ČD received a decision on suspension of the proceedings from the EC, the EC proceedings have been ended. Based on this decision, the entire provision of CZK 700 million was released as at 31 December 2022.

Following the suspension of the EC proceedings, the OPC reopened the administrative proceedings at the national level. However, taking into account the outcome of the EC investigation, it is assumed that national proceedings will also be suspended (Note 34.1).

27.1.2. Alleged cartel agreement between ČD, ZSSK and ÖBB for the sale of the disposed rolling stock

In June 2016, the European Commission (the "EC") performed a local investigation at the headquarters of ČD based on suspicion of the cartel agreement made for the mutual sale of rolling stock. The EC investigates if ČD, ÖBB (The Austrian Federal Railways) and possibly also ZSSK (The Railway Company of Slovakia) have concluded a prohibited agreement to limit sales of disposed rolling stock to restrict the entrance of new carriers to the market (against to Article 101 of the Treaty on the Functioning of the European Union (the "TFEU"). ČD denies that it entered into a cartel agreement.

In June 2022, ČD and ÖBB received a statement of objections from the EC regarding the alleged cartel agreement for the sale of disposed rolling stock. The statement of objections is a formal step in the ongoing proceedings, which does not prejudge the final conclusions and decisions of the EC on this case. ČD prepared and sent a reply to this statement of objections and subsequently presented its arguments at an oral hearing.

During 2023, the Commission sent additional questions to ČD and the Company commented on them. As of the financial statements publication date, the EC had not issued final resolution in this matter.

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, the provision of CZK 1,000 million was recorded as of 31 December 2021, which corresponds to the estimated costs to settle the fine for the alleged infringement and related expenses. The provision recognised in this way represents the ČD's management best estimate of the liability as at 31 December 2022 and 31 December 2023, which, despite substantial related uncertainties, is the best possible at the moment. ČD does not expect compensation from third parties in connection with these proceedings.

In the opinion of the Group's management, it has not yet been proven that ČD has breached Article 101 TFEU. ČD's intention is to vigorously defend itself in this matter, including all available ways of disapproval with the imminent resolution of the EC binding ČD for performance, if necessary.

Sensitivity analysis

The actual costs to settle the potential fine may differ from the estimates and underlying assumptions of the Group'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 the ČD's total turnover for the reporting period preceding the EC's final decision. It is impracticable to determine uncertainties regarding the timing of any possible future outflows. 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 53 million. Should the duration of the potential infringement be shorter (longer) by one year, the provision for legal disputes would decrease (increase) by CZK 213 million.

The information on other legal disputes is disclosed in Note 32.1.

27.2. Provisions for employee benefits

The provision for post-employment benefits represents an employee's entitlement to a financial contribution upon retirement. The provision for other long-term employee benefits represents the employees' entitlement to a financial contribution upon reaching a jubilee and to the payment of medical expenses, including compensation of wages during curative and convalescent stays. In calculating these provisions, the Group used an actuarial model based on current employee data (number of employees, date of old-age pension, average salary, amount of financial contribution) and expected parameters determined with the Group's qualified estimate (expected fluctuation, salary increase) and publicly available statistical data (expected inflation rate of 2%, probability of death and disability according to data from the Czech Statistical Office). The change in the provision related to retirement benefits caused by the change in these parameters is reported as actuarial gains (losses) in the consolidated statement of comprehensive income. The change in the provision for other benefits is recognised in the consolidated statement of profit or loss. Cash flows are discounted to present value using a discount rate derived from the rate of return on 10-year government bonds.

27.3. Provision for onerous contracts

As at 31 December 2023, the Group created a provision for onerous contracts in the amount of CZK 118 million (31 December 2022: CZK 842 million). The provision was recognised for contracts concluded with the regions where the unavoidable costs of fulfilling the obligation stipulated in the contract exceed the economic benefits that are expected to be accepted on the basis of these contracts. As the assets used to perform these contracts are not exclusively attributable to the contracts, no impairment is recognised for these assets in accordance with IAS 36.

27.4. Provision for damage compensation

In 2023, the Group derecognised the provision for compensation for damage caused by a fire of cables at the Bohumín train station, which was recognised in the amount of the estimated damage. The court rejected the legal action by SŽ at the end of 2023. In connection with this provision, the Group recognised the expected compensation from the insurance company in the amount of CZK 297 million as at 31 December 2022 in other assets (Note 23) which was also derecognised in 2023.

Other provisions primarily include provisions for damage events.

28. Other Financial Liabilities

(CZK million)

	31 Dec 2023	31 Dec 2022
Financial derivatives *	992	944
Other	194	172
Total long-term	**1,186**	**1,116**
Financial derivatives *	489	592
Liability from terminated lease agreements	121	121
Other	108	64
Total short-term	**718**	**777**
Total	**1,904**	**1,893**

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

Other long-term financial liabilities represent liabilities to the lessees of property at the Masaryk and Brno train stations in connection with technical improvements of leased property performed by lessees.

29. Other Liabilities and Contract Liabilities

(CZK million)

	31 Dec 2023	31 Dec 2022
Grants received	56	87
Other	7	15
Total non-current	**63**	**102**
Advances received	4	6
Payables to employees	1,817	1,698
Liabilities from social security and health insurance	581	506
Tax liabilities – tax withheld from employees	109	96
Tax liabilities – VAT	32	45
Repayment of the grants under ROP projects (Note 15.1)	-	-
Contract liabilities (Note 6.2)	482	634
Refund liabilities (Note 6.2)	675	140
Grants received	408	246
Other	136	102
Total current	**4,244**	**3,473**
Total	**4,307**	**3,575**

The current Grants received include the investment grant in the total amount of CZK 357 million as at 31 December 2023 (2022: CZK 215 million).

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

30. Changes in Liabilities from Financing Activities

Changes in liabilities from financing activities including changes arising from cash flows and non-cash changes are disclosed in the following table:

(CZK million)

	Short-term bank loans	Long-term bank loans	Short-term loans from EUROFIMA	Long-term loans from EUROFIMA	Lease liabilities - short-term	Lease liabilities - long-term	Secured loans - short-term	Secured loans - long-term	Issued bonds - short-term	Issued bonds - long-terms	Overdraft Accounts *	Exchange bill	Other	Total
Note	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Liabilities from financing as at 1 Jan 2022	**769**	**5,877**	**-**	**-**	**1,086**	**4,060**	**431**	**1,821**	**1,262**	**32,837**	**80**	**-**	**76**	**48,299**
Cash flows from financing	**(182)**	**6,885**	**-**	**-**	**(1,211)**	**-**	**(455)**	**1,082**	**(933)**	**13,145**	**817**	**-**	**7**	**19,155**
Drawing of loans and borrowings	*2,607*	*6,885*	*-*	*-*	*-*	*-*	*-*	*1,082*	*-*	*13,145*	*866*	*3,777*	*7*	*28,369*
Repayments of loans and borrowings	*(2,789)*	*-*	*-*	*-*	*-*	*-*	*(455)*	*-*	*(933)*	*-*	*(49)*	*(3,777)*	*-*	*(8,003)*
Repayment of principal of lease liabilities	*-*	*-*	*-*	*-*	*(1,211)*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(1,211)*
Effect of exchange rate changes	(1)	-	-	-	(80)	(32)	(26)	-	(305)	(787)	-	-	-	(1,231)
Reclassification *	1,125	(1,125)	-	-	1,458	(1,458)	470	(470)	10,442	(10,442)	-	-	-	-
Lease additions and change in estimates	-	-	-	-	117	1,849	-	-	-	-	-	-	-	1,966
Accrued interest	427	240	-	-	76	25	61	-	416	452	63	99	-	1,859
Interest paid (cash flows from operating activities **	(396)	(241)	-	-	(81)	(25)	(55)	-	(209)	(369)	(63)	(99)	-	(1,538)
Capitalised interest paid (cash flows from investing activities)	-	-	-	-	-	-	-	-	(103)	(13)	-	-	-	(116)
Other non-cash movements	(4)	-	-	-	-	2	-	(8)	21	3	-	-	(3)	11
Liabilities from financing as at 31 Dec 2022	**1,738**	**11,636**	**-**	**-**	**1,365**	**4,421**	**426**	**2,425**	**10,591**	**34,826**	**897**	**-**	**80**	**68,405**
Cash flows from financing	**(1,846)**	**3,546**	**-**	**11,242**	**(1,688)**	**-**	**(427)**	**56**	**(9,938)**	**-**	**(482)**	**-**	**(9)**	**454**
Drawing of loans and borrowings	*4*	*3,546*	*-*	*11,242*	*-*	*-*	*-*	*56*	*-*	*-*	*-*	*-*	*1*	*14,849*
Repayments of loans and borrowings	*(1,850)*	*-*	*-*	*-*	*-*	*-*	*(427)*	*-*	*(9,938)*	*-*	*(482)*	*-*	*(10)*	*(12,707)*
Repayment of principal of lease liabilities	*-*	*-*	*-*	*-*	*(1,688)*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(1,688)*
Effect of exchange rate changes	13	134	-	79	92	28	29	-	(185)	794	-	-	-	984
Reclassification *	2,275	(2,275)	290	(290)	1,206	(1,206)	332	(332)	725	(725)	-	-	-	-
Lease additions and change in estimates	-	-	-	-	1,622	1,434	-	-	-	-	-	-	-	3,056
Accrued interest	278	485	-	290	156	54	73	-	272	1,003	79	-	15	2,705
Interest paid (cash flows from operating activities **	(268)	(500)	-	-	(150)	(53)	(73)	-	(312)	(839)	(79)	-	(3)	(2,277)
Capitalised interest paid (cash flows from investing activities)	-	-	-	-	-	-	-	-	(68)	(133)	-	-	-	(201)
Other non-cash movements	(5)	(11)	-	-	(100)	(260)	(5)	-	9	5	-	-	1	(366)
Liabilities from financing as at 31 Dec 2023	**2,185**	**13,015**	**290**	**11,321**	**2,503**	**4,418**	**355**	**2,149**	**1,094**	**34,931**	**415**	**-**	**84**	**72,760**

** Loans and borrowings classified in the previous period as long-term, which became short-term in the reporting period.*

*** Interest paid line in the consolidated statement of cash flows for the year 2023 also includes cash flows from securing interest payments in the amount of CZK 148 mil (2022: CZK 172 mil).*

31. Related Party Transactions

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

31.1. Revenue from related parties

(CZK million)

		Revenue from the sales of services and other revenue	
		2023	**2022**
JLV, a.s.	Associate	3	2
BOHEMIAKOMBI, spol. s r.o.	Associate	18	15
Ostravská dopravní společnost - Cargo, a.s.	Associate	30	16
Terminál Mošnov, a.s.	Associate	5	-
Total associates		**55**	**33**
RAILLEX, a.s.	Joint venture	16	14
Ostravská dopravní společnost, a.s.	Joint venture	45	54
Total joint ventures		**61**	**68**
Total related parties		**117**	**101**

31.2. Purchases from related parties

(CZK million)

		Services	
		2023	**2022**
JLV, a.s.	Associate	244	208
Ostravská dopravní společnost - Cargo, a.s.	Associate	54	63
Terminál Mošnov, a.s.	Associate	1	-
Total associates		**299**	**271**
RAILLEX, a.s.	Joint venture	6	5
Total joint ventures		**6**	**5**
Total related parties		**305**	**276**

31.3. Outstanding balances with related parties at the end of the reporting period

(CZK million)

31 Dec 2023		Receivables	Payables
JLV, a.s.	Associate	-	50
BOHEMIAKOMBI, spol. s r.o.	Associate	2	-
Ostravská dopravní společnost - Cargo, a.s.	Associate	4	10
Terminál Mošnov, a.s.	Associate	1	-
Total associates		**7**	**60**
RAILLEX, a.s.	Joint venture	3	2
Ostravská dopravní společnost, a.s.	Joint venture	7	-
Total joint ventures		**10**	**2**
Total related parties		**17**	**62**

(CZK million)

31 Dec 2022		Receivables	Payables
JLV, a.s.	Associate	-	42
BOHEMIAKOMBI, spol. s r.o.	Associate	2	-
Ostravská dopravní společnost - Cargo, a.s.	Associate	2	9
Total associates		**4**	**51**
RAILLEX, a.s.	Joint venture	2	1
Ostravská dopravní společnost, a.s.	Joint venture	16	-
Total joint ventures		**18**	**1**
Total related parties		**22**	**52**

Outstanding balances have not been secured and will be settled by bank transfer or by offset. No warranties have been granted or accepted. Receivables are usually due within 30 days, payables within 45 days. In terms of IFRS 9, impairment losses on related parties' receivables were assessed as immaterial.

31.4. Key management members compensation

Key management of the Group includes management of the Company and its significant subsidiaries (ČD Cargo, a.s., ČD – Informační Systémy, a.s., ČD – Telematika a.s., DPOV, a.s. and Výzkumný Ústav Železniční, a.s.).

The following employee benefits were paid to key management members during the year:

(CZK million)

2023	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	81	12	-
Other short-term employee benefits	15	5	-
Post-employment benefits	-	-	-
Total	**96**	**17**	**-**
Number of key management members	**20**	**35**	**6**

(CZK million)

2022	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	65	10	-
Other short-term employee benefits	18	8	-
Post-employment benefits	7	-	-
Total	**90**	**18**	**-**
Number of key management members	**19**	**34**	**6**

31.5. Relationships with the companies controlled by the state

České dráhy Group is wholly owned and controlled by the state of the Czech Republic. In accordance with the exception in IAS 24 Related Party Disclosures, the Group does not disclose quantitative information about individually immaterial transactions with the government and companies controlled or jointly controlled by the government or in which the government has significant influence. Individually material transactions with related parties that the Group has managed to identify are payments of public service obligations (the regions and the Ministry of Transport) and transactions with the state organisation SŽ and the ČEZ Group.

Public service obligation payments

The cost risk is associated with the costs that the carrier must incur in order to ensure the operation of public transport requested by the customer. The cost risk is primarily about a risk of operating costs, which from the carrier's point of view could be understood as a risk that the costs calculated by the carrier in the offer of public transport submitted to the customer would differ from the costs actually incurred by the carrier during contract performance. Operating cost risks can be both external, which the carrier is unable to influence (such as rising fuel prices, changes in spare parts prices, additional costs due to traffic closures and emergencies, changes in legislation and tax regulations, etc.) and internal, which the carrier could influence (e.g., proper maintenance of a fleet, effective setting of internal processes, wage levels, etc.).

The revenue risk corresponds to a risk of sales to passengers and can be understood as a risk that sales expected before entering a contract would differ from sales actually achieved by the carrier for the duration of a contract. A key component of the revenue risk is the risk of passenger demand for transport services provided by the carrier.

With regard to the risk allocation method, the Group enters into contracts with the customers of public transport in the „gross" and „net" regimes. Gross regime contracts have cost risks and opportunities shared between the carrier and the customer, revenue risks and opportunities remain solely on the customer's side. Net regime contracts have cost and revenue risks and opportunities shared between the carrier and the customer. The customer bears the risks and opportunities for the amount of IDS (integrated transport system) sales, which the carrier cannot influence, and the carrier bears the risks and opportunities for other sales. Unless a contract refers to the application of the integrated transport system (IDS) tariff, all risks and sales opportunities are borne by the carrier. All contracts with the Ministry of Transport ("MT") are in the net regime.

(CZK million)

Revenue and compensation	Counterparty	2023	2022
Rental income	SŽ	30	19
Payment for substitute bus service *	SŽ	470	1,094
Payments from public service customers – the state budget	the state – MT	4,991	4,534
Compensation of 50% discount fares **	the state – MT	1,690	1,616
Payments from public service customers – the regional budgets – "gross" contracts	the regions	5,246	4,487
Payments from public service customers – the regional budgets – "net" contracts	the regions	8,278	7,818
Fare compensation – Ukraine	the state	-	71
Revenues – telecommunication services	SŽ	1,150	711
Revenues – telecommunication services	ČEZ	2	-
Revenues from freight transportation	ČEZ	120	140
Operation and maintenance of SW	SŽ	60	72
Revenues from the sale of employee holidays	SŽ	100	90
Revenues from traction energy recovery	SŽ	106	78
Other revenue	SŽ	120	218

** This compensation is offset by the costs of substitute bus services. Substitute bus services in Note 8 are presented net after this offset.*

*** Before 31 March 2022, compensation of discount fares for children from 6 to 18 years, students up to 26 years and elderly people over 65 was 75%.*

(CZK million)

Expenses	Counterparty	2023	2022
Use of railroads and allocated railway capacity – passenger transport	SŽ	1,804	1,803
Use of railroads and allocated railway capacity – freight transport	SŽ	702	866
Consumption of electric traction energy – passenger transport	SŽ	2,444	2,623
Consumption of electric traction energy – freight transport	SŽ	786	1,106
Expenses – telecommunication services	SŽ	62	63
Other expenses	SŽ	444	299
Other expenses	ČEZ	17	50

(CZK million)

Receivables	Counterparty	31 Dec 2023	31 Dec 2022
Payment for replacement bus transport	SŽ	184	66
Compensation of 50% discount fares	the state – MT	112	100
Public service obligation	the regions	283	356
Telecommunications services	SŽ	127	220
Advances provided	SŽ	60	69
Freight transport	ČEZ	26	23
Freight transport	SŽ	12	2
Support – supported renewable energy sources (POZE) (Note 8)	SŽ	-	253
Compensation for unjust enrichment (Note 21)	SŽ	678	557
Other receivables	SŽ	19	-

(CZK million)

Liabilities	Counterparty	31 Dec 2023	31 Dec 2022
Use of railroads and allocated railway capacity – passenger transport	SŽ	410	417
Use of railroads and allocated railway capacity – freight transport	SŽ	160	170
Consumption of electric traction energy – passenger transport	SŽ	83	89
Lease liabilities	SŽ	190	170
Public service obligation	the state – MT	202	42
Public service obligation	the regions	436	322
Use of traction electricity – freight transport	SŽ	76	120
Other liabilities	SŽ	43	-
Other liabilities	ČEZ	19	-

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

In 2023, the Group reported the grant from the MT in the amount of CZK 510 million (2022: CZK 1,406 million) in the consolidated statement of financial position as a decrease in the acquisition value of fixed assets. Receivables and payables from investment grants are reported in Other assets (Note 23) and Other liabilities and contract liabilities (Note 29).

32. Operating Lease

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

Maturity analysis of undiscounted payments from non-cancellable operating lease contracts:

(CZK million)

	31 Dec 2023	31 Dec 2022
1st year	57	50
2nd year	61	52
3rd year	65	54
4th year	70	57
5th year	-	59
Over 5 years	-	-
Total	**253**	**272**

In 2023, income from operating leases recognised in profit or loss amounted to CZK 753 million (in 2022: CZK 673 million), out of which the income from investment property was CZK 330 million in 2023 (in 2022: CZK 298 million).

Direct operating expenses related to investment property were CZK 124 million in 2023 (in 2022: CZK 164 million).

33. Capital Commitments

As at the date of the consolidated financial statements, the Group concluded contracts for the purchase of property, plant and equipment in the amount of CZK 54,704 million (2022: CZK 53,004 million), of which CZK 20,698 million had already been paid as at 31 December 2023 (as at 31 December 2022: CZK 16,228 million).

(CZK million)

	31 Dec 2023	31 Dec 2022
Unpaid supplies agreed for the next year	11,227	3,903
Unpaid supplies agreed for the subsequent years	22,779	32,873
Total	**34,006**	**36,776**

Investments in rolling stock of CZK 37,563 million for 31 December 2023 (2022: CZK 42,837 million) represent a substantial part of the capital commitments.

34. Contingent Liabilities and Contingent Assets

The Parent Company holds a 1% equity investment in EUROFIMA. The shareholders of the entity are European national railway carriers, and the purpose of this entity is to acquire funds for rolling stock 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 requested by EUROFIMA from its shareholders on an ad-hoc basis according to the resolution of the Management

Board. The nominal value of unpaid shares as at 31 December 2023 and 31 December 2022 was CHF 20.8 million (CZK 555 million as at 31 December 2023, CZK 510 million as at 31 December 2022). The management of the Group considers the probability that the Parent Company will be called upon to pay the nominal value of the unpaid share as low as at 31 December 2023.

The Group's aggregate clean-up costs were CZK 23 million in 2023 (2022: CZK 20 million). The Group is not aware of any environmental burdens that would exceed legislative limits and represent harm to human health or property of third parties. The Group's management acting with due managerial care is not aware of any liability resulting from legislation requirements in respect of environmental burdens.

34.1. Legal disputes

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

In July 2014, LEO Express filed a legal action for damage compensation amounting to approximately CZK 419 million which was allegedly caused to LEO Express by ČD and its pricing policy. The first-instance court rejected LEO Express's action. At the end of December 2016, Leo Express filed a new legal action against ČD for a similar reason for the approximate amount of CZK 434 million including accrued interest and charges. In March 2018, the High Court in Prague cancelled the judgment dismissing the first LEO Express's action for damages and returned the case to the Municipal Court in Prague for further proceedings. With its first and second actions, LEO Express seeks a payment of approximately CZK 34 million, after partial withdrawal, and a payment of approximately CZK 434 million, respectively. 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. With letters dated 12 July 2021, Leo Express Global a.s. and Leo Express s.r.o. further requested ČD to compensate them for another allegedly incurred damage in addition to the above claims: for the period (i) from 1 June 2014 to 31 December 2017 in the claimed amount of CZK 1,202 million (Leo Express Global) and (ii) from 1 January 2018 to 31 December 2019 in the claimed amount of CZK 491 million (Leo Express s.r.o.). This damage should also allegedly relate to ČD's claimed anti-competitive conduct, whereas the call for compensation does not further specify claims or the way of the alleged amount of damage calculation. In response to these letters, ČD rejected any violation of the law, and thus the alleged obligation to compensate for damage. ČD has no information that the Leo Express group would pursue these alleged claims in court.

In 2022, the Municipal Court accepted the claimant's motion to replace the current claimant LEO Express Global a.s. with LEO Mobility s.r.o. (in the claim for payment of CZK 34 million) and with Mr. L. Novotný (in the claim for payment of CZK 434 million). ČD filed an appeal against this decision when LEO Mobility s.r.o. finally entered the proceedings for CZK 34 million, while it has not yet been decided on procedural succession with final effect in the proceedings for CZK 434 million.

On 23 June 2023, a judicial settlement was concluded in the proceedings for CZK 34 million based on which all claims of LEO Mobility s.r.o. extinguished and this entity is bound to pay the costs of proceedings amounting to CZK 2 million to ČD. As such, the dispute is concluded with final effect.

The court has so far not decided on the standing to bring the action in the dispute for CZK 434 million. Until this issue is resolved, the court cannot rule on the matter itself.

The Group's management believes that it is not likely that a liability arises to the Group regarding this matter; therefore, it recognises no provision.

34.1.2. Legal Action by RegioJet for the payment of compensation for detriment

RegioJet sent a pre-trial notice to ČD for the payment of the compensation of detriment dated 10 April 2015 in which it seeks payment of about CZK 717 million. The alleged detriment was caused by ČD's claimed illegal activities in operating the Prague – Ostrava route, involving the application of dumping prices. ČD refused to pay for the detriment. RegioJet filed a legal action seeking a payment of compensation of approximately CZK 717 million including accrued interest and charges. During the course of a judicial proceeding in the first instance, the trial was suspended until the EC decision on the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 26.1.

The European Commission and the OPC discontinued the proceedings against ČD as they had concluded that ČD had not abused the dominant position.

34.1.3. Legal action by RegioJet a.s. and STUDENT AGENCY k.s. for the repayment of alleged unlawful state aid (defendants ČD, a.s., SŽ, s.o., ČR represented by the Ministry of Transport of the Czech Republic)

In April 2015, RegioJet filed a legal action for the repayment of approximately CZK 7 billion plus late payment interest for alleged unlawful state aid. STUDENT AGENCY k.s. subsequently joined the legal action. By this amount, the "dead railroad" assets that ČD transferred to SŽ for CZK 12 billion in 2008 were allegedly overestimated. Both the Municipal Court in Prague (by judgment of 6 February 2019) and the High Court in Prague (by judgment of 23 September 2020) ruled in favour of ČD. The Supreme Court reversed the previous decision by judgment of 29 February 2024 and ordered the matter to be reheard. The reversal of the judgments was due to the application of incorrect legislation by the courts of both instances. The Municipal Court in Prague will therefore start hearing the matter again. According to the analysis of external legal counsel, the ruling of the Supreme Court does not change the unjustifiability of the claimants' claim and no other final decision on the matter is expected.

34.1.4. Legal action by CB Station Development and EZ holding against ČD

In a real estate project three legal actions were filed against ČD by CB Station Development and EZ Holding. The legal actions were aimed at determining ČD's obligation to conclude a sales contract with the claimants based on a previous agreement on a future contract. The claim for contractual penalty in the amount of CZK 100 million and other damage (other claims, pre-contractual liability) cannot be excluded. The legal action against ČD was dismissed by the court of first instance. An appeal was filed against the decision by CB Station Development, a.s.

The appellate court confirmed the former positive judgment of the court of first instance, and the legal proceedings are finally concluded by a full success of ČD. Concurrently with the success of ČD in the dispute, the preliminary injunction ordered by the court in relation to the land concerned expires. ČD can already use the land at its own discretion.

35. Financial Instruments

35.1. Capital risk management

The Group's main objective in managing its capital structure is to maintain a long-term sustainable debt ratio and investment grade rating. Based on its methodology, the credit rating agency assesses the debt ratio using the debt/EBITDA indicator. For the current investment grade, an indicated ratio level determined using the consolidated data is 6.0. The rating agency annually comments on the indicator level and its potential impact on the Parent Company's rating in its report that is publicly available on the Parent Company's website. As a source of long-term financing, the Group mainly uses bond issues and long-term investment loans.

The capital structure of the Group consists of net debt (borrowings, including lease liabilities, less cash and cash equivalents) and the Group's equity (includes share capital, reserves and other funds and accumulated losses).

(CZK million)

		31 Dec 2023	31 Dec 2022
Net debt			
Loans, borrowings and lease liabilities	26	72,760	68,405
Cash and cash equivalents	24	(8,119)	(8,761)
Total net debt		**64,641**	**59,644**
Equity			
Share capital	25	20,000	20,000
Capital contributions	25	17,240	17,885
Accumulated losses	25	339	(2,812)
Total equity		**37,579**	**35,073**
Total managed capital		**102,220**	**94,717**

The Group is not subject to any other externally imposed capital requirements.

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

35.2. Classes of financial instruments

(CZK million)

Classification of financial assets	Class of financial assets		31 Dec 2023	31 Dec 2022
Financial assets measured at amortised cost	Trade receivables	21	5,269	4,788
	Cash and cash equivalents	24	8,119	8,761
	Finance lease receivables	22	139	150
	Other	22	1,017	918
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting *	22	341	460
Financial assets measured at fair value through other comprehensive income	Equity investments measured at fair value through other comprehensive income	22	333	341
	Total		**15,218**	**15,418**

(CZK million)

Classification of financial liabilities	Class of financial assets		31 Dec 2023	31 Dec 2022
Financial liabilities measured at fair value through profit or loss	Financial derivatives used in hedge accounting	28	1,478	1,536
	Other financial derivatives	28	3	-
Financial liabilities measured at amortised cost	Loans, Borrowings and Lease Liabilities	26	72,760	68,405
	Trade payables		6,406	6,765
	Other	28	423	357
	Total		**81,070**	**77,063**

** Provided that the hedge is effective, changes in the fair value of the hedging instrument are initially recognised in other comprehensive income (Note 25.2.3).*

Income from individual classes of financial assets is as follows:

(CZK million)

Class of financial assets	2023	2022	Reported in the statement of profit or loss line
Interest on cash and cash equivalents	96	38	Finance Income
interest on the held-to-maturity investments (fixed deposit a bills of exchange)	253	29	Finance Income
Interest on finance lease receivables	23	25	Finance Income
Dividends from equity investments	1	2	Other operating Income
Total	**373**	**94**	

Credit losses on financial assets are disclosed in Note 21 Trade receivables, Note 22 Other financial assets and Note 35.8 Credit risk management.

35.3. Fair value of financial instruments

(CZK million)

Financial assets	Level	Fair value as at 31 Dec 2023	Carrying value as at 31 Dec 2023	Fair value as at 31 Dec 2022	Carrying value as at 31 Dec 2022
Measured at fair value		**674**	**674**	**801**	**801**
Derivative instruments used in hedge accounting	Level 2	341	341	460	460
Financial assets at fair value through other comprehensive income	Level 3	333	333	341	341
Measured at amortised cost		**214**	**216**	**460**	**496**
Finance lease receivables	Level 2	139	139	150	150
Other financial assets – non-current	Level 2	75	77	310	346
Total		**888**	**890**	**1,261**	**1,297**

(CZK million)

Financial liabilities	Level	Fair value as at 31 Dec 2023	Carrying value as at 31 Dec 2023	Fair value as at 31 Dec 2022	Carrying value as at 31 Dec 2022
Measured at fair value		**1,481**	**1,481**	**1,536**	**1,536**
Derivative instruments used in hedge accounting	Level 2	1,478	1,478	1,536	1,536
Other financial derivatives	Level 2	3	3	-	-
Measured at amortised cost		**61,252**	**63,110**	**55,368**	**58,999**
Issued bonds	Level 2	8,531	10,167	8,622	9,977
Issued bonds (publicly traded)	Level 1	25,663	25,858	33,837	35,440
Loans *	Level 2	14,902	15,201	12,741	13,374
Loan from EUROFIMA	Level 2	11,909	11,611	-	-
Other financial liabilities and loans – non-current	Level 2	247	273	168	208
Total		**62,733**	**64,591**	**56,904**	**60,535**

** The fair value of variable interest loans is approximately the same as the book value of these loans.*

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

In 2023 and 2022, there were no transfers of financial instruments between levels.

35.3.1. Valuation procedures used to determine fair value

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

- fair value of investments in equity instruments at fair value through other comprehensive income was estimated using the asset-based approach. As at 31 December 2023 and 2022, the Group's management analysed the investee's audited financial statements and concluded that its fair value is approximately equal to the carrying value of its net assets;
- fair value of interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows;
- fair value of cross-currency interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows in respective currencies;
- fair value of currency swaps is calculated using a valuation model based on discounted yield curves and swap points for the relevant currencies; and
- fair value of commodity swaps is calculated using a valuation model based on 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:

- fair value of the bonds is determined on the basis of quoted market prices, if they exist. If quoted market prices do not exist, the fair value is determined using a valuation model on the basis of quoted market prices of comparable bonds; and
- 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.

35.3.2. Fair value measurement recognised in the consolidated 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;
- 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); and
- 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).

Investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2023 and 31 December 2022 are included in level 3. All other financial instruments measured at fair value as at 31 December 2023 and 31 December 2022 are included in level 2.

35.3.3. Reconciliation of measurement of financial instruments at fair value at level 3

The following table shows the financial assets measured at fair value at level 3:

(CZK million)

	Investment in equity instruments
Balance as at 1 January 2022	**390**
Total gains or losses:	(49)
recognised in profit or loss	*25*
in other comprehensive income	*(74)*
Transfer from level 3 financial instruments	(8)
Balance as at 31 December 2022	**333**
Total gains or losses:	29
recognised in profit or loss	*6*
in other comprehensive income	*23*
Transfer from level 3 financial instruments	(29)
Balance as at 31 December 2023	**333**

35.4. Financial risk management objectives

The Group manages and monitors 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.

35.4.1. Hedge accounting

The Group uses financial derivatives to hedge risks and mitigate their impacts. The use of financial derivatives observes the Group's principles approved by the Board of Directors. The Group does not arrange financial derivatives for trading for speculative purposes. All derivative transactions that the Group engages in are arranged on an economic basis solely for hedging purposes, but some of them are not classified as hedging for formal reasons. Derivatives that do not meet the hedge accounting criteria are reported as financial derivatives for trading and are recognised at fair value through profit or loss.

The accounting principles of hedge accounting are disclosed in Notes 2.19.11 - 2.19.13.

The following tables show the concluded derivatives:

(CZK million)

as at 31 December 2023:								
Type of risk	**Hedging instrument**	**Other financial assets - current (Note 22)**	**Other financial assets - non-current (Note 22)**	**Other financial liabilities - current (Note 28)**	**Other financial liabilities - non-current (Note 28)**	**Loans, borrowings and lease liabilities - current (Note 26)**	**Loans, borrowings and lease liabilities - non-current (Note 26)**	**Note**
Currency	Currency forwards	52	-	-	-	-	-	35.5.2
	Cross-currency interest rate swaps	175	39	475	922	-	-	35.5.4
	Lease liabilities and collateralised loans denominated in EUR	-	-	-	-	936	3,162	
	Financing in EUR	-	-	-	-	520	4,824	
Interest rate	Interest rate swaps	64	6	6	69	-	-	35.6.2
Commodity	Commodity derivatives	4	1	5	1	-	-	35.7.2
Total		**295**	**46**	**486**	**992**	**1,456**	**7,986**	

(CZK million)

as at 31 December 2022:								
Type of risk	**Hedging instrument**	**Other financial assets - current (Note 22)**	**Other financial assets - non-current (Note 22)**	**Other financial liabilities - current (Note 28)**	**Other financial liabilities – non-current (Note 28)**	**Loans, borrowings and lease liabilities - current (Note 26)**	**Loans, borrowings and lease liabilities - non-current (Note 26)**	**Note**
Currency	Currency forwards	81	36	1	-	-	-	35.5.2
	Currency swaps	-	-	56	-	-	-	35.5.3
	Cross-currency interest rate swaps	157	-	517	944	-	-	35.5.4
	Lease liabilities and collateralised loans denominated in EUR	-	-	-	-	938	3,570	
	Financing in EUR	-	-	-	-	145	2,219	
Interest rate	Interest rate swaps	100	83	7	-	-	-	35.6.2
Commodity	Commodity derivates	3	-	11	-	-	-	35.7.2
Total		**341**	**119**	**592**	**944**	**1,083**	**5,789**	

The information on the effect of the hedge accounting on the cash flow hedge reserve and the cost of hedging reserve is disclosed in Notes 25.2.3 and 25.2.4.

35.5. Currency risk management

The Group undertakes certain transactions denominated in foreign currencies resulting in exposures to exchange rate fluctuations. These transactions predominantly include proceeds from international transport, issued bonds, long-term investment loans, term deposits, depository bills of exchange, and purchases of railway vehicles in foreign currency. In line with the approved risk management strategy, the Group hedges anticipated payments in a foreign currency such that the size of the open risk position does not exceed the limit defined for the period by the Risk Management Committee and approved by the Company's Board of Directors. The share of long-term financing in foreign currencies and unhedged against currency risk may be a maximum of 10%.

In the freight transport segment, the Group has a long-term excess of sales denominated in EUR over expenses as the inputs are primarily purchased in CZK. This creates a disproportion between currency inputs and outputs. The Group decreases this currency position using the combination of several instruments: currency derivatives, purchases in EUR and financing in EUR. In line with the Group's risk management strategy, it hedges the currency risk to which its expected future income from freight transport in foreign currency is exposed.

The carrying amount of the Group's financial assets and financial liabilities denominated in foreign currency, for which exchange differences are charged to profit or loss at the end of the reporting period, is presented in the following table:

(CZK million)

31 Dec 2023	EUR	USD	Other	Total
Financial assets	3,668	16	4	3,688
Financial liabilities	(42,549)	(12)	(7)	(42,568)
Total	**(38,881)**	**4**	**(3)**	**(38,880)**

(CZK million)

31 Dec 2022	EUR	USD	Other	Total
Financial assets	9,672	20	2	9,694
Financial liabilities	(43,700)	(310)	(2)	(44,012)
Total	**(34,028)**	**(290)**	**-**	**(34,318)**

The Group also has financial assets and financial liabilities that represent hedging instruments for cash flow hedging, for which exchange differences are reported in accordance with Note 2.19.12 (Cash flow hedging):

- currency derivatives and cross-currency interest rate swaps;
- lease liabilities and secured loans denominated in EUR;
- issued bond denominated in EUR; and
- received investment loans denominated in EUR.

Information on the nominal and book value of these hedging instruments is provided in the description of individual hedging relationships in Notes 35.5.2, 35.5.3, 35.5.4, 35.5.5 and 35.5.6.

35.5.1. Sensitivity to exchange rate changes

The exposure to currency risks is measured by a sensitivity analysis. The Group is exposed to the currency risk due to:

- changes in the carrying value of monetary 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 value indicates an 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:

(CZK million)

	Strengthening Czech currency by CZK 1 against EUR		Weakening Czech currency by CZK 1 against EUR	
	2023	**2022**	**2023**	**2022**
Translation of items denominated in foreign currencies at the end of the period	1,573	1,411	(1,573)	(1,411)
Change in the fair value of derivatives at the end of the period	(802)	(790)	802	790
Total impact on the profit/(loss) before tax	**771**	**621**	**(771)**	**(621)**
Change in tax effect recognised in profit or loss	(146)	(118)	146	118
Total impact on the profit/(loss) after tax	**625**	**503**	**(625)**	**(503)**
Change in the fair value of derivatives at the end of the period *	17	85	(17)	(85)
Foreign exchange rate gain or loss of lease liabilities under IFRS 16 **	156	187	(156)	(187)
Foreign exchange rate gain or loss of investment loans and bonds **	218	98	(218)	(98)
Total impact on other comprehensive income before tax	**391**	**370**	**(391)**	**(370)**
Change in tax effect recognised in other comprehensive income	(74)	(70)	74	70
Total impact on other comprehensive income after tax	**317**	**300**	**(317)**	**(300)**

** Financial derivatives used in hedge accounting.*

*** Reported in the current period.*

35.5.2. Currency forwards

In accordance with the management risk strategy, the Group enters into currency forwards and par forwards to cover future incoming payments denominated in foreign currencies with the predetermined hedge ratio of 1:1. The hedging ratio is regularly monitored in the context of risk management objectives.

The effectiveness of hedging is regularly assessed by comparing critical terms. In the case of currency hedging, it is primarily a nominal value. Control against "over-hedging" of currency risk is monitored on the basis of a hedge report and is fulfilled due to the Financial Risk Management Strategy and the determination of the maximum volumes of hedging of expected income.

The nominal value of currency forwards is lower than the future expected proceeds in EUR which means that the Group never hedges more than 25% of the expected cash inflows in EUR. A CZK/EUR exchange rate is hedged and then converts foreign currency earnings (EUR) into the functional currency (CZK). As at 31 December 2023, the maximum hedging volumes are set in the Financial Risk Management Strategy of the Group as follows:

- for 2024, a maximum of 20% of proceeds in EUR; and,
- for 2025, a maximum of 15% of proceeds in EUR.

The currency forwards are negotiated under market conditions (without premium payments), the fair value of derivatives on the day of the deal is nil. Based on the above-stated facts, the Group's management assumes that the hedging relation will be effective over its lifetime. The result of a transaction is a predictable (fixed) CZK/EUR exchange rate obtained from a sale of EUR proceeds of the Group.

Potential root causes of possible ineffectiveness may relate to a basis spread. Another factor may be a time mismatch. The Group does not hedge specific transactions from international freight transport but only the volume of the planned proceeds. The Group considers the above-mentioned factors to be immaterial 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 million	Fair value in CZK million
31 Dec 2023	27.185	EUR	653	52
31 Dec 2022	26.928	EUR	1,616	115

For the purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument because the hedging relationships were fully effective.

The Group did not enter into foreign currency forwards or options on foreign currency purchases in 2023 or 2022.

Expected realisation of hedged items by currency forwards

The following table presents expected hedged cash flows from future sales in EUR (in nominal value):

(CZK million)

31 Dec 2023	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	49	99	446	-	-	594

(CZK million)

31 Dec 2022	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	72	145	651	579	-	1,447

Currency forwards not meeting the conditions of the hedge accounting

The Group additionally concluded short-term currency forwards for the sale of foreign currency that do not meet the conditions for the hedge accounting; for this reason, they are reported as other financial derivatives. The following table shows these derivatives:

Sale	Average exchange rate	Foreign currency	Nominal value in CZK million	Fair value in CZK million
31 Dec 2023	24	EUR	59	(3)

35.5.3. Foreign exchange swaps

In line with the requirements of currency risk management, the Group has entered into long-term currency swaps that mitigate the risk of financing bonds in EUR with a hedge ratio of 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 the same as the face values of the relevant bond volume;
- both transactions are reconciled in the same currencies;
- swaps have been agreed at market value (without premium), the fair value of derivatives at settlement is nil; and
- the Group assumes no early bond repayment.

Sources of hedging relationship ineffectiveness are identified as follows:

- significant reduction in own or counterparty's creditworthiness;
- timing of payments from the hedged item; and
- termination of the cross-currency interest rate swap by the counterparty.

The Group has classified these swaps as fair value hedges.

The table presents the terms of currency swap agreements that were open at the end of the reporting periods:

31 Dec 2022	Average agreed exchange rate (CZK/EUR)	Principal amount	Fair value in CZK million
Up to 1 year	26.41	EUR 30 million	(56)
Total			**(56)**

These currency swaps were settled in May 2023. No currency swaps were concluded during 2023.

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

Hedging ineffectiveness in respect of cross-currency interest rate swaps was immaterial in 2022.

Expected realisation of hedged items by hedging currency swaps

Expected hedged cash flows from foreign currency bonds are disclosed in Note 35.9.1 in the tables with the residual contractual maturity of financial liabilities in the Fixed rate instruments.

35.5.4. Cross-currency interest rate swaps

In accordance with the currency risk management requirements, the Group has entered into a cross-currency interest rate swap which reduces the risk of the bond funding in EUR using a hedge ratio of 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 the same as the face values of the relevant bond volume;
- both transactions are contracted in the same currencies;
- maturity of interest rate swaps payment and interest bond payment are equal;
- swaps are agreed at market value (without premium), the fair value of derivatives at the trade date is nil;
- swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options); and
- the Group assumes no early bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

- significant decrease in the Group's or the counterparty's creditworthiness;
- timing of payments from the hedged item; and
- termination of the cross-currency interest rate swap by the counterparty.

The table shows the terms of contracts for cross-currency interest rate swaps that were opened at the end of the reporting periods.

31 Dec 2023	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	795	2.47%	(20,757)	3.49%	(301)
1 to 5 years	766	2.79%	(20,757)	3.68%	(615)
Over 5 years	166	3.45%	(4,597)	3.63%	(267)
Total					**(1,183)**

31 Dec 2022	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	755	2.01%	(19,927)	2.97%	(361)
1 to 5 years	755	2.11%	(18,304)	3.13%	(743)
Over 5 years	166	3.45%	(4,597)	3.63%	(200)
Total					**(1,304)**

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 finance costs in the period in which the coupon payments on the issued bonds affect profit or loss.

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

Hedging ineffectiveness in respect of cross-currency interest rate swaps was immaterial in 2023 and 2022.

The expected realisation of hedged items by cross-currency interest rate swaps

Expected cash flows of hedged foreign currency bonds are listed in Note 35.9.1 in tables with remaining contractual maturities of financial liabilities in the Fixed interest rate instruments.

35.5.5. Lease liabilities and secured loans denominated in EUR

In line with the risk management strategy, the Group has decided to hedge the currency risk to which its expected future proceeds from freight transport in foreign currency are exposed, using the hedging instrument specified below. The hedged risk is the risk of changes in the spot exchange rate CZK/EUR, which affects the impact of sales denominated in foreign currency, EUR, on the Group's profit or loss.

Lease contracts in EUR negotiated after 1 January 2020 are considered hedging instruments as of the first day of the month following the commencement of the lease relationship.

The hedged item is highly probable expected revenues from freight transport in EUR. From the managed risk point of view, the Group considers all sales in EUR to be homogeneous groups with the same currency risk.

Due to the nature of the hedging relationship (1 EUR used to repay the lease liability hedges 1 EUR of revenue), the hedge ratio is set at 1:1.

Due to the need for a sufficiently precise identification of hedged sales, the Group has identified the following possible sources of inefficiency: a time shift between lease payments and hedged sales, as well as a decrease in expected sales in EUR or changes in the repayment schedule of the hedging instrument. The Group considers the above-stated factors to be insignificant or highly improbable; therefore, it considers currency hedging to be effective.

The table shows lease liabilities and secured loans denominated in EUR as of:

Start of collateral	The average exchange rate on the date of creation of the collateral	Foreign currency	Nominal value in EUR mil.	Book value in CZK mil.
31 Dec 2023	25.22	EUR	156	3,854
31 Dec 2022	25.11	EUR	187	4,508

The change in the value of the hedged item due to a change in the spot rate is equal to the exchange rate difference of the hedging instrument for the purposes of determining effectiveness, since the hedging relationships were fully effective.

The following table shows the expected secured cash flows of future sales in EUR:

(CZK million)

31 Dec 2023	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5 years and more	Total
Secured future sales in EUR	86	149	754	2,608	513	4,110

(CZK million)

31 Dec 2022	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5 years and more	Total
Secured future sales in EUR	83	167	752	2,725	1,027	4,754

35.5.6. Financing in EUR

In line with the risk management strategy, the Group has decided to hedge the currency risk to which its expected future proceeds from freight transport in foreign currency are exposed, using the hedging instrument specified below. The hedged risk is the risk of changes in the spot exchange rate CZK/EUR, which affects the impact of sales denominated in EUR on the Group's profit or loss.

In 2022, the Group issued a bond with the total nominal value of EUR 40 million and drew two investment loans with the total nominal value of EUR 40 and 20 million.

In 2023, the Group used 4 new loans with the total nominal value of EUR 130 million.

The hedged item is highly probable expected revenues from freight transport in EUR. From the managed risk point of view, the Group considers all sales in EUR to be homogeneous groups with the same currency risk. Due to the nature of the hedging relationship (1 EUR used to repay the lease liability hedges 1 EUR of revenue), the hedge ratio is set as 1:1.

The Group hedges only the first part of the total planned cash flows in foreign currency in each hedged period. The unhedged part of the planned cash flows in foreign currency represents a "haircut".

For the continuing hedging relationship, a forward-looking assessment of the expected effectiveness is particularly relevant in the context of IFRS 9 requirements. The assessment of the expected effectiveness was carried out at the start of hedge accounting. Subsequently, it is carried out at least once a year and always at the date of the financial statements.

Given that the effectiveness of the hedging relationship was supported by a quantitative calculation of the sensitivity at the inception of the hedging relationship, in the subsequent periods, the effectiveness is assessed mainly by evaluating whether there have been changes in the critical parameters of the hedging instrument or the hedged item.

Due to the need for sufficiently precise identification of hedged sales, the Group has identified a time shift between the debt repayments and hedged sales as a possible source of inefficiency. This time mismatch may cause some degree of inefficiency due to the application of discounting in the calculation of inefficiency. Subsequently, a decrease in expected sales in EUR or changes in the repayment schedule of the hedging instrument.

The table provides information as of 31 December 2023:

	Start of collateral	Exchange rate on the date of creation of the collateral	Foreign currency	Nominal value in EUR mil.	Book value in CZK mil.
Bond	20 April 2022	24.415	EUR	40	988
Investment loan RB	29 April 2022	24.605	EUR	34	841
Investment loan ING	23 Dec 2022	24.245	EUR	16	395
Investment loan ING	23 Jan 2023	23.880	EUR	20	495
Investment loan VUB	22 March 2023	23.720	EUR	26	647
Investment loan EIB	1 June 2023	23.685	EUR	40	989
Investment loan RB	20 Dec 2023	24.540	EUR	40	989

The table provides information as of 31 December 2022:

	Start of collateral	Exchange rate on the date of creation of the collateral	Foreign currency	Nominal value in EUR mil.	Book value in CZK mil.
Bond	20 April 2022	24.415	EUR	40	964
Investment loan RB	29 April 2022	24.605	EUR	38	917
Investment loan ING	23 Dec 2022	24.245	EUR	20	483

For the purpose of determining effectiveness, the change in the value of the hedged item due to spot rate change is equal to the exchange difference of the hedging instrument, since the hedging relationships were fully effective.

The following table shows the expected secured cash inflows from future sales in EUR:

(CZK million)

31 Dec 2023	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5 years and more	Total
From bonds	2	3	14	1,064	-	1,083
From investment loans	-	149	529	2,893	1,434	5,005

(CZK million)

31 Dec 2022	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5 years and more	Total
From bonds	2	3	14	75	983	1,077
From investment loans	-	34	160	917	506	1,617

35.6. Interest rate risk management

The Group manages interest rate risk by maintaining an appropriate mix between fixed and variable 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 Company. The share of long-term financing with a variable interest rate may be a maximum of 10%.

The following table shows the breakdown of financial instruments by type of interest:

(CZK million)

	31 Dec 2023	31 Dec 2022
Instruments with fixed interest rate		
Financial assets	4,697	6,389
Financial liabilities	65,826	60,373
Total	**61,129**	**53,984**
Instruments with variable interest rate		
Financial liabilities	6,435	7,796
Financial liabilities – PRIBOR	*6,328*	*7,744*
Financial liabilities – EURIBOR	*107*	*52*
Total	**6,435**	**7,796**

The information on the nominal and carrying value of hedging instruments used to hedge the interest rate is disclosed in the description of a hedging relationship in Note 35.6.2.

35.6.1. Sensitivity to interest rate changes

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
- changes 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:

(CZK million)

	Increase in interest rates of 100 basis points		Decrease in interest rates of 100 basis points	
	2023	**2022**	**2023**	**2022**
Interest from loans and leases with variable rate for the period	(60)	(68)	60	68
Total impact on the profit/(loss) before tax	**(60)**	**(68)**	**60**	**68**
Change in tax effect recognised in profit/(loss)	11	13	(11)	(13)
Total impact on the profit/(loss) after tax	**(49)**	**(55)**	**49**	**55**
Change in the fair value of derivatives at the end of the period *	128	127	(134)	(133)
Total impact on other comprehensive income before taxes	**128**	**127**	**(134)**	**(133)**
Change in tax effect recognised in other comprehensive income	(24)	(24)	25	25
Total impact on other comprehensive income after tax	**104**	**103**	**(109)**	**(108)**

** Financial derivatives used in hedge accounting.*

35.6.2. Interest rate swap contracts

In accordance with interest rate risk management requirements, the Group has entered into interest rate swap contracts which reduces the risk arising from loans 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 loans with variable interest rates;
- both transactions are contracted in the same currencies;
- maturity of interest rate swaps payments and interest payments on loans with variable interest rates are equal;
- swaps were contracted at market prices (without bonuses), the fair value of derivatives is nil as at the contract date; and
- swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options).

The Group assumes no early loan repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

- early repayment of loans;
- termination of the interest rate swap by the counterparty; and
- 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 periods:

31 Dec 2023	Hedging of interest rate from	Average contracted fixed interest rate	Principal amount	Fair value in CZK million
Up to 1 year	loan	3.84%	CZK 3,277 million	58
1 to 5 years	loan	3.82%	CZK 2,698 million	(62)
more than 5 years	loan	3.63%	CZK 1,179 million	(1)
Total				**(5)**

31 Dec 2022	Hedging of interest rate from	Average contracted fixed interest rate	Principal amount	Fair value in CZK million
Up to 1 year	loan	3.70%	CZK 2,714 million	93
1 to 5 years	loan	3.69%	CZK 2,418 million	75
more than 5 years	loan	3.65%	CZK 1,256 million	8
Total				**176**

The Group settles the difference between fixed and variable interest rates on a net basis. The interest rate swaps and the interest payments on the loan occur simultaneously, and the amount accumulated in equity is reclassified to profit or loss over the period that the variable interest rates on debt affect the profit or loss. Gains and losses reclassified during the year from the equity are included in Other interest expense which are part of Finance costs in the consolidated statement of profit or loss.

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

Hedging ineffectiveness in respect of interest rate swaps was immaterial in 2023 and 2022.

Expected realisations of hedged item interest rate swaps

The expected hedged cash flows from interest on variable-rate debt are listed in Note 35.9.1 in tables with remaining contractual maturities of financial liabilities in the Variable interest rate instruments line.

35.7. Commodity risk management

The Group is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically 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 a possible price increase of the above-mentioned commodities is reflected in the amount of received payments; and
- conclusion of medium-term derivatives for the purchase of diesel.

35.7.1. 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 traction diesel prices and 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 an 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:

(CZK million)

	10% increase in diesel price		10% decrease in diesel price	
	2023	2022	2023	2022
Costs of the diesel use for the period	(138)	(180)	138	180
Change in fair value of derivatives at the end of the period	-	-	-	-
Total impact on the profit/(loss) before tax	**(138)**	**(180)**	**138**	**180**
Change in tax effect recognised in profit/(loss)	26	34	(26)	(34)
Total impact on profit/(loss) after tax	**(112)**	**(146)**	**112**	**146**
Change in the fair value of derivatives at the end of the period *	13	9	(13)	(9)
Total impact on other comprehensive income before taxes	**13**	**9**	**(13)**	**(9)**
Change in tax effect recognised in other comprehensive income	(2)	(2)	2	2
Total impact on other comprehensive income after tax	**11**	**7**	**(11)**	**(7)**

** Financial derivatives used in hedge accounting.*

35.7.2. Commodity derivatives

In accordance with the commodity risk management requirements, the Group 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 used hedging instrument. i.e., 1:1 in this case. The hedging ratio is determined as a comparison of the amount of the hedged item and the used hedging instrument. 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. The Group 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 ratio is immaterial. The hedging ratio is regularly monitored in line with risk management objectives.

The economic relationship between the hedging instrument and the hedged item is described according to the parameters listed below.

The effectiveness of hedging is regularly assessed by comparing critical terms. Given that the key characteristics of the hedging instrument fully correspond to the characteristics of the hedged item, the Group expects high hedging effectiveness. At the same time, a correlation test is performed, where the actual purchase prices of diesel per litre and the hedged price of the derivative (diesel) at settlement are compared. The correlation coefficient in 2023 was 93.01% (2022: 98.21%) and thus confirmed the high efficiency of the derivative.

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 as at 31 December 2023 are set by the Financial Risk Management Strategy as follows:

- for the year 2024, a maximum of 65% of the underlying asset (expected volume of purchased diesel); and
- for the year 2025, a maximum of 50% of the underlying asset (expected volume of purchased diesel).

Commodity hedging is negotiated under market conditions (without payment of a premium), the fair value of derivatives on the date of agreement is nil. Based on the above-stated facts, the Group assumes that the hedging relationship will be effective over its lifetime. The result of the transaction is a predictable price of the purchased diesel volume.

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 at a significant increase in credit risk of a counterparty. In such cases, the Group also performs a correlation test for the price of diesel. The Group hedges the Platts ULSD 10ppm FOB Barge Rotterdam for 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 biodiesel price, excise tax, increase in credit risk of a counterparty, etc. to be immaterial or highly unlikely; therefore, the Group considers commodity hedging to be effective. For these reasons, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument when determining effectiveness.

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 2023	CZK 16,052/mt	7,200	(1)
31 Dec 2022	CZK 20,926/mt	4,800	(8)

Expected realisation of hedged items of commodity derivatives

The following table shows the expected cash flows of the hedged purchases of diesel:

(CZK million)

31 Dec 2023	Up to 1 month	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total
Hedged future purchases of diesel	6	11	52	34	-	103

(CZK million)

31 Dec 2022	Up to 1 month	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total
Hedged future purchases of diesel	8	17	75	-	-	100

35.8. Credit risk management

The Group is exposed to credit risk, which is the risk 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 support 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 in a transaction were identified by the Group as follows:

- financial institutions;
- employees or tenants – individuals from whom the receivable arises;
- corporate customers; and
- the state and regions as public service payers.

For this reason, business operations with new counterparties are subject to standardised 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.

The Group tries to trade only with trusted contractors who are verified individually on an ongoing basis using publicly available data. The Group applies continuous monitoring of receivables by individual companies and ageing, with special regard to receivables over 30 days past due. Development of overdue receivables is continuously dealt with by individual responsible employees and, at the top, by the Receivables Commission.

Financial assets that expose the Group 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; and
- credit equivalent risk.

Most frequently, the direct credit risk arises from receivables from ongoing trading relationships, particularly from supplier loans granted. Credit quality of the customers is assessed individually, based on their financial position, previous customer experience and other factors. The Group assesses its financial assets at each balance sheet date to determine whether there is any objective evidence that they might be impaired. Financial assets are considered impaired if objective evidence indicates that one or more events have adversely affected the estimated future cash flows from those assets. Material financial assets are tested for impairment individually. The remaining financial assets are assessed on a portfolio basis in the groups that have similar credit risk characteristics. All impairment losses except for financial assets at fair value through other comprehensive income are recognised in profit or loss.

The concentration of credit risk is affected by a limited number of available counterparties (e.g., a limited number of banks on the Czech market, a limited number of public service customers). In such cases, the company reduces credit risk by cooperating only with counterparties with high creditworthiness (reputable banks with investment ratings, customers paying from the public budgets).

The credit risk relating to fare revenues has a low concentration as a considerable part of these revenues is collected in cash. The credit risk relating to payments from the state budget and the budget of the regions is low due to high credit quality of counterparties. The concentration of short-term and long-term trade receivables from customers controlled by the state (the Ministry of Transport, regions and SŽ) as of 31 December 2023 is 27% (2022: 21%). In freight transport, there is no significant concentration of the credit risk from the perspective of customers, industrial segments or regions. The Group's exposure and payment discipline of its contractual partners are monitored on a continuous basis.

35.8.1. Short-term trade receivables and finance lease receivables

For the purposes of determining expected credit losses using the simplified approach, short-term receivables and finance lease receivables are classified according to common credit risk characteristics and appropriate maturities.

The expected credit loss rates are determined according to the payment profile and sales for the period of 3 years preceding 31 December 2023 or 31 December 2022 based on credit losses recognised in the past. The Group analysed a number of macroeconomic variables (GDP, industrial indices, etc.) and their possible correlation to customer solvency. However, as no correlation has been identified, the Group assesses customer creditworthiness individually. The Group also creates specific allowances for receivables.

The table below presents an overview of the impairment losses on short-term trade and finance lease receivables. The carrying value of receivables as at 31 December 2023 and 31 December 2022 below represent the Group's maximum exposure to credit risk on these assets.

(CZK million)

		Past due date (days)					
As at 31 Dec 2023	**Before due date**	**1 – 30**	**31 – 90**	**91 – 180**	**181 – 365**	**Over 365**	**Total**
Expected credit loss rate	3%	3%	-%	25%	90%	95%	
Finance lease receivables – gross (Note 22.1)	141	-	-	-	-	-	141
Short-term trade receivables – gross (Note 22.1)	3,726	178	35	4	21	187	4,151
Expected credit loss	**98**	**5**	**-**	**1**	**19**	**177**	**300**

(CZK million)

		Past due date (days)					
As at 31 Dec 2022	**Before due date**	**1 – 30**	**31 – 90**	**91 – 180**	**181 – 365**	**Over 365**	**Total**
Expected credit loss rate	2%	1%	3%	33%	75%	100%	
Finance lease receivables – gross (Note 22.1)	152	-	-	-	-	-	152
Short-term trade receivables – gross (Note 22.1)	4,126	179	32	12	16	173	4,538
Expected credit loss	**106**	**1**	**1**	**4**	**12**	**173**	**297**

35.8.2. Cash, other financial assets and long-term trade receivables

The credit risk of liquid financial assets and financial derivatives is limited, as the contractual partners are banks with an investment grade credit rating. For this reason, the impact of impairment of cash and cash equivalents is immaterial.

(CZK million)

Bank	Rating	Bank balance as at 31 Dec 2023	Restricted cash as at 31 Dec 2023	Deposit bills as at 31 Dec 2023	Bank balance as at 31 Dec 2022	Restricted cash as at 31 Dec 2022	Deposit bills as at 31 Dec 2022
Komerční banka	Aa3	426	616	-	477	596	-
ČSOB	Aa3	1,349	-	247	1,139	-	2,892
Citibank	Aa3	226	-	-	11	-	-
ING bank	Aa3	58	-	-	76	-	-
Česká spořitelna	Aa3	21	-	-	2	-	-
Erste Steiermarkische Bank d.d. *	BBB+	8	-	-	4	-	-
UniCredit Bank	A2	321	-	-	198	-	-
Raiffeisenbank	A2	563	-	-	108	-	-
PKO Bank	A2	64	-	-	9	-	-
Všeobecná úverová banka	A2	4,543	-	-	3,724	-	-
Millenium bank	Baa3	127	-	-	8	-	-
Deutsche Bank	A1	23	-	-	13	-	-
Frankfurter Sparkasse *	A-	5	-	-	5	-	-
Bank Austria	A3	4	-	-	10	-	-
Slovenská sporiteľňa	A2	1	-	-	-	-	-
Tatra banka	A2	50	-	-	34	-	-
Fio banka		3	-	-	-	-	-
MBH BANK		9	-	-	-	-	-
Total		**7,801**	**616**	**247**	**5,818**	**596**	**2,892**

** For these bank institutions, the rating of Fitch Ratings was used, for all others, the Moody's rating was used.*

The application of the expected credit loss model has an immaterial impact on all Other financial assets.

The credit risk associated with financial operations is low because the Group spreads the risk over a larger number of financial institutions and only deals with financial institutions that have a credit rating in the investment range.

The following table provides an analysis of the credit risk of Other financial assets at amortised cost. The carrying values of assets as at 31 December 2023 and 31 December 2022 represent the Group's maximum exposure to credit risk from these assets:

(CZK million)

As at 31 Dec 2023	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Trade receivables – long-term	1,416	-	-	-	1,416
Restricted cash	616	-	-	-	616
Receivables from damages and losses	88	-	-	(6)	82
Other	319	72	-	(72)	319
Total	**2,439**	**72**	**-**	**(78)**	**2,433**

(CZK million)

As at 31 Dec 2022	Level 1 (expected 12-month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Trade receivables – long-term	557	-	-	(12)	545
Restricted cash	596	-	-	-	596
Receivables from damages and losses	48	-	-	(1)	47
Other	275	71	-	(71)	275
Total	**1,476**	**71**	**-**	**(84)**	**1,463**

The Group has assessed the credit risk for individual items of Other financial assets. Counterparties have low risk, and no material overdue receivables are recorded. Credit risk has not increased significantly since initial recognition. The carrying value of Other financial assets at fair value as at 31 December 2023 and 31 December 2022 represents the Group's maximum credit exposure from these assets (Note 22).

As at 31 December 2023 and 31 December 20222, the Group does not record any financial assets pledged as collateral.

35.9. Liquidity risk management

The Group manages its liquidity risk through planning future cash flows and securing binding limits of short-term financing with reputable financial institutions (promissory notes programme and agreed overdraft and revolving loans), with the minimum notice period of 18 months. In order to secure sufficient short-term liquidity, the Group has contracted these binding credit facilities so that its available funds exceed its expected short-term outflows. The liquidity is also monitored by the Moody's rating agency on an ongoing basis.

35.9.1. Liquidity risk tables

The following tables demonstrate 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 variable interest, the undiscounted amount is derived from interest rate curves at the end of the reporting periods and may change, if interest rates differ from the determined estimates.

(CZK million)

31 Dec 2023	Up to 1 month	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total
Non-interest bearing	3,835	2,414	378	68	134	6,829
Commitment to increase capital of the Group's investee (Note 34)	555	-	-	-	-	555
Derivatives *	-	(8)	276	1,001	547	1,816
Incoming cash flows	-	*17*	*1,143*	*13,340*	*4,310*	*18,810*
Outgoing cash flows	-	*9*	*1,419*	*14,341*	*4,857*	*20,626*
Lease liabilities	121	447	2,159	4,476	349	7,552
Secured loans	4	110	295	1,468	856	2,733
Variable interest rate instruments	419	223	1,149	4,821	1,271	7,883
Fixed interest rate instruments	436	399	5,326	40,812	20,699	67,672
Total	**5,370**	**3,585**	**9,583**	**52,646**	**23,856**	**95,040**

* *Negative net non-discounted cash flows arise from specific cross-currency interest rate derivatives due to a significant interest rate difference between the functional currency and the hedged currency.*

(CZK million)

31 Dec 2022	Up to 1 month	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total
Non-interest bearing	3,915	2,541	524	184	38	7,202
Commitment to increase capital of the Group's investee (Note 34)	510	-	-	-	-	510
Derivatives	1	1	481	1,652	682	2,817
Incoming cash flows	*6*	*6*	*2,585*	*13,875*	*4,342*	*20,814*
Outgoing cash flows	*7*	*7*	*3,066*	*15,527*	*5,024*	*23,631*
Lease liabilities	127	232	1,135	4,054	730	6,278
Secured loans	44	88	355	1,449	1,193	3,129
Variable interest rate instruments	871	251	1,305	5,324	3,423	11,174
Fixed interest rate instruments	10	185	12,180	36,625	8,614	57,614
Total	**5,478**	**3,298**	**15,980**	**49,288**	**14,680**	**88,724**

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 2023	Up to 1 month	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total
Non-interest bearing	5,547	1,425	561	2,174	333	10,040
Derivatives *	-	17	(5)	(10)	-	2
Incoming cash flows	*-*	*17*	*155*	*2,922*	*-*	*3,094*
Outgoing cash flows	*-*	*-*	*160*	*2,932*	*-*	*3,092*
Finance lease receivables	8	5	38	123	438	612
Fixed interest rate instruments	4,711	-	-	-	-	4,711
Total	**10,266**	**1,447**	**594**	**2,287**	**771**	**15,365**

** Negative net non-discounted cash flows arise from specific cross-currency interest rate derivatives due to a significant interest rate difference between the functional currency and the hedged currency.*

(CZK million)

31 Dec 2022	Up to 1 month	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total
Non-interest bearing	4,981	2,041	473	582	341	8,418
Derivatives	8	48	128	238	24	446
Incoming cash flows	*80*	*196*	*777*	*794*	*24*	*1,871*
Outgoing cash flows	*72*	*148*	*649*	*556*	*-*	*1,425*
Finance lease receivables	6	3	28	126	410	573
Fixed interest rate instruments	6,396	-	-	-	-	6,396
Total	**11,391**	**2,092**	**629**	**946**	**775**	**15,833**

The amounts listed in the above instruments with variable interest rate in respect of non-derivative financial assets and liabilities may change if the changes in variable interest rates differ from interest rates determined at the reporting period end.

35.9.2. Financing facilities

The Group has access to the following credit facilities:

(CZK million)

Overdraft loans	ČSOB	Citibank	ING	VUB	KB	Raiffeisenbank	Millenium Bank	Tatrabanka	PKO	SLPL	Total
Loan facility as at 1 Jan 2022	**1,110**	**200**	**200**	**700**	**1,500**	**306**	**186**	**13**	**-**	**13**	**4,228**
Unused amount as at 1 Jan 2022	**1,110**	**200**	**200**	**700**	**1,500**	**306**	**106**	**13**	**-**	**13**	**4,148**
Change in the facility in 2022	-	-	-	-	-	-	3	-	10	-	13
The effect of currency translation	-	-	-	-	-	-	(8)	(1)	-	(1)	(10)
Loan facility as at 31 Dec 2022	**1,110**	**200**	**200**	**700**	**1,500**	**306**	**181**	**12**	**10**	**12**	**4,231**
Unused amount as at 31 Dec 2022	**1,097**	**47**	**29**	**480**	**1,500**	**7**	**150**	**12**	**10**	**2**	**3,334**
Change in the facility in 2023	-	-	-	500	-	-	(15)	12	1	-	498
The effect of currency translation	-	-	-	-	-	-	19	1	-	-	20
Loan facility as at 31 Dec 2023	**1,110**	**200**	**200**	**1,200**	**1,500**	**306**	**185**	**25**	**11**	**12**	**4,749**
Unused amount as at 31 Dec 2023	**1,110**	**88**	**167**	**987**	**1,500**	**249**	**185**	**25**	**11**	**12**	**4,334**

(CZK million)

Promissory note programme	ČSOB	ING	KB	Česká spořitelna	Total
Loan facility as at 1 Jan 2022	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Unused amount as at 1 Jan 2022	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Change of loan facility in 2022	-	-	-	-	-
Loan facility as at 31 Dec 2022	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Unused amount as at 31 Dec 2022	**2,500**	**1,500**	**2,000**	**2,000**	**8,000**
Change of loan facility in 2023	-	(1,500)	-	-	(1,500)
Loan facility as at 31 Dec 2023	**2,500**	**-**	**2,000**	**2,000**	**6,500**
Unused amount as at 31 Dec 2023	**2,500**	**-**	**2,000**	**2,000**	**6,500**

(CZK million)

Revolving loan	Citibank	ING	Total
Loan facility as at 1 Jan 2022	**1,500**	**-**	**1,500**
Unused amount as at 1 Jan 2022	**1,500**	**-**	**1,500**
Change of loan facility in 2022	-	-	-
Loan facility as at 31 Dec 2022	**1,500**	**-**	**1,500**
Unused amount as at 31 Dec 2022	**1,500**	**-**	**1,500**
Change of loan facility in 2023	(750)	1,500	750
Loan facility as at 31 Dec 2023	**750**	**1,500**	**2,250**
Unused amount as at 31 Dec 2023	**750**	**1,500**	**2,250**

As part of securing funds for the planned investments, the Group has entered into contracts for long-term credit lines as follows:

(CZK million)

Long-term bank credit lines	Raiffeisenbank	UniCredit Bank	VUB	ING Bank	EIB	EUROFIMA	Tatrabanka	MBH Bank	Total
Loan facility as at 1 Jan 2022	**3,600**	**6,000**	**1,900**	**1,500**	**3,232**	**-**	**57**	**-**	**16,289**
Unused amount as at 1 Jan 2022	**2,100**	**3,000**	**1,400**	**0**	**2,732**	**-**	**-**	**-**	**9,232**
Change of loan facility in 2022	975	-	-	965	904	15,409	36	-	18,289
The effect of currency translation	(10)	-	-	-	(97)	-	(4)	-	(111)
Loan facility as at 31 Dec 2022	**4,565**	**6,000**	**1,900**	**2,465**	**4,039**	**15,409**	**89**	**-**	**34,467**
Unused amount as at 31 Dec 2022	**-**	**-**	**-**	**482**	**3,539**	**15,409**	**-**	**-**	**19,430**
Change of loan facility in 2023	1,500	-	703	-	-	-	(30)	65	2,238
The effect of currency translation	20	-	39	24	79	390	(17)	-	535
Loan facility as at 31 Dec 2023	**6,085**	**6,000**	**2,642**	**2,489**	**4,118**	**15,799**	**42**	**65**	**37,240**
Unused amount as at 31 Dec 2023	**525**	**-**	**-**	**-**	**2,187**	**4,426**	**-**	**-**	**7,138**

36. Post Balance Sheet Events

In January 2024, the Group completed the drawing of the investment loan from Raiffeisenbank a.s. of EUR 20 million (CZK 506 million).

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

37. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 16 April 2024.

Separate Financial Statements for the Year 2023 Prepared in Accordance with IFRS Accounting Standards 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: 709 94 226

Components of the Separate Financial Statements for the year 2023 prepared in accordance with IFRS Accounting Standards as adopted by the EU:

Separate Statement of Profit or 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 authorised for issue on 16 April 2024.

Statutory Body of the Entity	
Michal Krapinec Chairman of the Board of Directors	
Lukáš Svoboda Member of the Board of Directors	

Separate Statement of Profit or Loss for the Year Ended 31 December 2023

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
Revenues	5	30,700	27,511
Other operating income	6	3,923	1,956
Cost of services, raw materials and energy	7	(11,684)	(11,434)
Staff costs	8	(10,532)	(10,089)
Depreciation, amortisation and impairment	9	(6,838)	(6,392)
Impairment losses and gains on financial assets (net of reversals)		19	10
Other operating expenses	10	(375)	(419)
Profit from operating activities		**5,213**	**1,143**
Finance costs	11	(2,742)	(1,752)
Finance income	12	491	623
Profit before tax		**2,962**	**14**
Income tax	13	(119)	(317)
Profit/(Loss) for the period		**2,843**	**(303)**

Separate Statement of Comprehensive Income for the Year Ended 31 December 2023

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
Profit/(Loss) for the period		**2,843**	**(303)**
Actuarial remeasurements of employee defined benefit obligations		4	53
Revaluation of investments in equity instruments at fair value through other comprehensive income	24.2.5	23	(73)
Income tax		(6)	14
Other comprehensive income for the period (items that are not subsequently reclassified to profit or loss)		**21**	**(6)**
Change in cash flow hedging reserve	24.2.3	(743)	(1,590)
Change in cost of hedging reserve	24.2.4	83	(7)
Income tax		125	303
Other comprehensive income for the period (items that may be reclassified to profit or loss in subsequent periods)		**(535)**	**(1,294)**
Other comprehensive income for the period after tax		**(514)**	**(1,300)**
Total comprehensive income for the period		**2,329**	**(1,603)**

Separate Statement of Financial Position as at 31 December 2023

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
Property, plant and equipment	14	69,788	64,247
Investment property	15	941	938
Intangible assets	16	357	352
Right-of-use assets	17	3,356	1,487
Investments in subsidiaries, associates and joint ventures	18	11,833	11,818
Trade receivables	20	1,417	545
Other financial assets	21	564	927
Other assets	22	31	33
Total non-current assets		**88,287**	**80,347**
Inventories	19	2,345	2,098
Trade receivables	20	1,742	1,723
Other financial assets	21	1,071	818
Other assets	22	691	1,893
Cash and cash equivalents	23	5,810	6,711
Total current assets		**11,659**	**13,243**
TOTAL ASSETS		**99,946**	**93,590**
Share capital	24	20,000	20,000
Other capital reserves	24	16,827	17,341
Accumulated losses		(1,093)	(3,936)
Total equity		**35,734**	**33,405**
Loans, borrowings and lease liabilities	25	49,712	38,173
Provisions	26	151	497
Other financial liabilities	27	1,183	1,115
Other liabilities	28	56	87
Total non-current liabilities		**51,102**	**39,872**
Trade payables		4,035	3,884
Loans, borrowings and lease liabilities	25	4,525	11,596
Provisions	26	1,231	1,969
Other financial liabilities	27	541	623
Other liabilities and contract liabilities	28	2,778	2,241
Total current liabilities		**13,110**	**20,313**
Total liabilities		**64,212**	**60,185**
TOTAL LIABILITIES AND EQUITY		**99,946**	**93,590**

Separate Statement of Changes in Equity for the Year Ended 31 December 2023

(CZK million)

	Share capital	Other capital reserves			Accumulated losses	Total equity
		Share premium	Cash flow hedging reserve	Other reserves *		
Balance as at 1 January 2022	**20,000**	**16,440**	**2,100**	**101**	**(3,633)**	**35,008**
Loss for the period	-	-	-	-	(303)	(303)
Other comprehensive income for the period	-	-	(1,288)	(12)	-	(1,300)
Total comprehensive income for the period	**-**	**-**	**(1,288)**	**(12)**	**(303)**	**(1,603)**
Balance as at 31 December 2022	**20,000**	**16,440**	**812**	**89**	**(3,936)**	**33,405**
Profit for the period	-	-	-	-	2,843	2,843
Other comprehensive income for the period	-	-	(604)	90	-	(514)
Total comprehensive income for the period	**-**	**-**	**(604)**	**90**	**2,843**	**2,329**
Balance as at 31 December 2023	**20,000**	**16,440**	**208**	**179**	**(1,093)**	**35,734**

** Other reserves are discussed in Note 24.2.*

Separate Cash Flow Statement for the Year Ended 31 December 2023

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period		**2,843**	**(303)**
Income tax	13	119	317
Dividend income	6	(360)	(384)
Finance costs – interest	11	2,082	1,499
Gain on the sale and disposal of non-current assets	6	(2,293)	(232)
Depreciation and amortisation	9	6,531	6,078
Impairment losses on assets	6, 9, 10	337	194
Change in provisions	26	(1,084)	(503)
Foreign exchange losses/(gains)		466	(349)
Other		(310)	93
Cash flows from operating activities before changes in working capital		**8,331**	**6,410**
(Increase) in trade receivables	20	(169)	(664)
(Increase) in inventories	19	(278)	(559)
(Increase)/Decrease in other assets	21,22	30	(364)
(Decrease) in trade payables		(340)	(645)
Increase in other payables and contract liabilities	27,28	573	817
Total changes in working capital		**(184)**	**(1,415)**
Cash flows from operating activities before interest, dividends and tax		**8,147**	**4,995**
Interest paid	11	(1,905)	(1,337)
Dividends received	6	360	384
Net cash flows from operating activities		**6,602**	**4,042**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	14	(10,525)	(15,788)
Proceeds from disposal of property, plant and equipment	6	2,021	299
Payments for investment property	15	(93)	(3)
Payments for intangible assets	16	(204)	(158)
Payments for the acquisition of subsidiaries	18	-	(58)
Interest received	12	338	78
Loans and borrowings provided to related parties	29.6	(24)	-
Repayments of loans and borrowings from related parties	29.6	119	107
Net cash flows used in investing activities		**(8,368)**	**(15,523)**

(CZK million)

		Year ended 31 Dec 2023	Year ended 31 Dec 2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Use of loans and borrowings	25	12,039	23,948
Repayments of loans and borrowings	25	(10,372)	(6,988)
Repayment of principal of lease liabilities	25	(690)	(301)
Net cash flows from financing activities		**977**	**16,659**
Net increase/(decrease) in cash and cash equivalents		**(789)**	**5,178**
Cash and cash equivalents at the beginning of the period		6,711	1,666
Effects of changes in foreign exchange rates		(112)	(133)
Cash and cash equivalents at the end of the period	23	**5,810**	**6,711**

Notes to the Separate Financial Statements for the Year Ended 31 December 2023

- 1. General information 182
- 2. Accounting Policies 182
- 3. Application of New and Revised International Financial Reporting Standards 194
- 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty 195
- 5. Revenues 196
- 6. Other Operating Income 198
- 7. Cost of Services, Consumption of Material and Energy 199
- 8. Staff Costs 200
- 9. Depreciation, Amortisation and Impairment 201
- 10. Other Operating Expenses 201
- 11. Finance Costs 202
- 12. Finance Income 202
- 13. Income tax 203
- 14. Property, Plant and Equipment 207
- 15. Investment Property 211
- 16. Intangible Assets 212
- 17. Right-of-use Assets 213
- 18. Investments in Subsidiaries, Associates and Joint Ventures 214
- 19. Inventories 217
- 20. Trade Receivables 218
- 21. Other Financial Assets 219
- 22. Other Assets 221
- 23. Cash and Cash Equivalents 221
- 24. Equity 222
- 25. Loans, Borrowings and Lease Liabilities 224
- 26. Provisions 228
- 27. Other Financial Liabilities 230
- 28. Other Liabilities and Contract Liabilities 230
- 29. Related parties 231
- 30. Operating Lease 238
- 31. Capital Commitments 238
- 32. Contingent Liabilities and Contingent Assets 239
- 33. Financial instruments 240
- 34. Post Balance Sheet Events 258
- 35. Approval of the Financial Statements 258

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, the State Organisation Správa železniční dopravní cesty (Railway Route Administration) and the Amendment to Railways Act No. 266/1994 Coll., as amended, and State Enterprise Act No. 77/1997 Coll., as amended. On 1 January 2003, the state organisation České dráhy discontinued its activities, 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 organisation, "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 at Nábřeží L. Svobody 1222, Prague 1.

The Company's main business activity is operating the railway transport. In addition, the Company is engaged in other activities relating to its principal business activity.

The separate financial statements have been prepared as at and for the year ended 31 December 2023 (the "Separate Financial Statements"). The reporting period is the calendar year from 1 January 2023 to 31 December 2023. The Company also prepares the consolidated financial statements that will be approved for publication as at the same date as the Separate Financial Statements.

2. Accounting Policies

2.1. Statement of compliance

The Separate Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

2.2. Basis of preparation

The Separate 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 Separate 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 financial statements in accordance with IFRS Accounting Standards 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 Note 4.

These Separate Financial Statements are related to the consolidated financial statements of České dráhy a.s. and its subsidiaries (the "Group") for the year ended 31 December 2023. 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

At the time of approval of the Separate 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 Separate 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.

The Company recognises revenue when the performance obligation is satisfied by transferring a promised service or good (asset) to a customer, once a customer obtains control of that asset. Revenue is recognised in the amount of the transaction price allocated to the performance obligation. The received payment is initially recognised as a contract liability that is subsequently released to revenue as the performance obligation is satisfied.

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

In contrast to domestic transport, international transport also includes the settlement process of proceeds and revenues from foreign carriers and sellers of international tickets. In some cases, such settlements may be delayed by a few months. For this reason, revenue as at the date a service has been provided is estimated based on the information available to the Company.

In addition to selling tickets and similar documents, a significant part of revenue from transport includes revenue from the usage of passenger train units in the RIC mode ("Regolamento Internazionale delle Carrozze"), based on the International Coach Regulation, with the settlement on a quarterly basis. Therefore, in this case revenue is also estimated.

Revenues from customers such as the Ministry of Transport (the "MT") and the regions are key revenues and are included in the Passenger transport segment. Payments from customers are discussed in more detail in Notes 4.2.1 and 29.9.

For passenger transport revenues, the Company applies practical expedient in accordance with IFRS 15.B16 and recognises revenues in the amount it has a right to invoice.

2.3.2. Other income

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

2.4. Leasing

2.4.1. The Company as a lessee

At the inception date of a contract, the Company assesses whether it is a lease contract or contains an embedded lease. The Company recognises a right-of-use asset and a corresponding lease liability in respect of all lease contracts in which the Company is a lessee, except for short-term leases (with a lease term of 12 months or less) and low-value asset lease (such as laptops and personal computers, small office furniture and phones). For these leases, the Company recognises lease payments as operating expenses on a straight-line basis over the term of a lease.

At the commencement date of the lease, 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 are discounted using the interest rate implicit in a lease or, if this rate is not available, incremental borrowing rate is 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 payments 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 is 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; and
- 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 Loans, borrowings and lease liabilities in the separate statement of financial position.

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.

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

At the end of each reporting period, the Company assesses whether there is any indication that right-of-use assets are impaired and recognises any identified impairment losses in accordance with the rules described in Note 2.9 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 recognised 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 separate 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 lease component and any associated non-lease components as a single arrangement. The Company did not use this practical expedient. For the 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 standalone 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 significant 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 recognised 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 reporting periods so as 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 recognises an allowance for expected credit losses from lease receivables, in accordance with the accounting policies for financial assets carried at amortised cost.

Income from finance lease is calculated based on the gross carrying value of lease receivables, except for credit-impaired financial assets, for which interest income is calculated on the basis of their net carrying value, i.e. after deducting the allowance for expected credit losses.

2.5. Foreign currencies

Given the economic substance of transactions and the environment in which the Company operates, the presentation currency as well as functional currency is the Czech crown (CZK).

Transactions denominated in foreign currencies are translated and recorded at the fixed exchange rate announced by the Czech National Bank on the date of the transaction. If the current exchange rate does not change significantly over time, the Company uses the average exchange rate of this period for a longer period of time usually one month. At the date of the Separate Financial Statements, monetary items denominated in foreign currencies are translated to Czech crowns at the Czech National Bank exchange rate as at that date. Nonmonetary items that are measured at historical cost in a foreign currency are not remeasured for changes in foreign exchange rates after initial recognition.

Identified 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 items affect profit or loss.

2.6. Grants

Government grants and grants from the European Union 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.

Grants whose primary condition is that the Company should purchase, construct or otherwise acquire fixed assets, are recognised as a reduction of cost of those fixed assets in the separate statement of financial position.

Other government grants are recognised in profit or loss as Other operating 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.

2.7. 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 separate statement of financial position represent their present value and are calculated using the incremental method. Additions to these liabilities and provisions are expensed in the reporting period in which services that entitle the employees to such benefits have been rendered.

The provision for long-term employee benefits is determined using the Projected Unit Credit Method, with an actuarial valuation at the end of each reporting period. Gains or losses arising from adjustments and changes in actuarial assumptions for post-employment defined benefit obligations are included in other comprehensive income, changes in the provision for other long-term benefits are recognised in profit or loss.

2.8. Taxation

The income tax includes current tax and deferred tax.

2.8.1. Current tax

Current tax calculation is based on taxable profit for the year. The taxable profit differs from the profit recorded in the separate statement 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 not taxable or deductible. The Company's current tax is calculated using tax rates in accordance with the legislation that has been enacted or substantively enacted by the end of the reporting period.

2.8.2. Deferred tax

Deferred tax is recognised based on temporary differences between the carrying amounts of assets and liabilities in the Separate 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. These deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets or liabilities in a transaction which does not have an impact on taxable or accounting 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the Company intends to settle the balances on a net basis.

2.8.3. Current tax 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.

2.9. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated impairment losses and, in case of buildings and equipment, less accumulated depreciation. 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 depreciation of other assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, 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.

The following useful lives were used in the depreciation calculation

	Number of years
Buildings	20–50
Vehicles	
Locomotives	*20–35*
Passenger train units	*20–30*
Machinery, equipment and other	8–20

Property, plant and equipment items are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of these assets. Gain or loss arising on the disposal or retirement 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 railway vehicles. The costs of repairs are recorded as a separate asset (component) and are depreciated over the useful life of repairs. The depreciation period of the components is determined for the class of rolling stock and component types.

Average useful life

	Number of years
First substantial repair of units	4
First substantial repair of vehicle	6
Major repair of vehicle	11

Strategic spare parts (exchangeable units) are reported within Vehicles. Other spare parts that meet the conditions for classification in accordance with IAS 16 are reported in the Components. Spare parts are depreciated when consumed (fitted to the vehicle) over the remaining useful life of the asset or the useful life of the spare part, whichever occurs earlier.

2.10. 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 Company measures its investment property using the cost model; the carrying amounts are decreased by accumulated depreciation and impairment.

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its sale. Gains and losses on derecognition of the property (determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss in the period in which the property is derecognised.

The depreciation method and useful life are determined by the Company for investment property in accordance with the property included in the Buildings category (see Note 2.9).

2.11. 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.

The following useful lives were used in the amortisation calculation

	Number of years
Software	3–4
Software licenses	6

An intangible asset is derecognised upon disposal, or when no future economic benefits are expected from its use or sale. 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.

2.12. Impairment of tangible and intangible assets

At the end of each reporting period, the Company 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 impossible 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 a 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.

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 estimate 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 had been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognised immediately in profit or loss.

2.13. Investments in subsidiaries, associates and joint ventures

A subsidiary is an entity which is controlled by the Company. The Company has power over the investee, if it is exposed to variable returns from its involvement with the investee or has the ability to use its power to affect its returns, while it has power over the investee (i.e. holds existing rights based on which it is able to 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 2050% 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 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.

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.

2.14. 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. Spare parts that meet the conditions of classification in accordance with IAS 16 are recognised as Property, plant and equipment (Note 2.9).

2.15. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and 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 recognised 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. 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 recognised 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.

2.16. Financial instruments

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

Financial assets and liabilities are initially measured at fair value, except for trade receivables that have no significant financing component – these are measured at transaction price. 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. Transaction costs that are directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss 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 business model 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.

2.16.1. 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 of 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.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can 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 through the expected life of the financial asset to that asset's net carrying amount. If a financial asset is considered to be credit-impaired, interest income is calculated using the asset's residual value (i.e. gross book value less allowances).

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

2.16.2. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include capital investments that were designated as investments in equity instruments at fair value through other comprehensive income at initial recognition.

These investments in equity instruments are initially measured at fair value increased by transaction costs. Subsequently, they are measured at fair value while gains and losses from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve. Cumulative profits or losses will not be reclassified to profit or loss upon derecognition of capital investments, they will be transferred to retained earnings instead.

Dividends from these capital investments are recognised in profit or loss when the Company has the right to receive the dividends.

2.16.3. Financial assets at amortised cost

Financial assets at amortised cost 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 Company measures these assets at amortised cost by applying the effective interest method less any allowance for expected credit losses. These assets are recognised when the cash, goods or services are provided directly to a debtor by the Company with no intention of trading the receivable.

2.16.4. Financial assets at fair value through profit or loss

Financial assets which do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

The Company reports in this category financial derivatives presented under Other financial assets.

Financial assets measured at fair value through profit or loss are measured at fair value at the end of each reporting period, and all gains or losses of fair value are recognised 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 33.3.

2.16.5. Expected credit losses on financial assets

Financial assets, other than those at fair value through profit or loss, are reduced by an allowance for expected credit losses as at the asset recognition, and at subsequent measurement, the amount of expected credit losses is always updated at the financial statements date.

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 and receivables from finance leases.

The simplified approach is applied to short-term trade receivables not containing a significant financing component and finance lease receivables. The Company recognises the allowances for receivables assessed on a portfolio basis based on the impairment matrix including historical inputs and inputs reflecting future expectations. The Company calculates allowances for portfolio assessed receivables.

For receivables assessed on an individual basis, the Company 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; and
- payment discipline.

In respect of all other financial instruments, the Company reports lifetime expected financial losses, if there was a significant increase in credit risk since the initial recognition. However, if there was no significant increase in credit risk since the initial recognition, the Company calculates a loss allowance for this financial instrument in the amount corresponding to a 12month expected credit loss.

(i) Significant increase in credit risk

When assessing whether the credit risk of a financial asset has increased significantly since the initial recognition, and when assessing the expected credit loss, the Company sees the information which is relevant and available without unreasonable costs or efforts as adequate and well-founded information. It involves both qualitative information and analyses, based on historical experience of the Company and informed assessment of the credit risk, including forward-looking information.

The Company assumes that the credit risk in a financial asset has significantly increased if it is by more than 30 days past due date if the Company has no adequate and provable information that would document otherwise.

In spite of the above, the Company assumes that there has been no significant increase in the credit risk relating to a financial instrument since the initial recognition date, if it is determined that the credit risk of the financial instrument is low as at the financial statements date. A financial instrument bears low credit risk, if:

1) financial instrument shows a low default risk;
2) the debtor has a strong ability to meet its contractual obligations in cash flows in the near future; and
3) negative changes in economic and business conditions may, however, do not have to limit the ability of the debtor to meet its contractual obligations in cash flows in the long term.

The Company believes that there is a low credit risk in a financial asset if an external credit rating of this asset corresponds to the "investment grade" under the internationally recognised definition or if the international rating is not available, the asset has a "no default" internal rating. No default means that the counterparty has a strong financial position and there are no due amounts from prior periods.

(ii) Definition of default

Based on historical experience, the Company uses the following criteria for default determination:

- if information gathered from internal or external sources indicates that the debtor will not be able to pay its creditors in full (announcement of bankruptcy, initiation of insolvency proceedings); and
- if the financial asset is more than 90 days past due and the Company has no reasonable and supportable information to demonstrate that the delay in payments is not a sufficient criterion for default determination.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired if one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- breach of contract, such as a delay or more than 90 days past due;
- restructuring of a financial liability of the debtor (for economic or contractual reasons relating to the debtor's financial difficulties) under the conditions that the Company would not otherwise consider; and
- it is likely that the debtor will enter bankruptcy or another financial reorganisation.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures. Any recoveries made are recognised in profit or loss.

2.16.6. 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 substantially retains 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 amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. Upon derecognition of an investment in an equity instrument that the Company recognises 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.

2.16.7. Financial liabilities at fair value through profit or loss

FFinancial liabilities are classified as financial liabilities at fair value through profit or loss when they are either held for trading 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 recognised 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 33.3.

2.16.8. Financial liabilities measured at amortised cost

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

Loans are initially recognised at fair value less transaction costs. In subsequent periods, loans are carried at amortised cost using the effective interest method.

2.16.9. Derecognition of financial liabilities

The Company 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. Modifications to liabilities only occur when the debtor changes and are recorded as derecognition.

2.16.10. Derivative financial instruments

The Company enters into a variety of financial derivative contracts to manage its exposure to interest and currency 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 Company at fair value through profit or loss.

The derivative with a positive fair value is recorded as a financial asset, while the derivative with a negative fair value is recorded as a financial liability. Derivatives are not offset in the Separate Financial Statements unless the Company has an enforceable right to set-off and intends to exercise it.

2.16.11. Hedge accounting

The Company designates certain hedging instruments as either fair value hedges, or cash flow hedges. Hedge accounting is kept in compliance with the requirements of IFRS 9.

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 existence of an economic relationship, the hedge ratio, sources of ineffectiveness and credit risk impact. Hedge accounting corresponds to the Company's risk management strategy. Under IFRS 9, the Company recognises the basis spreads separately from cross-currency interest rate swaps and the forward element from foreign currency swaps through other comprehensive income and are accumulated in the cost of hedging reserve. If the hedged item is time-related, the amount accumulated in the cost of hedging reserve is reclassified to profit or loss through amortisation on a systematic and rational basis.

If the 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.

2.16.12. 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. The Company recognises the cost of hedging separately if the criteria of cost recognition through other comprehensive income have been 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 separate statement of profit or loss as the recognised hedged item.

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. Termination of hedge accounting is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedging reserve at that time remains in equity until a forecast transaction occurs. When a forecast transaction is no longer expected to occur, gain or loss accumulated in the cash flow hedging reserve is reclassified immediately to profit or loss.

2.16.13. Fair value hedge

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

The Company terminates hedge accounting only when the hedging relationship (or part of it) ceases to meet the qualification criteria (after rebalancing, if relevant), i.e., upon expiration of the hedging instrument or upon its sale, termination or implementation of the contract in question. The termination of hedge accounting is accounted for prospectively. The adjustment to the carrying amount of the hedged item that reflects fair value and arises from the hedged risk is amortised to profit or loss from the date of the adjustment.

3. Aplication of New and Revised International Financial Reporting Standards

3.1. Standards and interpretations effective for the annual period ended 31 December 2023

During the year ended 31 December 2023, the following standards, amendments and interpretations (relevant to the Company's activities) became effective:

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 17 and its amendments – *Insurance Contracts*	1 January 2023
IAS 1 – Amendments to IAS and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*	1 January 2023
IAS 8 – Amendments to IAS 8 – *Definition of Accounting Estimates*	1 January 2023
IAS 12 – Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
IAS 12 – Amendments to IAS 12 – *International Tax Reform – Pillar Two Model Rules*	1 January 2023

Amendments to IAS 1 and IAS 12 have an impact on the disclosure of the Company's accounting policies; however, they have no impact on the valuation, recognition or presentation of any items in the Separate Financial Statements. The amendment to IAS 12 relating to the international tax reform introduces a temporary exception to the accounting requirements for deferred tax – the Company used an exception for the recognition and disclosure of information on deferred tax assets and liabilities related to pillar two income taxes.

The adoption of other above-stated standards and amendments during the period did not have a significant impact on the disclosures or amounts presented in these financial statements.

3.2. Standards and interpretations applied before the effective date

The Company has not applied any standard or interpretation before the effective date.

3.3. Standards and interpretations issued but not yet applied

As at the date of the Separate Financial Statements, the following standards and interpretations (relevant to the Company's activities) were published, but were not yet effective or applied by the Company before their effective dates.

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
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 16 – Amendment to IFRS 16 – *Lease Liability in a Sale and Leaseback*	1 January 2024
IAS 1 – Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*	1 January 2024
IAS 1 – Amendment to IAS 1 – *Non-current Liabilities with Covenants*	1 January 2024
IAS 7 and IFRS 7 – *Amendments to IAS 7 and IFRS 7 Supplier Finance Agreements*	1 January 2024 *
IAS 21 – *Amendments to IAS 21 Lack of Exchangeability*	1 January 2025 *

** Standards, amendments and interpretations that have not yet been approved for use in the EU.*

The management of the Company expects that the adoption of the above-stated amendments to the existing standards in the following periods will not have a significant impact on the Company's Separate Financial Statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In 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 clearly evident 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 judgements, basic 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 presented below.

4.1. Key sources of estimation uncertainty

4.1.1. Impairment of assets

The Company assesses the recoverable amount of all assets when there are indicators of their impairment. This assessment is based on expected 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 have been 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 26 and 32.1.

4.1.3. Lease – rental period

The Company uses an estimate to determine the lease term of contracts concluded for an indefinite period. This estimate is made with respect to the period and termination conditions of individual contracts. For the contracts with indefinite duration assessed on the basis of a portfolio approach, the Company has determined the estimated lease term as a period of 5 years, as considering past experience, it is reasonably certain that these leases will not be terminated by the Company during this estimated lease term.

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

Contracts with SŽ for the lease of premises at railway stations are concluded for individual areas (six large framework contracts). When measuring individual leased premises under the same contract, the Company used aggregation into portfolios 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 evaluated in the same way as contracts with indefinite duration and the estimated lease term is therefore set at 5 years for the purposes of lease term determination. Lease contracts contain an early termination clause with a 3-month notice period (without a sanction for an early rental termination), however, the Company uses it primarily in the event of termination of transport at a given location.

4.2. Judgements used in the application of accounting policies

4.2.1. Payments from the public service customers

The Company receives payments from the regional budgets and the budget of the Ministry of Transport for railway transport as the provision of public services. The Company also receives payments from the budget of the Ministry of Transport for the provision of transport services at discounted prices for selected population groups (students, pensioners, individuals with reduced mobility). The Company recognises these payments as revenue from contracts with customers.

In case of payments from the customers, the essence of the contractual relation with the regions or the Ministry of Transport is the order of transport service availability in a given location or on a specified line. This service is provided by the Company regardless of the number of passengers using a transportation service. This is not a grant since the contract for the transport service availability has been competed among a number of parties interested in providing that service and the subject of the service is not transport of specific individuals, but public transportation availability. Payment for the provision of the service is received by the company which wins a tender and ensures the service by its own means, in compliance with the competed conditions.

The preferential prices for different categories of customers (students, pensioners, individuals with reduced mobility) are measures where a customer uses the service (passenger transport) and pays only part of its price, and the remaining part is paid by a third party (in this case the state). It is not a grant to the carrier since in fact it is a direct subsidy of a market price to the population groups and not an economic incentive to influence the behaviour of a carrier in a particular way.

5. Revenues

5.1. Breakdown of revenue

(CZK million)

	2023	2022
Revenue from contracts with customers		
Revenue from passenger transport	11,149	9,765
Domestic passenger transport	*7,839*	*6,875*
*International passenger transport **	*3,310*	*2,890*
Revenue from passenger transport – payments from public service customers	18,515	16,839
Payment from the state budget	*4,991*	*4,534*
Payment from the regional budgets	*13,524*	*12,305*
Sale of other services	551	469
Sale of other services recognised over time	*551*	*469*
Commission for mediation of purchases of diesel and spare parts	65	68
Total revenue from contacts with customers	**30,280**	**27,141**
Rental income		
Rental income	420	370
Total revenue	**30,700**	**27,511**

** Includes sales for the use of passenger train units in the RIC ("Regolamento Internazionale delle Carrozze") regime and performance of train units and personnel in cross-border transport in the amount of CZK 1,209 million for 2023 (2022: CZK 1,174 million).*

Payments from public service customers 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), with the exception of trains operated at commercial risk, are specified in contracts with the state and the regional authorities.

In 2023, 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 contract valid from 15 December 2019 for a period of 10 years.

Since the 2022/23 timetable took effect, the Company has operated a total of 21 long-distance transport lines on the basis of 7 public service contracts, which represents 81% of services ordered as a public service by the Ministry of Transport of the Czech Republic.

In 2023, regional transport was operated on the basis of 36 concluded contracts, most of which have been valid since 2020. The vast majority of contracts were concluded in the regime of "market consultation" and subsequent direct assignment. An exception are the contracts with the South Moravian region, with the Pilsen region for the P2 operating set and with the Liberec region for the JIHOŽ operating set which were concluded within a standard tender procedure.

The year 2023 was the first year after the COVID-19 pandemic which was not directly impacted by restrictions on movements of persons imposed by the state, which had a positive impact on revenue collection. However, 2023 was concurrently the last year when it was possible to enter into public service contracts in the form of a direct assignment and numerous customers used this possibility. The Company entered into new contracts or amendments to contracts on extension of their effect in the Central Bohemian, South Bohemian, Liberec, Ústí nad Labem, Pilsen, Moravian-Silesian, South Moravian regions, with the Capital City of Prague and the Ministry of Transport for services in long-distance transport. On the contrary, the Company did not manage to extend the services in the Pilsen region for the P1 Jih line, in the South Moravian region for the PS Jih line (starting from December 2024) and the Ústí nad Labem region for PS Elektrická páteř (starting from December 2026) and in the tender organised by the Ministry of Transport the Company did not extend its services on the R9 Praha – Havlíčkův Brod – Brno line (starting from December 2026). Significant transactions with the main customers with government participation are presented in Note 29.9.

5.2. Contract liabilities and refund liabilities

The Company recognises the following contract liabilities and refund liabilities (see also Note 28) related to revenue from contracts with customers:

(CZK million)

Contract liabilities related to revenue from contracts with customers	31 Dec 2023	31 Dec 2022
Prepaid products – i.e., kilometric bank, annual ticket	203	169
Prepayments received	64	325
Other contract liabilities	5	6
Total contract liabilities	**272**	**500**

(CZK million)

Refund liabilities	31 Dec 2023	31 Dec 2022
Other refund liabilities	527	89
Total refund liabilities	**527**	**89**

An increase in refund liabilities in 2023 is due to the current settlement with the regions based on which a part of compensations for 2023 received in the form of advance payments will be returned to the regions during the year.

5.2.1. Revenues from contract liabilities

(CZK million)

	2023	2022
Revenues included in the opening balance of contract liabilities		
Revenue from passenger transport	160	129
Sale of other services	315	52
Total	**475**	**181**

5.2.2. Remaining contract liabilities

Passenger transport services are usually completed within a few hours and paid for by passengers just before the service is provided. In case of prepaid tickets, a contract liability is recognised. As at 31 December 2023, the Company has concluded 35 contracts with public service customers (the Ministry of Transport and the regions). Validity of these contracts varies individually from 1 to 15 years. According to these contracts, the Company is obliged to provide transport services to the specified extent. Income is recognised in the amount that the Company has a right to invoice. The customers usually pay a fixed amount based on the payment schedule. If services provided by the Company exceed payments, a receivable is recognised due to the fact that a right to payment 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 services provided, a liability is recognised. The Company does not disclose the allocated transaction price under practical expedient from IFRS 15.121. Transport revenue is disclosed in Note 5.1.

6. Other Operating Income

(CZK million)

	2023	2022
Gain from disposal of property, plant and equipment and investment property	2,293	232
Gain on disposal of redundant assets	43	33
Compensations for shortage and damage	175	199
Contractual penalties	38	40
Dividends received	360	384
Foreign exchange gains – operating	56	55
Release of provisions (Note 26)	768	827
Income from grants	2	5
Income from energy recovery	106	78
Other	82	103
Total other operating income	**3,923**	**1,956**

An increase in the gain from the disposal of property, plant and equipment and investment property in 2023 is due to a considerable disposal of property in the areas of Smíchov and Masaryk train stations. The Company reported a gain of CZK 1,767 million from these disposals.

7. Cost of Services, Consumption of Material and Energy

(CZK million)

	2023	2022
Traction costs	(3,693)	(4,173)
Traction fuel (diesel)	*(1,250)*	*(1,561)*
Traction electricity	*(2,443)*	*(2,612)*
Payment for the use of railroads	(1,750)	(1,751)
Infrastructure capacity allocation	(63)	(61)
Other services, raw materials and energy	(6,520)	(5,902)
Consumed material	*(1,422)*	*(1,036)*
Consumed other energy	*(397)*	*(377)*
Consumed fuel	*(66)*	*(72)*
Repairs and maintenance	*(837)*	*(677)*
Travel costs	*(193)*	*(153)*
Low-value rent or short-term rent	*(85)*	*(85)*
*RIC vehicle charges **	*(420)*	*(390)*
Transportation charges	*(14)*	*(14)*
Substitute bus service	*(177)*	*(381)*
Services of dining and sleeping carriages	*(222)*	*(192)*
Services associated with the use of buildings	*(283)*	*(241)*
Operational cleaning of rolling stock	*(619)*	*(571)*
Border area services	*(436)*	*(424)*
Advertising and promotion costs	*(95)*	*(90)*
Consulting, expert and auditing services	*(103)*	*(132)*
Operation, maintenance and other services related to ICT	*(568)*	*(522)*
Commission for the sale of fares paid to other carriers, resellers	*(184)*	*(160)*
Environmental services	*(42)*	*(30)*
Employee training	*(86)*	*(75)*
Information media and other IDS services	*(27)*	*(24)*
Material records and distribution	*(17)*	*(18)*
Catering	*(68)*	*(55)*
Preventive care costs	*(21)*	*(23)*
Printing and graphic services	*(15)*	*(18)*
Demolition work	*(21)*	*(21)*
Other services	*(102)*	*(121)*
Cost of services, consumption of material and energy	**(12,026)**	**(11,887)**
Capitalised services and consumption of material	342	453
Total cost of services, consumption of material and energy	**(11,684)**	**(11,434)**

** RIC vehicle charges are fees for the inclusion of foreign train units to the Company's trains in the Czech Republic, which are billed in the RIC (Regolamento Internazionale delle Carrozze) regime in accordance with the International Coach Regulations.*

In 2022, as a result of the energy crisis, the Company recognised the aid of CZK 253 million following a government regulation regarding the support of POZE (supported renewable energy sources). The Company recognised this aid as a decrease in the value of traction electricity. In 2023, the Company received no similar aid.

Other services include the cost of additional services such as cost of craft work, cost of investigation in extraordinary events or dormitory running cost.

Consulting, expert and auditing services also include audit and non-audit services provided by Deloitte network companies. Data for the year 2022 is provided by PwC network companies, which was the statutory auditor. Total remuneration for these services is:

(CZK million)

	2023	2022
Audit services	(3)	(2)
Non-audit services	(1) *	(7)
Total	**(4)**	**(9)**

** Methodological assistance in the field of direct and indirect taxes on selected projects.*

8. Staff Costs

(CZK million)

	2023	2022
Payroll costs and severance pays	(7,797)	(7,384)
Statutory social security and health insurance	(997)	(869)
Contributions to post-employment benefits	(1,717)	(1,688)
Other employee benefit costs	(162)	(148)
Staff costs	**(10,673)**	**(10,089)**
Capitalised staff costs	141	-
Total staff costs	**(10,532)**	**(10,089)**

Other employee benefit costs mainly include allowances for meals, allowances for health recovery stays, allowances for capital life insurance and remuneration of members of statutory bodies.

9. Depreciation, Amortisation and Impairment

(CZK million)

	2023	2022
Depreciation of property, plant and equipment	(5,589)	(5,673)
Depreciation of investment property	(29)	(35)
Depreciation of right-of-use assets	(686)	(326)
Amortisation of intangible assets	(195)	(178)
Impairment losses on property, plant and equipment and investment property (Notes 14 and 15)	(339)	(180)
Total depreciation, amortisation and impairment	**(6,838)**	**(6,392)**

In 2023, Depreciation of property plant and equipment, was decreased by CZK 32 million (2022: increased by CZK 134 million) due to allocation of costs of creation and usage of the provision for onerous contracts (Note 26.3).

10. Other Operating Expenses

(CZK million)

	2023	2022
Write-off of inventories to net realisable value	(17)	(24)
Costs of contractual fines and default interest	(2)	(1)
Taxes and fees	(14)	(10)
Insurance	(100)	(96)
Foreign exchange losses – operating	(43)	(46)
Shortages and damages	(25)	(101)
Expenses for uniforms and personal protective equipment	(47)	(45)
Reimbursement of employee expenses	(16)	(17)
Fines and penalties	(3)	(11)
Other expenses	(108)	(68)
Total other operating expenses	**(375)**	**(419)**

11. Finance Costs

(CZK million)

	2023	2022
Interest on issued bonds	(1,173)	(780)
Interest on bank loans	(865)	(556)
Interest on lease liabilities	(97)	(36)
Other interest expense	(176)	(289)
Less: amounts included in the cost of qualifying assets	229	162
Foreign exchange losses on loans, borrowings and lease liabilities	(601)	(191)
Expenses from derivative operations	-	(31)
Bank fees	(7)	(6)
Commissions related to bank loans	(21)	(13)
Other finance costs	(31)	(12)
Total finance costs	**(2,742)**	**(1,752)**

Other interest expense represents cash flow hedge expenses reclassified from other comprehensive income during the period.

The capitalisation rate of borrowing costs in 2023 is 0.19% p. a. (2022: 0.14% p. a.).

12. Finance Income

(CZK million)

	2023	2022
Foreign exchange gains on loans, borrowings and lease liabilities	148	540
Interest received	342	82
Other finance income	1	1
Total finance income	**491**	**623**

An increase in interest received is due to an appreciation of available funds from term deposits.

13. Income Tax

13.1. Income tax recognised in profit or loss

(CZK million)

	2023	2022
Deferred tax recognised in the statement of profit or loss	(119)	(317)
Total income tax (expense)/income	**(119)**	**(317)**

Reconciliation of the total tax charge for the year to accounting loss multiplied by the applicable tax rate:

(CZK million)

	2023	2022
Profit for the period before tax	**2,962**	**14**
Statutory tax rate on corporate income in the Czech Republic	19%	19%
Expected income tax (expense)/income	**(563)**	**(3)**
Adjustments:		
Effect of the unrecognised deferred tax asset	376	(342)
Non-taxable income – provisions (Note 26.1)	-	146
Other non-taxable income	90	89
Tax non-deductible expenses – shortages, damages and fines	(3)	(17)
Tax non-deductible payroll expenses	(14)	(27)
Other tax non-deductible expenses	(5)	(163)
Income tax recognised in profit or loss	**(119)**	**(317)**

13.2. Income tax recognised in other comprehensive income

(CZK million)

	2023	2022
Change in cash flow hedging reserve	139	302
Change in cost of hedging reserve	(14)	1
Change in revaluation reserve for investments in equity instruments at fair value through other comprehensive income	(6)	14
Total income tax recognised in other comprehensive income	**119**	**317**

13.3. Deferred tax

Reported deferred tax assets and liabilities are calculated as follows:

(CZK million)

	31 Dec 2023	31 Dec 2022
Deferred tax assets		
Fixed assets	-	755
Compensation for unjust enrichment (Note 20)	715	-
Lease liabilities	3,356	1,487
Basis for calculating deferred tax	**4,071**	**2,242**
Corporate income tax rate *	21%	19%
Total deferred tax asset – recognised	**855**	**426**
Deferred tax liabilities		
Non-current assets	(615)	-
Right-of-use assets	(3,356)	(1,487)
Derivatives	(40)	(719)
Financial assets measured at fair value through other comprehensive income	(60)	(36)
Basis for calculation of deferred tax	**(4,071)**	**(2,242)**
Corporate income tax rate	21%	19%
Total deferred tax liabilities – recognised	**(855)**	**(426)**
Net deferred tax assets/liabilities – recognised	**-**	**-**

** For the taxation period starting from 1 January 2024, the corporate income tax rate increased from 19% to 21%.*

Given the low expected future taxable profits, the realisation of deferred tax asset is uncertain. Therefore, if the resulting net position as of the balance sheet date is a deferred tax asset, the Company does not report this asset. The unreported deferred tax asset as of 31 December 2023 and 31 December 2022 was calculated as follows:

(CZK million)

	31 Dec 2023	31 Dec 2022
Non-current assets	-	1,829
Compensation for unjust enrichment (Note 20)	2,849	2,999
Provisions	296	875
Receivables	75	76
Borrowing costs	1,116	1,160
Contractual penalties	39	35
Inventories	82	66
Lease liabilities	57	7
Payables to employees	199	141
Basis for calculation of deferred tax	**4,713**	**7,188**
Corporate income tax rate	21%	19%
Deferred tax asset – not recognised	**990**	**1,366**

Borrowing costs include interest and other costs (in particular exchange rate differences) associated with used financial resources that meet the tax law requirements. It is possible to utilise them in the next years.

The tax effect of movements in temporary differences is calculated as follows:

(CZK million)

	1 Jan 2023	Deferred tax in the statement of profit or loss	Deferred tax in other comprehensive income	31 Dec 2023
Deferred tax assets				
Non-current assets	143	(143)	-	-
Compensation for unjust enrichment	-	150	-	150
Lease liabilities	283	422	-	705
Total deferred tax asset – recognised	**426**	**429**	**-**	**855**
Deferred tax liabilities				
Non-current assets	-	(129)	-	(129)
Right-of-use assets	(283)	(422)	-	(705)
Derivatives	(136)	3	125	(8)
Financial assets measured at fair value through other comprehensive income	(7)	-	(6)	(13)
Total deferred tax liability – recognised	**(426)**	**(548)**	**119**	**(855)**

(CZK million)

	1 Jan 2022	Deferred tax in the statement of profit or loss	Deferred tax in other comprehensive income	31 Dec 2022
Deferred tax assets				
Non-current assets	457	(314)	-	143
Lease liabilities	219	64	-	283
Total deferred tax asset – recognised	**676**	**(250)**	**-**	**426**
Deferred tax liability				
Right-of-use assets	(219)	(64)	-	(283)
Derivatives	(436)	(3)	303	(136)
Financial assets measured at fair value through other comprehensive income	(21)	-	14	(7)
Total deferred tax liability – recognised	**(676)**	**(67)**	**317**	**(426)**

13.4. Top up Tax

The Company falls under the scope of the Act on Top up Taxes (global minimum tax). The approved act came into effect on 31 December 2023. The Company expects that the top up tax will be zero given the compliance of the safe harbour test rules. The Company applies an exception for the recognition and disclosure of the information on the deferred tax relating to pillar two income taxes under IAS 12. The Company currently analyses the impacts resulting from the application of this legislation.

14. Property, Plant and Equipment

(CZK million)

	Land	Buildings	Machinery, equipment and other	Vehicles	Components	Assets under construction	Prepayments	Total
Cost								
Balance as at 1 Jan 2022	**5,436**	**10,494**	**2,487**	**77,443**	**13,116**	**1,257**	**4,071**	**114,304**
Additions	-	73	49	3,844	3,439	636	5,616	13,657
Disposals	(64)	(94)	(44)	(423)	(2,007)	(10)	-	(2,642)
Reclassification *	(136)	(670)	38	485	-	(715)	-	(998)
Balance as at 31 Dec 2022	**5,236**	**9,803**	**2,530**	**81,349**	**14,548**	**1,168**	**9,687**	**124,321**
Additions	-	115	36	4,418	3,622	2,043	3,455	13,689
Disposals	(140)	(70)	(36)	(761)	(2,080)	(93)	(1,675)	(4,855)
Reclassification *	(25)	647	58	(294)	430	(408)	-	408
Balance as at 31 Dec 2023	**5,071**	**10,495**	**2,588**	**84,712**	**16,520**	**2,710**	**11,467**	**133,563**
Accumulated depreciation and impairment								
Balance as at 1 Jan 2022	**79**	**5,804**	**1,886**	**43,657**	**5,639**	**336**	**-**	**57,401**
Depreciation	-	198	86	2,871	2,384	-	-	5,539
Impairment loss	-	-	-	326	-	-	-	326
Reversal of impairment	(9)	(26)	-	(106)	(18)	-	-	(159)
Disposals	-	(78)	(44)	(423)	(1,999)	-	-	(2,544)
Reclassification *	-	(489)	-	336	-	(336)	-	(489)
Balance as at 31 Dec 2022	**70**	**5,409**	**1,928**	**46,661**	**6,006**	**-**	**-**	**60,074**
Depreciation	-	212	87	2,952	2,370	-	-	5,621
Impairment loss	-	8	-	374	-	-	-	382
Reversal of impairment	(2)	-	-	-	-	-	-	(2)
Disposals	-	(53)	(36)	(446)	(2,071)	-	-	(2,606)
Reclassification *	-	306	-	(3)	3	-	-	306
Balance as at 31 Dec 2023	**68**	**5,882**	**1,979**	**49,538**	**6,308**	**-**	**-**	**63,775**
Net book value								
Balance as at 1 Jan 2022	5,357	4,690	601	33,786	7,477	921	4,071	56,903
Balance as at 31 Dec 2022	5,166	4,394	602	34,688	8,542	1,168	9,687	64,247
Balance as at 31 Dec 2023	5,003	4,613	609	35,174	10,212	2,710	11,467	69,788

** Reclassifications primarily include reclassifications of asset items between individual groups (IAS 16 and IAS 40) and transfer (capitalisation) of items from assets under construction to individual items of property, plant and equipment (Land, Buildings, Machinery, equipment and other, Vehicles).*

Strategic spare parts (exchangeable units) with the acquisition cost of CZK 172 million and the net book value of CZK 13 million as of 31 December 2023 are reported in Vehicles (31 December 2022: the acquisition cost of CZK 172 million and the net book value of CZK 35 million). Other spare parts with the net book value of CZK 725 million as of 31 December 2023 are reported in the Components (31 December 2022: CZK 494 million).

The most significant additions include the acquisition and modernisation of railway vehicles as part of the renewal of the Company's rolling stock in the amount of CZK 5,953 million in 2023 (2022: CZK 3,683 million). Due to the long-term nature of acquisition of this type of assets, significant balances are recognised in Assets under construction.

In 2023, the Company paid advances of CZK 1,505 million for the supply of 230 km/hour passenger train units and CZK 1,440 million for the supply of the 120 class DMUs. In 2022, the Company paid advances of CZK 3,011 million for the supply of passenger train units, CZK 2,000 million for the supply of EMUs, CZK 1,480 million for the supply of locomotives, CZK 600 million for the supply of DMUs and CZK 400 million for the equipment by the mobile part of the European Train Control System (ETCS).

As of 31 December 2023, the Company recognises grant promises in the amount of CZK 114 million (31 December 2022: CZK 747 million), which are reported in Other assets (Note 22). As of 31 December 2023, the most significant promises are for ETCS.

Operating lease agreements in which the Company acts as a lessor, and which relate to movable property are described in Note 30.

14.1. Impairment losses recognised in the reporting period

14.1.1. Asset impairment analysis

As at the balance sheet date, the Company's management assessed if there were any indications of impairment of non-financial assets. The Company's management determined the Passenger transport cash-generating unit where the Company's management includes vehicles, primarily railway vehicles (locomotives, passenger train units, other railway vehicles including leased and recognised as Right-of-use assets), other standalone movables used to operate passenger rail transport and the allocated part of corporate assets. This group of assets is tested for potential impairment as one cash-generating unit as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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 five years. The five-year period reflects the assumptions for short- to medium-term market development and is used by the management as it allows for better reflection of the planned investment programme than the shorter period. The ČD's management believes that due to the character of the railway transport, it is able to forecast future cash flows over the whole five-year period with sufficient reliability. Cash flows beyond the five-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 transport).

The calculation of future expected cash flows is based on an estimate of revenues, direct and indirect operating expenses and expenditures for the replacement of fixed assets for the period of 2024-2028. Revenues from the sale of services are projected on the basis of the expected collection of fares and the contracted payments from public service customers (the state and the regions) and compensation for the energy increase. Operating expenses are estimated based on the current structure of the Passenger transport segment and are adjusted for expected development and impact of cost-saving measures in operating and staff costs. Capital expenditure is based on the historical experience of the Company's management, planned development of passenger transport and commitments arising from contracts with public service customers. 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 level of 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 cash flows expressed in nominal values were estimated and discounted using a discount rate of 6.98% (2022: 9.29%).

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 3% (2022: 3%) was used to calculate the recoverable amount.

The analysis performed as of 31 December 2023 confirmed that the recoverable amount of the cash-generating unit exceeds its carrying amount by CZK 57,244 million (2022: CZK 3,903 million).

Sensitivity analysis of impairment tests

When testing the recoverable amount of the cash-generating unit, a sensitivity analysis of the test results to changes in the following significant parameters used in the model was performed: the estimated future operating cash flows, the estimated capital expenditures for replacement of fixed assets, the discount rate used for calculating the present value of future cash flows and the growth rate.

(CZK million)

31 December 2023	Operating cash flows for perpetuity		Estimated capital expenditures for perpetuity		Discount rate		Growth rate	
Parameter value	CZK 6,984 million		CZK 9,544 million		6.98%		3%	
	Increase by 10%	Decrease by 10%	Decrease by 10%	Increase by 10%	Decrease by 50 basis points	Increase by 50 basis points	Increase by 100 basis points	Decrease by 100 basis points
Increase/(Decrease) of recoverable amount	12,952	(12,952)	17,232	(17,408)	20,905	(16,262)	43,693	(26,134)
Impairment Yes/No	No	No	No	No	No	No	No	No
Value of impairment	-	-	-	-	-	-	-	-

(CZK million)

31 December 2022	Operating cash flows for perpetuity		Estimated capital expenditures for perpetuity		Discount rate		Growth rate	
Parameter value	CZK 7,276 million		CZK 9,236 million		9.29%		3%	
	Increase by 10%	Decrease by 10%	Decrease by 10%	Increase by 10%	Decrease by 50 basis points	Increase by 50 basis points	Increase by 100 basis points	Decrease by 100 basis points
Increase/(Decrease) of recoverable amount	8,198	(8,198)	8,440	(8,909)	8,134	(7,130)	16,144	(11,423)
Impairment Yes/No	No	Yes	No	Yes	No	Yes	No	Yes
Value of impairment	-	(4,295)	-	(5,006)	-	(3,227)	-	(7,520)

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

31 December 2023	Operating cash flows for perpetuity	Estimated capital expenditures for perpetuity	Discount rate	Growth rate
Parameter value	CZK 6,984 million	CZK 9,544 million	6.98%	3%
Parameter value where recoverable amount would equal carrying value	CZK 3,897 million	CZK 12,630 million	9.49%	(0.12)%

31 December 2022	Operating cash flows for perpetuity	Estimated capital expenditures for perpetuity	Discount rate	Growth rate
Parameter value	CZK 7,276 million	CZK 9,236 million	9.29%	3%
Parameter value where recoverable amount would equal carrying value	CZK 6,930 million	CZK 9,583 million	9.56%	2.69%

14.1.2. Other impairment losses

Furthermore, based on physical observation and internal analyses, the Company's management identified fixed assets for which significant doubt about their future usability exists. Impairment losses were recognised for these items in the amount of the difference between the carrying value and the estimated recoverable amount. The recoverable amount of the 680 class tilting trains (Pendolino) and the 380 class locomotives was estimated as their fair value less cost to sell. Therefore, the recoverable amount of these railway vehicles was determined regardless of the cash-generating unit to which they belong. The assets belong to the Passenger transport cash-generating unit.

The fair value of the 680 class EMUs was determined on the basis of an expert opinion. The impairment of these EMUs as of 31 December 2023 amounted to CZK 438 million (31 December 2022: CZK 560 million). Movement in impairment in 2023 amounting to CZK 94 million was due to a disposal of two damaged carriages in one trainset damaged in 2022 and a reversal of impairment of CZK 28 million. The movement in impairment in 2022, amounting to CZK 172 million, was primarily due to a recognition of an allowance for one damaged trainset.

The market value of the 380 class locomotives is determined on the basis of an expert opinion. The impairment of these locomotives as of 31 December 2023 amounted to CZK 1,634 million (31 December 2022: CZK 1,594 million).

Another significant impairment item is the "Returned ROP grants". The impairment was determined in the amount of CZK 334 million as of 31 December 2023 (31 December 2022: CZK 353 million). The asset belongs to the Passenger transport cash-generating unit.

Impairment losses are presented in Depreciation, amortisation and impairment in the separate statement of profit or loss.

14.2. Pledged Assets

As of 31 December 2023, the Company records assets pledged to EUROFIMA with the net book value of CZK 2,742 million. As of 31 December 2022, the Company recorded no loans collateralised by assets.

15. Investment Property

(CZK million)

	2023	2022
Balance at the beginning of the year	**938**	**475**
Additions from subsequent capitalised expenses	93	3
Depreciation	(29)	(35)
Disposals	-	(1)
Transfers from property, plant and equipment (from IAS 16 to IAS 40)	89	606
Transfers to property, plant and equipment (from IAS 40 to IAS 16)	(191)	(97)
Increase/(Decrease) in impairment loss	41	(13)
Balance at the end of the year	**941**	**938**

(CZK million)

	Balance as at 31 Dec 2023	Balance as at 31 Dec 2022	Balance as at 1 Jan 2022
Cost	**1,825**	**2,139**	**1,142**
Accumulated depreciation and impairment	(884)	(1,201)	(667)
Net book value	**941**	**938**	**475**

The Company measures Investment property as the percentage of the net book value attributable to the leased part of the property, where at least 1% of its useful area is leased to an external lessee.

The properties are located around the railroads, in train stations and depots of railway vehicles. The Company applies a market approach to determine the fair value of its land and an income approach to determine the fair value of its buildings.

When calculating the fair value of a building, firstly the annual rental income from the building is calculated as a multiple of the size of a property, occupancy as per a particular type of premises and external annual rent as per individual type of premises. Secondly, the fair value of the building is calculated as the annual rental income less the costs incurred on the building during the year and divided by the capitalisation 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 estate as of 31 December 2023 and 31 December 2022, depending on the type of real estate and its location, a yield in the range of 6–10% was used.

In respect of land, the fair value is calculated by multiplying the market price for m^2 for the specific locality and the size of the land. The market price for m^2 is determined each year by an expert based on the latest land price maps.

The estimated fair value of Investment property as of 31 December 2023 amounted to CZK 7,651 million (31 December 2022: CZK 7,882 million). Investment property is classified as Level 3 in terms of the method of determining fair value.

Operating lease agreements in which the Company acts as a lessor and which relate to investment property are described in Note 30.

16. Intangible Assets

(CZK million)

	Software	Software licences	Assets under construction	Total
Cost				
Balance as at 1 Jan 2022	**1,280**	**696**	**146**	**2,122**
Additions	87	12	67	166
Disposals	-	-	-	-
Reclassification	141	14	(147)	8
Balance as at 31 Dec 2022	**1,508**	**722**	**66**	**2,296**
Additions	66	2	132	200
Disposals	-	-	-	-
Reclassification	35	-	(35)	-
Balance as at 31 Dec 2023	**1,609**	**724**	**163**	**2,496**
Accumulated amortisation				
Balance as at 1 Jan 2022	**1,092**	**674**	**-**	**1,766**
Amortisation	163	15	-	178
Disposals	-	-	-	-
Balance as at 31 Dec 2022	**1,255**	**689**	**-**	**1,944**
Amortisation	182	13	-	195
Disposals	-	-	-	-
Balance as at 31 Dec 2023	**1,437**	**702**	**-**	**2,139**
Net book value				
Balance as at 1 Jan 2022	188	22	146	356
Balance as at 31 Dec 2022	253	33	66	352
Balance as at 31 Dec 2023	172	22	163	357

The Company has no internally generated software.

The amortisation costs were reported in Depreciation, amortisation and impairment in the separate statement of profit or loss.

Intangible assets mainly include software called DISOD, PARIS, APS, In-karta, POP, UNIPOK, IS OPT and KASO which is used in business activities.

Intangible assets are tested for potential impairment as part of the Passenger transport cash-generating unit (Note 14.1.1).

17. Right-of-use Assets

The Company leases land, administrative premises, railway station buildings, locomotives, cars and equipment. Lease contracts are usually concluded for a defined period (3 to 10 years). Smaller part of the contracts is concluded for an indefinite period (see Note 4.1.3).

(CZK million)

	Land	Premises at railway stations	Administrative buildings	Machinery and equipment	Locomotives	Other vehicles	Total
Cost							
Balance as at 1 Jan 2022	**3**	**368**	**223**	**9**	**1,227**	**37**	**1,867**
Additions	-	-	9	-	625	2	636
Disposals	-	(51)	(1)	-	-	(1)	(53)
Change in estimates *	-	37	15	-	-	-	52
Balance as at 31 Dec 2022	**3**	**354**	**246**	**9**	**1,852**	**38**	**2,502**
Additions	-	-	165	1	2,324	-	2,490
Disposals	(2)	(2)	(93)	-	-	-	(97)
Change in estimates *	-	43	30	-	-	-	73
Balance as at 31 Dec 2023	**1**	**395**	**348**	**10**	**4,176**	**38**	**4,968**
Accumulated depreciation and impairment							
Balance as at 1 Jan 2022	**1**	**205**	**98**	**4**	**404**	**3**	**715**
Depreciation	-	32	49	1	235	9	326
Disposals	-	(25)	-	-	-	(1)	(26)
Balance as at 31 Dec 2022	**1**	**212**	**147**	**5**	**639**	**11**	**1,015**
Depreciation	-	31	49	2	595	9	686
Disposals	(1)	-	(88)	-	-	-	(89)
Balance as at 31 Dec 2023	**-**	**243**	**108**	**7**	**1,234**	**20**	**1,612**
Net book value							
Balance as at 1 Jan 2022	2	163	125	5	823	34	1,152
Balance as at 31 Dec 2022	2	142	99	4	1,213	27	1,487
Balance as at 31 Dec 2023	1	152	240	3	2,942	18	3,356

** Change in estimate primarily represents a change in the estimated lease term of the assets.*

In 2023, additions to Locomotives consist mainly of 12 newly leased Vectron locomotives (2022: 10 newly leased Vectron locomotives).

Right-of-use assets are tested for potential impairment as part of the Passenger transport cash-generating unit (Note 14.1.1).

The amounts recognised in the separate statement of profit or loss:

(CZK million)

	2023	2022
Depreciation of right-of-use assets	(686)	(326)
Interest expense on lease liabilities	(97)	(36)
Expense related to short-term leases	(52)	(55)
Expense related to low-value assets leases	(33)	(30)
Proceeds from sublease of right-of-use assets	6	1

Lease liabilities are disclosed in Note 25.2.

17.1. Sensitivity analysis of right-of-use assets and lease liabilities

When calculating the value of right-of-use assets and lease liability for lease contracts with indefinite lease term, a sensitivity analysis to changes in estimated lease term was performed.

For buildings, a change in estimated lease term by one year with other parameters unchanged would lead to a change in the value of right-of-use assets and lease liabilities by CZK 73 million (2022: CZK 52 million).

18. Investments in Subsidiaries, Associates and Joint Ventures

(CZK million)

	31 Dec 2023	31 Dec 2022
Investments in subsidiaries	11,722	11,707
Investments in associates and joint ventures	111	111
Total	**11,833**	**11,818**

18.1. Information on subsidiaries

(CZK million)

Name of the entity	Principal place of business	Carrying value of investment as at 31 Dec 2023	Carrying value of investment as at 31 Dec 2022
Výzkumný Ústav Železniční, a.s.	Prague	383	383
ČD – Telematika a.s.	Prague	1,936	1,936
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
ČD Bus a.s.	Vyškov	58	58
RailReal a.s.	Prague	-	-
ČD Restaurant, a.s.	Prague	15	-
Total		**11,722**	**11,707**

Name of the entity	Principal activity	Ownership percentage as at 31 Dec 2023	Ownership percentage as at 31 Dec 2022
Výzkumný Ústav Železniční, a.s.	Research and development in the area of rolling stock	100%	100%
ČD – Telematika a. s.	Provision of ITC services	100%	100%
DPOV, a.s.	Repairs and renovations of rolling stock	100%	100%
ČD Cargo, a.s.	Operations of railway freight transport	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%
ČD Bus a.s.	Operation of bus transport	100%	100%
RailReal a.s.	Engineering in investment construction	66%	66%
ČD Restaurant, a.s.	Hospitality and real estate activities	100%	100%

18.2. Information on associates and joint ventures

(CZK million)

Company name	Principal place of business	Carrying value of investment as at 31 Dec 2023	Carrying value of investment as at 31 Dec 2022
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 2023	Ownership percentage as at 31 Dec 2022
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 2023 / Year ending 31 Dec 2023	Masaryk Station Development, a.s.	JLV, a.s.	Joint Ventures	Total
Total assets	62	465	11	538
of which: non-current assets	*2*	*297*	*10*	*309*
current assets	*60*	*168*	*1*	*229*
Total liabilities	55	111	16	182
of which: non-current liabilities	*41*	*-*	*4*	*45*
current liabilities	*14*	*111*	*12*	*137*
Net assets/liabilities	7	354	(5)	356
The Company’s share of net assets/(liabilities)	**2**	**137**	**(3)**	**136**
Total income	53	599	-	652
Profit/(Loss) for the period	(1)	10	-	9
Comprehensive income for the period	(1)	10	-	9
The Company’s share in profit	**-**	**4**	**-**	**4**

(CZK million)

31 Dec 2022 / Year ending 31 Dec 2022	Masaryk Station Development, a.s.	JLV, a.s.	Joint Ventures	Total
Total assets	52	447	10	509
of which: non-current assets	*45*	*302*	*9*	*356*
current assets	*7*	*145*	*1*	*153*
Total liabilities	44	66	14	124
of which: non-current liabilities	*42*	*4*	*2*	*48*
current liabilities	*2*	*62*	*12*	*76*
Net assets/(liabilities)	8	381	(4)	385
The Company's share of net assets/(liabilities)	**3**	**148**	**(2)**	**149**
Total income	4	508	-	512
Profit/(Loss) for the period	(1)	8	(1)	6
Comprehensive income for the period	(1)	8	(1)	6
The Company's share in profit/(loss)	**-**	**3**	**(1)**	**2**

19. Inventories

(CZK million)

	31 Dec 2023	31 Dec 2022
Spare parts for machinery and equipment	207	212
Spare parts for rolling stock	1,986	1,718
Fuels, lubricants and other oil products	43	41
Work clothes, work shoes, protective devices	83	99
Other	108	93
Total cost	**2,427**	**2,163**
Impairment of inventories to their net realisable value *	(82)	(65)
Total net book value	**2,345**	**2,098**

** Amount of the inventories for which the allowance was accounted for is CZK 237 million as of 31 December 2023 and CZK 172 million as at 31 December 2022.*

The amount of inventories recognised as an expense in 2023 was CZK 2,496 million (2022: CZK 2,216 million).

20. Trade Receivables

(CZK million)

31 Dec 2023	Long-term	Short-term	Total
Trade receivables – gross	1,417	1,863	3,280
Expected credit loss allowance	-	(121)	(121)
Trade receivables – net	**1,417**	**1,742**	**3,159**

(CZK million)

31 Dec 2022	Long-term	Short-term	Total
Trade receivables – gross	557	1,853	2,410
Expected credit loss allowance	(12)	(130)	(142)
Trade receivables – net	**545**	**1,723**	**2,268**

Movements in the expected credit loss allowance:

(CZK million)

	2023	2022
Allowance as at 1 January	**142**	**119**
Charge for the year – trade receivables	5	40
Release of allowance – trade receivables	(26)	(17)
Allowance as at 31 December	**121**	**142**

The increase in receivables as of 31 December 2023 is attributable primarily to a receivable of CZK 739 million for the sale of land with maturity in 2028.

Between 2021 and 2023, the Company billed SŽ the compensation for unjust enrichment resulting from SŽ using the Company's property, mainly land plots under the railway infrastructure. The Company determined the compensation for 2017-2023 in the amount of CZK 4,242 million including VAT as of 31 December 2023 based on the expert's opinion (as of 31 December 2022 for 2017-2022 in the amount of CZK 3,544 million including VAT). No agreement has been reached yet on the amount of the compensation, mainly due to a need to pre-notify the transaction by the European Commission. Due to this uncertainty, the Company did not recognise a receivable from this transaction. However, as of 31 December 2023, a receivable to the Company arises from its claim to either collect or get refunded the related VAT amounting to CZK 678 million that was presented in the long-term receivables – gross (as of 31 December 2022: CZK 557 million).

Further information on trade receivables is provided in Note 33.8 Credit risk management.

21. Other Financial Assets

(CZK million)

	31 Dec 2023	31 Dec 2022
Equity investments at fair value through other comprehensive income *	327	333
Finance lease receivables	78	78
Hedging derivatives *	45	83
Loans within the ČD Group	58	120
Restricted cash	56	313
Total non-current financial assets	**564**	**927**
Hedging derivatives *	239	257
Group cash pooling	202	178
Receivables from damages and losses	82	43
Loans within the ČD Group	0	57
Restricted cash	507	245
Other	41	38
Total current financial assets	**1,071**	**818**
Total	**1,635**	**1,745**

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

The Company classified the below equity securities as equity investments at fair value through other comprehensive income because the investment is expected to be held for strategic purposes rather than for income from resale, and there are no plans to sell this investment in the short to medium term.

(CZK million)

	Fair value at 31 Dec 2023	Fair value at 31 Dec 2022	Dividends reported in 2023	Dividends reported in 2022
EUROFIMA	323	329	1	2
Hit Rail B.V.	4	4	-	-
Total	**327**	**333**	**1**	**2**

During 2023, the Company sold no strategic investments and there were no transfers of accumulated profits or losses within equity in relation to these investments.

Restricted cash includes cash that the Company is obliged to have deposited in special bank accounts and which can be disposed only once the conditions with which they are connected have been met. These are funds that relate mainly to grants from the European Union or the ministries and that cash can be used only in line with the grant conditions and for the acquisition of specific grant-related assets or technical improvement on these assets.

Movements in the expected credit loss allowance:

(CZK million)

	2023	2022
Allowance as at 1 January	**22**	**40**
Creation of allowance – other financial assets	1	2
Release of allowance – other financial assets	(15)	(20)
Expected credit loss allowance as at 31 December	**8**	**22**

Further information on Other financial assets is provided in Note 33.8 Credit risk management.

21.1. Finance lease receivables

The Company leased the station building at the Brno - main railway station in the form of a finance lease.

Maturity analysis of future lease payments:

(CZK million)

	31 Dec 2023	31 Dec 2022
1st year	22	19
2nd year	22	19
3rd year	22	19
4th year	22	19
5th year	22	19
Over 5 years	436	400
Undiscounted lease payments	**546**	**495**
Less: unrealised financial income	(466)	(415)
Present value of lease payments	**80**	**80**
Expected credit loss allowance	(2)	(2)
Net investment in lease	**78**	**78**
In the separate statement of financial position as:		
Other current financial assets	*-*	*-*
Other non-current financial assets	*78*	*78*
Total	**78**	**78**

The amounts recognised in the separate statement of profit or loss:

(CZK million)

	2023	2022
Net income from finance lease investments	22	20

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

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

Further information on finance lease receivables is provided in Note 33.8 Credit risk management.

22. Other Assets

(CZK million)

	31 Dec 2023	31 Dec 2022
Total non-current	**31**	**33**
Prepayments provided	77	196
Tax receivables – VAT	374	573
Tax receivable – other (except for taxes on corporate income)	7	7
Prepaid expenses	79	72
Grants	114	747
Compensation from the insurer (see Note 26.4)	-	297
Other	40	1
Total current	**691**	**1,893**
Total	**722**	**1,926**

Grants represent investment grants. As of 31 December 2022, these included the grant of CZK 551 million from the Ministry of Transport for the renewal of the rolling stock in the Moravian-Silesian region.

23. Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost in the separate statement of financial position. The Company expects immaterial credit losses on these items due to the high credit quality of cash deposits held with reputable financial institutions with a high investment credit rating with which the Company cooperates on the basis of long-term and stable relationships.

For the purposes of the separate cash flow statement, cash includes cash on hand, cash in bank accounts and depository bills. The cash at the end of the reporting periods recognised in the separate cash flow statement can be reconciled with the relevant items in the separate statement of financial position as follows:

(CZK million)

	31 Dec 2023	31 Dec 2022
Cash and cash in transit	64	47
Bank accounts *	5,499	3,772
Depository bills	247	2,892
Total	**5,810**	**6,711**

** Bank rating analysis is provided in Note 33.8.*

24. Equity

24.1. 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. As of 31 December 2023 and 31 December 2022, the share capital consisted 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. There were no changes in the share capital during 2023.

Each shareholder is entitled to attend and vote at the General Meeting. It has the right to request and receive explanations on matters concerning the Company or its controlled entities. The voting right is associated with the share and is governed by its nominal value, so for every CZK 1 billion of the nominal value of the share, there is one vote. When a shareholder is the state, it exercises the rights of the Company's shareholder in accordance with the law through the Steering Committee.

24.2. Other capital reserves

(CZK million)

	31 Dec 2023	31 Dec 2022
Share premium	16,440	16,440
Reserve fund	116	116
Cash flow hedging reserve	208	812
Costs of hedging reserve	(102)	(172)
Revaluation of investments to equity instruments at fair value through other comprehensive income	68	51
Actuarial remeasurements of defined benefit obligations	97	94
Total	**16,827**	**17,341**

24.2.1. Share premium

The share premium represents the difference between the nominal value of the shares and the non-monetary contribution at the establishment of the Company, by which the issue price of the shares was paid.

The amount of share premium, which was thus determined during the transition to IFRS accounting, is CZK 16,440 million as of 31 December 2023 and 31 December 2022.

24.2.2. Reserve fund

(CZK million)

	2023	2022
Balance at the beginning of the year	**116**	**116**
Allocation to the reserve fund	-	-
Balance at the year-end	**116**	**116**

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

24.2.3. Cash flow hedging reserve

(CZK million)

	2023	2022
Balance at the beginning of the year	**812**	**2 100**
Revaluation gain/(loss)	(634)	(1,708)
Reclassification to profit or loss	(109)	118
Total change in the cash flow hedging reserve	**(743)**	**(1,590)**
Income tax	139	302
Balance at the year-end	**208**	**812**

The cash flow hedging reserve includes accumulated gains and losses from the effective hedging of cash flows. The accumulated deferred gain or loss from hedging derivatives is reclassified to the profit or loss only when a hedging transaction affects the profit or loss or is included in the hedged non-financial item as an adjustment to the carrying value in accordance with the relevant accounting policies.

Gains and losses reclassified from equity during the year are presented in Finance costs in the separate statement of profit or loss.

Reclassifications from cash flow hedging 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 fixed rate	2023	2022
Balance at the beginning of the year	**678**	**2,070**
Change in fair value of hedging derivatives	(536)	(1,845)
Reclassification to profit or loss	(28)	127
Related income tax - change	105	326
Balance at the year-end	**219**	**678**

Interest rate swaps - securing loans with a variable rate	2023	2022
Balance at the beginning of the year	**134**	**30**
Change in fair value of hedging derivatives	(98)	137
Reclassification to profit or loss	(81)	(9)
Related income tax - change	34	(24)
Balance at the year-end	**(11)**	**134**

24.2.4. Costs of hedging reserve

Costs of hedging represent accumulated gains and losses from changes in fair value excluded from hedging instruments related to the currency base margin of cross-currency interest rate swaps and forward components of currency swaps.

The Company has assessed that the separate currency base margin relates to a period of time, not to a specific transaction. Therefore, the Company systematically amortises costs of hedging through profit or loss over the duration of the hedging relationship to the extent they are associated with the hedged item.

(CZK million)

	2023	2022
Balance at the beginning of the year	**(171)**	**(166)**
Reclassification to profit or loss	(4)	(25)
Change of fair value in costs of hedging	87	18
Income tax	(14)	1
Balance at the year-end	**(102)**	**(172)**

Additional information regarding derivatives and hedging accounting is provided in Note 33.

24.2.5. Revaluation of investments to equity instruments at fair value through other comprehensive income

Revaluation of investments to equity instruments at fair value through other comprehensive income includes the accumulated net change in fair value of equity instruments revalued through other comprehensive income, after deducting accumulated gains/(losses) transferred to retained earnings on derecognition.

(CZK million)

	2023	2022
Balance at the beginning of the year	**51**	**110**
Revaluation	8	(58)
Expected credit losses	15	(15)
Income tax	(6)	14
Balance at the year-end	**68**	**51**

25. Loans, Borrowings and Lease Liabilities

(CZK million)

	31 Dec 2023	31 Dec 2022
Bank loans	1,016	975
Loan from EUROFIMA	290	-
Lease liabilities	1,514	340
Group cash pooling	641	221
Bonds issued	1,064	10,060
Total short-term	**4,525**	**11,596**
Bank loans	6,309	6,913
Loan from EUROFIMA	11,321	-
Lease liabilities	1,899	1,154
Bonds issued	30,183	30,106
Total long-term	**49,712**	**38,173**
Total	**54,237**	**49,769**

Portions of long-term loans, bonds, borrowings and lease liabilities that are repayable in a period shorter than one year from the date of the Separate Financial Statements are presented as short-term loans, borrowings and lease liabilities.

The Company did not breach any terms of the loan agreements in 2023 or 2022.

25.1. Bonds issued

Issue date	Nominal value	Due date	Publicly traded	Coupon	Carrying value as at 31 Dec 2023 in CZK million	Carrying value as at 31 Dec 2022 in CZK million
05 November 2014	EUR 30 million	5 November 2024	No	2.875%	743	724
05 November 2014	EUR 150 million	5 November 2029	No	3.50%	3,711	3,617
03 June 2015	EUR 77.5 million	03 June 2035	No	3.00%	1,944	1,895
25 May 2016	EUR 400 million	25 May 2023	Yes	1.875%	-	9,742
23 May 2019	EUR 500 million	23 May 2026	Yes	1.50%	12,404	12,070
12 October 2022	EUR 500 million	12 October 2027	Yes	5.625%	12,445	12,118
Total					**31,247**	**40,166**
of which short-term					*1,064*	*10,060*
of which long-term					*30,183*	*30,106*

The Company did not breach any terms or conditions valid for the issued bonds in 2023 or 2022.

Bondholders could request early repayment of bonds within 90 days once the state's share in the Company falls below 75% or the Company's share in the segments of passenger or freight transport falls under 50% and, at the same time, the Company's rating falls below the investment grade.

25.2. Lease liabilities

The Company recognised lease liabilities as follows:

(CZK million)

	31 Dec 2023	31 Dec 2022
Short-term lease liabilities	1,514	340
Long-term lease liabilities	1,899	1,154
Total lease liabilities	**3,413**	**1,494**

Expenses relating to short-term leases and low-value assets leases, that are not included in the above short-term lease liabilities, are reported in Cost of services, raw materials and energy in the separate statement of profit or loss (see Note 7).

Total cash outflows related to leases amounted to CZK 872 million in 2023 and CZK 430 million in 2022.

The information on right-of-use assets is disclosed in Note 17.

The Company is not exposed to significant liquidity risk with respect to lease liabilities. The analysis of the maturity of lease liabilities is disclosed in Note 33.9.1.

25.3. Bank loans

(CZK million)

Bank	Nominal value	Due date	Interest rates	Carrying value as at 31 Dec 2023	Carrying value as at 31 Dec 2022
UniCredit Bank	1,000	29 March 2029	Variable	802	948
Raiffeisenbank	500	29 December 2028	Variable	357	429
Všeobecná úverová banka	500	29 December 2028	Variable	385	462
UniCredit Bank	1,000	29 March 2029	Fixed	1,000	1,000
UniCredit Bank	1,000	29 March 2029	Variable	1,001	1,000
UniCredit Bank	1,000	29 March 2029	Variable	802	948
Raiffeisenbank	1,000	29 December 2028	Variable	715	858
Raiffeisenbank	1,100	29 December 2028	Variable	786	943
Všeobecná úverová banka	500	29 June 2029	Variable	393	464
Všeobecná úverová banka	900	29 June 2029	Variable	707	836
Evropská investiční banka	377	8 December 2031	Fixed	377	-
Total	**8,877**			**7,325**	**7,888**
of which short-term				*1,016*	*975*
of which long-term				*6,309*	*6,913*

Bank loans are not collateralised.

25.4. Payable to EUROFIMA

During 2023, the Company took a loan from EUROFIMA in which it owns 1% (Note 32), in the following 3 tranches:

(CZK million)

	Nominal value	Due date	Interest rates	Carrying value as of 31 Dec 2023
1st tranche	CZK 6,903 mil.	30 March 2033	Fixed	7,146
2nd tranche	EUR 70 mil.	30 March 2033	Fixed	1,767
3rd tranche	CZK 2,687 mil.	30 March 2033	Fixed	2,698
Total				**11,611**
of which short-term				*290*
of which long-term				*11,321*

Payables to EUROFIMA are collateralised by pledge contracts for the financed assets.

25.5. Changes in liabilities from financing activities

Changes in liabilities from financing activities including changes arising from cash flows and non-cash changes are disclosed in the following table:

(CZK million)

	Short-term bank loans	Long-term bank loans	Lease liabilities - short-term	Lease liabilities - long-term	Loan from EUROFIMA - short-term	Loan from EUROFIMA - long-term	Group cash pooling	Issued bonds - short-term	Issued bonds - long-terms	Promissory note	Total
Note	25	25	25	25	25	25	25	25	25	25	25
Liabilities from financing as at 1 Jan 2022	**197**	**1,819**	**246**	**920**	**-**	**-**	**339**	**1,232**	**28,584**	**-**	**33,337**
Cash flows from financing activities	**454**	**5,386**	**(301)**	**-**	**-**	**-**	**(118)**	**(933)**	**12,171**	**-**	**16,659**
Use of loans and borrowings	*2,614*	*5,386*	-	-	-	-	-	-	*12,171*	*3,777*	*23,948*
Repayments of loans and borrowings	*(2,160)*	-	-	-	-	-	*(118)*	*(933)*	-	*(3,777)*	*(6,988)*
Repayment of principal of lease liabilities	-	-	*(301)*	-	-	-	-	-	-	-	*(301)*
Effect of exchange rate changes	-	-	-	(32)	-	-	-	(305)	(776)	-	(1,113)
Reclassification *	292	(292)	276	(276)	-	-	-	9,944	(9,944)	-	-
Additions to new leases and change in estimates	-	-	119	542	-	-	-	-	-	-	661
Accrued interest	315	241	10	26	-	-	16	328	452	99	1,487
Interest paid (cash flows from operating activities) **	(282)	(240)	(10)	(26)	-	-	(16)	(123)	(369)	(99)	(1,165)
Capitalised interest paid (cash flows from investment activities)	-	-	-	-	-	-	-	(90)	(13)	-	(103)
Other non-cash movements	(1)	(1)	-	-	-	-	-	7	1	-	6
Liabilities from financing as at 31 Dec 2022	**975**	**6,913**	**340**	**1,154**	**-**	**-**	**221**	**10,060**	**30,106**	**-**	**49,769**
Cash flows from financing activities	**(934)**	**377**	**(690)**	**-**	**-**	**11,242**	**420**	**(9,438)**	**-**	**-**	**977**
Use of loans and borrowings	-	*377*	-	-	-	*11,242*	*420*	-	-	-	*12,039*
Repayments of loans and borrowings	*(934)*	-	-	-	-	-	-	*(9,438)*	-	-	*(10,372)*
Repayment of principal of lease liabilities	-	-	*(690)*	-	-	-	-	-	-	-	*(690)*
Effect of exchange rate changes	-	-	25	28	-	79	-	(185)	770	-	717
Reclassification *	970	(970)	687	(687)	290	(290)	-	725	(725)	-	-
Additions to new leases and change in estimates	-	-	1,151	1,403	-	-	-	-	-	-	2,554
Accrued interest	86	489	43	54	-	290	29	170	1,003	-	2,164
Interest paid (cash flows from operating activities) **	(81)	(500)	(42)	(53)	-	-	(29)	(213)	(839)	-	(1,757)
Capitalised interest paid (cash flows from investment activities)	-	-	-	-	-	-	-	(62)	(133)	-	(195)
Other non-cash movements	-	-	-	-	-	-	-	7	1	-	8
Liabilities from financing as at 31 Dec 2023	**1,016**	**6,309**	**1,514**	**1,899**	**290**	**11,321**	**641**	**1,064**	**30,183**	**-**	**54,237**

** Loans and borrowings classified in the previous period as long-term, which became short-term in the current period.*

*** Interest paid line in the separate cash flow statement for the year 2023 also includes cash flows from securing interest payments in the amount of CZK 148 million (2022: CZK 172 million)..*

26. Provisions

(CZK million)

	Balance as at 1 Jan 2022	Creation	Use	Release of unused part	Balance as at 31 Dec 2022	Creation	Use	Release of unused part	Balance as at 31 Dec 2023
Provision for legal disputes	1,702	-	-	700	1,002	-	-	-	1,002
out of which: long-term part	-				-				-
Provision for post-employment benefits	65	-	28	-	37	103	7	-	133
of which: long-term part	45				*27*				*102*
Provision for other long-term employee benefits	143	68	88	-	123	73	79	-	117
of which: long-term part	67				42				*38*
Provision for onerous contracts	479	580	219	-	840	30	144	610	116
out of which: long-term part	*261*				*427*				*11*
Provision for penalties	68	-	-	68	-	-	-	-	-
of which: long-term part	-				-				-
Other provisions	512	13	-	62	463	14	8	455	14
of which: long-term part	-				-				-
Total provisions	**2,969**	**661**	**335**	**830**	**2,465**	**220**	**238**	**1,065**	**1,382**
Long-term	*373*				*497*				*151*
Short-term	*2,596*				*1,969*				*1,231*

26.1. Provision for legal disputes

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

26.1.1. 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 the 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").

On 30 September 2022, ČD received a decision on suspension of proceedings from the EC; the EC proceedings have been ended. Based on this decision, the entire provision of CZK 700 million was released as of 31 December 2022.

Following the suspension of the EC proceedings, the OPC reopened the administrative proceedings at the national level. However, taking into account the outcome of the EC investigation it is expected that national proceedings will also be suspended (Note 32.1).

26.1.2. Alleged cartel agreement between ČD, ZSSK and ÖBB for the sale of the disposed rolling stock

In June 2016, the European Commission performed a local investigation at the headquarters of ČD based on suspicion of the cartel agreement made for the mutual sale of railway vehicles. The EC investigates if ČD, ÖBB (The Austrian Federal Railways) and possibly also ZSSK (The Railway Company of Slovakia) have concluded a prohibited agreement to limit sales of disposed rolling stock to restrict the entrance of new carriers to the market (against Article 101 of the Treaty on the Functioning of the European Union. ČD denies that it entered into a cartel agreement.

In June 2022, ČD and ÖBB received a statement of objections from the EC regarding the alleged cartel agreement for the sale of disposed railway vehicles. The statement of objections is a procedural step in the ongoing proceedings, which does not prejudge final conclusions and the EC's decision on this case. ČD prepared and sent a reply to this statement of objections and subsequently presented its arguments at the oral hearing.

During 2023, the Commission sent additional questions to ČD and the Company commented on them. As of the financial statements issuance date, the European Commission did not issue a final resolution regarding this matter.

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, the provision of CZK 1,000 million was recorded as of 31 December 2021, which corresponds to the estimated costs to settle the fine for the alleged infringement and related expenses. The provision recognised in this way represents the Group's management best estimate of the liability as of 31 December 2023 and 31 December 2022, which, despite substantial related uncertainties, is the best possible at the moment. ČD does not expect compensation from third parties in connection with these proceedings.

In the opinion of the Group's management, it has not yet been proven that ČD has breached Article 101 TFEU. ČD's intention is to vigorously defend itself in this matter, including all available ways of disapproval with the imminent resolution of the EC binding ČD for performance, if necessary.

Sensitivity analysis

The actual costs to settle the potential fine may differ from the estimates and underlying assumptions of the ČD's management. In accordance with the EU legislation, when determining the amount of the fine for 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 the ČD's total turnover for the reporting period preceding the EC's final decision. It is impracticable to determine uncertainties regarding the timing of any possible future outflows. Based on available information, there is a relatively high probability that the results in the next reporting period may be different from the assumptions used by the ČD's management and the provision for legal disputes will require a significant adjustment. 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 53 million. Should the duration of the potential infringement be shorter (longer) by one year, the provision for legal disputes would decrease (increase) by CZK 213 million.

Information on other legal disputes is disclosed in Note 32.1.

26.2. Provisions for employee benefits

The provision for post-employment benefits represents an employee's entitlement to a financial contribution upon retirement. The provision for other long-term employee benefits represents the employees' entitlement to a financial contribution upon reaching a jubilee and to the payment of medical expenses, including compensation of wages during curative and rehabilitation stays. In calculating these provisions, the Company used an actuarial model based on current employee data (number of employees, date of old-age pension, average salary, amount of financial contribution), expected parameters determined with the Company's qualified estimate (expected fluctuation, salary increase) and publicly available statistical data (expected inflation rate of 2%, probability of death and disability according to data from the Czech Statistical Office). The change in the provision related to retirement benefits caused by the change in these parameters is reported as actuarial gains (losses) in the separate statement of other comprehensive income. The change in the provision for other benefits is recognised in the separate statement of profit or loss. Cash flows are discounted to present value using a discount rate derived from the rate of return on 10-year government bonds.

26.3. Provision for onerous contracts

As of 31 December 2023, the Company created a provision for onerous contracts in the amount of CZK 116 million (31 December 2022: CZK 840 million). The provision is recognised for contracts concluded with the regions where the unavoidable costs of fulfilling the obligation stipulated in the contracts exceed the economic benefits that are expected to be accepted on the basis of these contracts. As the assets used to perform these contracts are not exclusively attributable to the contracts, no impairment is recognised for these assets in accordance with IAS 36.

26.4. Other provisions

In Other provisions, the provision for compensation for damage caused by a fire of cables at the Bohumín train station, which was created in the amount of the estimated damage, was derecognised. The court rejected the legal action of SŽ at the end of 2023. In connection with this provision, the Company recognised the expected compensation from the insurance company in the amount of CZK 297 million as of 31 December 2022 in Other assets (Note 22) that was also derecognised in 2023.

27. Other Financial Liabilities

(CZK million)

	31 Dec 2023	31 Dec 2022
Financial derivatives * (see Note 33.2)	991	944
Other	192	171
Total non-current	**1,183**	**1,115**
Financial derivatives * (see Note 33.2)	481	580
Other	60	43
Total current	**541**	**623**
Total	**1,724**	**1,738**

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

Other long-term financial liabilities represent liabilities to the lessees of property at the Masaryk and Brno train stations in connection with technical improvements on leased property performed by lessees.

28. Other Liabilities and Contract Liabilities

(CZK million)

	31 Dec 2023	31 Dec 2022
Total non-current	**56**	**87**
Advances received	4	3
Payables to employees	1,080	1,001
Liabilities for social security and health insurance	349	285
Tax liabilities – tax withheld from employees	61	57
Contract liabilities (Note 5.2)	272	500
Refund liabilities (Note 5.2)	527	89
Other	485	306
Total current	**2,778**	**2,241**
Total	**2,834**	**2,328**

Other non-current liabilities as of 31 December 2023 include the investment grants in the total amount of CZK 56 million (31 December 2022: CZK 87 million) for equipping prototypes with the ETCS system.

The Other item in Other current liabilities as of 31 December 2023 includes investment grants in the total amount of CZK 357 million (31 December 2022: CZK 215 million).

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

29. Related Parties

29.1. Income from subsidiaries and associates

(CZK million)

2023	Commission on inventory sales	Sales of services	Dividends	Other	Total
ČD – Telematika a.s.	-	3	65	-	68
Výzkumný Ústav Železniční, a.s.	-	6	271	-	277
DPOV, a.s.	30	31	-	23	84
ČD Cargo, a.s.	16	218	19	10	263
ČD – Informační Systémy, a.s.	-	16	-	14	30
Dopravní vzdělávací institut, a.s.	-	9	1	-	10
ČD travel, s.r.o.	-	2	-	-	2
ČD Bus a.s.	-	7	-	-	7
JLV, a.s.	-	2	3	1	6
Total	**46**	**294**	**359**	**48**	**747**

** Including finance income.*

(CZK million)

2022	Commission on inventory sales	Sales of services	Dividends	Other	Total
ČD – Telematika a.s.	-	3	100	16	119
Výzkumný Ústav Železniční, a.s.	-	6	278	-	284
DPOV, a.s.	33	38	-	17	88
ČD Cargo, a.s.	9	165	-	4	178
ČD – Informační Systémy, a.s.	-	17	-	16	33
Dopravní vzdělávací institut, a.s.	-	8	1	-	9
ČD travel, s.r.o.	-	-	-	-	-
ČD Bus a.s.	-	1	-	-	1
JLV, a.s.	-	2	3	-	5
Total	**42**	**240**	**382**	**53**	**717**

** Including finance income.*

29.2. Purchases from subsidiaries and associates

(CZK million)

2023	Purchase of material	Services	Other expenses *	Total
ČD – Telematika a.s.	15	106	7	128
Výzkumný Ústav Železniční, a.s.	-	4	20	24
DPOV, a.s.	1	184	-	185
ČD Cargo, a.s.	3	32	5	40
ČD – Informační Systémy, a.s.	4	297	-	301
JLV, a.s.	-	242	-	242
Dopravní vzdělávací institut, a.s.	-	76	1	77
ODP-software, spol. s r.o.	-	15	-	15
ČD relax s.r.o.	-	27	-	27
ČD Bus a.s.	-	512	-	512
CHAPS spol. s r.o.	-	5	-	5
Total	**23**	**1,500**	**33**	**1,556**

* *Including finance expenses.*

(CZK million)

2022	Purchase of material	Services	Other expenses *	Total
ČD – Telematika a.s.	7	76	2	85
Výzkumný Ústav Železniční, a.s.	-	-	12	12
DPOV, a.s.	2	64	1	67
ČD Cargo, a.s.	2	29	-	31
ČD – Informační Systémy, a.s.	2	283	-	285
JLV, a.s.	-	206	-	206
Dopravní vzdělávací institut, a.s.	-	68	-	68
ODP-software, spol. s r.o.	-	10	-	10
ČD relax s.r.o.	-	29	-	29
ČD Bus a.s.	-	220	-	220
CHAPS spol. s r.o.	-	5	-	5
Total	**13**	**990**	**15**	**1,018**

* *Including finance expenses.*

Subsidiaries and associates use services provided by the Company under the conditions applicable to other customers. On the expense side, the Company purchases services and materials from subsidiaries and associates under the same conditions as other customers.

29.3. Purchases and sales of intangible and tangible non-current assets from/to subsidiaries and associates

(CZK million)

Sales	Tangible non-current assets 2023	Tangible non-current assets 2022
ČD – Telematika a.s.	5	-
ČD Cargo, a.s.	306	23
Total	**311**	**23**

(CZK million)

Purchases	Intangible non-current assets 2023	Tangible non-current assets 2023	Intangible non-current assets 2022	Tangible non-current assets 2022
ČD – Telematika a.s.	-	743	-	579
DPOV, a.s.	-	1,603	-	1,604
ODP-software, spol. s r.o.	4	-	3	-
ČD – Informační Systémy, a.s.	162	25	137	29
Tramex Rail s.r.o.	-	9	-	12
Total	**166**	**2,380**	**140**	**2,224**

Purchases of non-current assets from DPOV, a.s. include purchases of rolling stock components – major periodical repairs.

29.4. Trade receivables and trade payables with subsidiaries and associates at the end of the reporting period

(CZK million)

31 Dec 2023	Receivables	Payables
ČD – Telematika a.s.	464	138
Výzkumný Ústav Železniční, a.s.	2	-
DPOV, a.s.	21	283
ČD Cargo, a.s.	260	5
JLV, a.s.	-	50
ČD – Informační Systémy, a.s.	5	117
Dopravní vzdělávací institut, a.s.	2	6
ČD travel, s.r.o.	1	2
ODP-software, spol. s r.o.	-	11
CHAPS spol. s r.o.	-	2
ČD Bus a.s.	4	76
Total	**759**	**690**

(CZK million)

31 Dec 2022	Receivables	Payables
ČD – Telematika a.s.	492	130
Výzkumný Ústav Železniční, a.s.	4	-
DPOV, a.s.	35	245
ČD Cargo, a.s.	128	3
JLV, a.s.	-	42
ČD – Informační Systémy, a.s.	5	124
Dopravní vzdělávací institut, a.s.	2	5
ČD travel, s.r.o.	-	3
ODP-software, spol. s r.o.	-	5
CHAPS spol. s r.o.	-	2
ČD Bus a.s.	1	71
Total	**667**	**630**

Outstanding balances are not secured and will be paid by bank transfers. No guarantees were given or accepted. Receivables are usually due within 30 days, payables within 45 days. In terms of IFRS 9, impairment losses on related parties' receivables were assessed as immaterial.

29.5. Capital commitments

As at the date of the Separate Financial Statements, the Company concluded contracts with related parties for the purchase of property, plant and equipment:

(CZK million)

	31 Dec 2023	31 Dec 2022
ČD – Telematika a.s.	1,817	2,539
DPOV, a.s.	465	520
ČD – Informační Systémy, a.s.	51	94
Tramex Rail s.r.o.	-	4
Total	**2,333**	**3,157**

The contracts with ČD-Telematika mainly represent the purchase of ETCS systems.

29.6. Loans to related parties

(CZK million)

Counterparty	Amount of loan provided	Date of loan	Maturity	Interest rate	Carrying value as at 31 Dec 2023	Carrying value as at 31 Dec 2022
ČD Cargo, a.s.	540	17 Oct 2016	Monthly payment till 17 Oct 2023	6M EURIBOR plus margin 1.00% p.a.	-	57
ČD – Informační Systémy, a.s.	400	27 Sep 2017	27 Sep 2027	3M PRIBOR+ 5.4% p.a.	58	120
Total					**58**	**177**

Loans to related parties are not collateralised.

29.7. Receivables and payables from cash pooling

(CZK million)

				Receivables		Payables	
Counterparty	Limit as at 31 Dec 2023	Date of involvement	Interest rate	Carrying value as at 31 Dec 2023	Carrying value as at 31 Dec 2022	Carrying value as at 31 Dec 2023	Carrying value as at 31 Dec 2022
ČD Cargo, a.s.	300	29 May 2013	O/N PRIBOR plus margin	-	-	3	2
DPOV, a.s.	300	1 Aug 2013	O/N PRIBOR plus margin	144	166	-	-
Výzkumný Ústav Železniční, a.s.	60	1 July 2013	O/N PRIBOR plus margin	-	-	371	156
ČD – Telematika a.s.	50	20 Sept 2013	O/N PRIBOR plus margin	-	-	250	50
ČD – Informační Systémy, a.s.	80	1 Aug 2013	O/N PRIBOR plus margin	58	12	-	-
Dopravní vzdělávací institut, a.s.	5	3 July 2017	O/N PRIBOR plus margin	-	-	17	13
ČD Bus a.s.	10	3 April 2023	O/N PRIBOR plus margin	-	-	-	-
Total	**805**			**202**	**178**	**641**	**221**

Receivables and payables from cash pooling are not collateralised.

29.8. Key management members compensation

The following employee benefits were paid to key management members during the year:

(CZK million)

2023	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	26	3	-
Other short-term employee benefits	5	1	-
Post-employment benefits	-	-	-
Total	**31**	**4**	**-**
Number of key management members	**5**	**6**	**6**

(CZK million)

2022	Board of Directors	Supervisory Board	Steering Committee
Remuneration of members of statutory bodies	18	3	-
Other short-term employee benefits	6	1	-
Post-employment benefits	7	-	-
Total	**31**	**4**	**-**
Number of key management members	**6**	**6**	**6**

29.9. Relationships with companies controlled by the state

The Company is wholly owned and controlled by the state of the Czech Republic. In accordance with the exception in IAS 24 Related Party Disclosures, the Company does not disclose quantitative information about individually immaterial transactions with the government and companies controlled or jointly controlled by the government or in which the government has significant influence. Individually material transactions with these companies that the Company has managed to identify are payments of public service obligations (the regions and the Ministry of Transport) and transactions with the state organisation SŽ.

Payments of public service obligation

The cost risk is associated with the costs that the carrier must incur in order to ensure the operation of public transport requested by the customer. The cost risk is primarily about a risk of operating costs, which from the carrier's point of view could be understood as a risk that the costs calculated by the carrier in the offer of public transport submitted to the customer would differ from the costs actually incurred by the carrier during contract performance. Operating cost risks can be both external, which the carrier is unable to influence (such as rising fuel prices, changes in spare parts prices, additional costs due to traffic closures and emergencies, changes in legislation and tax regulations, etc.) and internal, which the carrier could influence (e.g. proper maintenance of a fleet, effective setting of internal processes, wage levels, etc.).

The revenue risk corresponds to a risk of sales to passengers and can be understood as a risk that sales expected before entering a contract would differ from sales actually achieved by the carrier for the duration of a contract. A key component of the revenue risk is the risk of passenger demand for transport services provided by the carrier.

With regard to the risk allocation method, the Company enters into contracts with the customers of public transport in the „gross“ and „net“ regimes. Gross regime contracts have cost risks and opportunities shared between the carrier and the customer; revenue risks and opportunities remain solely on the customer's side. Net regime contracts have cost and revenue risks and opportunities shared between the carrier and the customer. The customer bears the risks and opportunities for the amount of integrated transport system (IDS) sales, which the carrier cannot influence, and the carrier bears the risks and opportunities for other sales. Unless a contract refers to the application of the IDS tariff, all risks and sales opportunities are borne by the carrier. All contracts with the Ministry of Transport are in the net regime.

(CZK million)

Revenue and compensation	Counterparty	2023	2022
Rental income	SŽ	30	19
Payment for substitute bus service *	SŽ	470	1,094
Other revenue	SŽ	79	140
Proceeds from the traction energy recovery	SŽ	106	78
Payments from public service customers – the state budget	the state – MT	4,991	4,534
Compensation of 50% discount fares **	the state – MT	1,690	1,616
Payments from public service customers from the regional budgets – "gross" contracts	the regions	5,246	4,487
Payments from public service customers from the regional budgets – "net" contracts	the regions	8,278	7,818
Fare compensation – Ukraine	the state	-	71

** This compensation is offset by the costs of substitute bus services. Substitute bus services in Note 7 are presented net after this offset.*

*** Before 31 March 2022, the compensation of discount fares for children from 6 to 18 years, students up to 26 years and elderly people over 65 years was 75%.*

(CZK million)

Expenses	Counterparty	2023	2022
Use of the railway route and allocated railway capacity	SŽ	1,804	1,803
Consumption of electric traction energy	SŽ	2,444	2,623
Other costs	SŽ	306	299

(CZK million)

Receivables	Counterparty	31 Dec 2023	31 Dec 2022
Substitute bus services reimbursement	SŽ	184	66
Compensation for unjust enrichment (Note 20)	SŽ	678	557
Support – POZE (supported renewable energy sources) (Note 7)	SŽ	-	253
Revenues from the lease of real estate	SŽ	2	-
Compensation of 50% discount fares	the state – MT	112	100
Public service obligation	the regions	283	356

(CZK million)

Liabilities	Counterparty	31 Dec 2023	31 Dec 2022
Use of railroads and allocated railway capacity	SŽ	410	417
Consumption of electric traction energy	SŽ	83	89
Public service obligation	the state – MT	202	42
Public service obligation	the regions	436	322
Lease liabilities	SŽ	190	170

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

In 2023, the Company reported the grants from the MT in the amount of CZK 239 million (2022: CZK 803 million) in the separate statement of financial position as a decrease in the acquisition value of non-current assets. Receivables and payables from investment grants are reported in Other assets (Note 22) and Other liabilities and contract liabilities (Note 28).

30. Operating Lease

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

Maturity analysis of undiscounted payments from non-cancellable operating lease contracts:

(CZK million)

	31 Dec 2023	31 Dec 2022
1st year	57	50
2nd year	61	52
3rd year	65	54
4th year	70	57
5th year	-	59
Over 5 years	-	-
Total	**253**	**272**

In 2023, income from operating leases recognised in profit or loss amounted to CZK 422 million (2022: CZK 370 million), of which the income from investments property amounted to CZK 330 million in 2023 (2022: CZK 298 million).

Direct operating expenses related to investment property were CZK 124 million in 2023 (2022: CZK 164 million).

31. Capital Commitments

As at the date of the Separate Financial Statements, the Company concluded contracts for the purchase of land, buildings and equipment in the amount of CZK 49,182 million (2022: CZK 47,302 million), of which CZK 18,200 million had already been paid as of 31 December 2023 (31 December 2022: CZK 13,897 million).

(CZK million)

	31 Dec 2023	31 Dec 2022
Unpaid supplies agreed for the next year	7,455	1,823
Unpaid supplies agreed for the subsequent years	23,527	31,582
Total	**30,982**	**33,405**

Investments in rolling stock of CZK 30,740 million as of 31 December 2023 (2022: CZK 33,046 million) represent a substantial part of the capital commitments.

32. Contingent Liabilities and Contingent Assets

The Company holds a 1% equity investment in EUROFIMA. The shareholders of the entity are European national railway carriers, and the purpose of this entity is to acquire funds for rolling stock 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 requested by EUROFIMA from its shareholders on an ad-hoc basis pursuant to the resolution of the Management Board. The nominal value of unpaid shares as of 31 December 2023 and 31 December 2022 was CHF 20.8 million (CZK 555 million as of 31 December 2023, CZK 510 million as of 31 December 2022). The management of ČD considers the probability that the Company will be called upon to pay the nominal value of the unpaid share as low as of 31 December 2023.

The aggregate clean-up costs were CZK 23 million in 2023 (2022: CZK 20 million). 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 Company's management acting with due managerial care is not aware of any liability resulting from legislation requirements in respect of environmental burdens.

32.1. Legal disputes

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

In July 2014, LEO Express filed a legal action for damage compensation amounting to approximately CZK 419 million with accrued interest and charges which was allegedly caused to LEO Express by ČD, a.s. and its pricing policy. The first-instance court rejected LEO Express's action. At the end of December 2016, LEO Express filed a new legal action against ČD for a similar reason for the approximate amount of CZK 434 million with accrued interest and charges. In March 2018, the High Court in Prague cancelled the judgment dismissing the first LEO Express's action for damages and returned the case to the Municipal Court in Prague for further proceedings. With its first and second actions, LEO Express seeks a payment of approximately CZK 34 million, after partial withdrawal, and a payment of approximately CZK 434 million, respectively. The proceedings were suspended pending a decision of the European Commission concerning the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 26.1. With letters dated 12 July 2021, LEO Express Global a.s. and LEO Express s.r.o. further requested ČD to compensate them for another allegedly incurred damage in addition to the above claims: for the period (i) from 1 June 2014 to 31 December 2017 in the claimed amount of CZK 1,202 million (LEO Express Global) and (ii) from 1 January 2018 to 31 December 2019 in the claimed amount of CZK 491 million (LEO Express s.r.o.). This damage should also allegedly relate to ČD's claimed anti-competitive conduct, whereas the call for compensation does not further specify claims or the way of alleged amount of damage calculation. In response to these letters, ČD rejected any violation of the law, and thus the alleged obligation to compensate for damage. ČD has no information that the LEO Express group would pursue these alleged claims in court.

In 2022, the Municipal Court accepted the claimant's motion to replace the current claimant, LEO Express Global a.s., with LEO Mobility s.r.o. (in the claim for payment of CZK 34 million) and with Mr. L. Novotný (in the claim for payment of CZK 434 million). ČD filed an appeal against this decision when LEO Mobility s.r.o. finally entered the proceedings for CZK 34 million, while it has not yet been decided on procedural succession with final effect in the proceedings for 434 million.

On 23 June 2023, a judicial settlement was concluded in the proceedings for CZK 34 million based on which all claims of LEO Mobility s.r.o. extinguished and this entity is bound to pay the costs of proceedings amounting to CZK 2 million to ČD. As such, the dispute is concluded with final effect.

The court has so far not decided on the standing to bring the action in the dispute for CZK 434 million. Until this issue is resolved, the court cannot rule on the matter itself.

The Company's management believes that it is not likely that a liability arises to the Company regarding this matter; therefore, it recognises no provision.

32.1.2. Legal action of RegioJet for the payment of compensation for detriment

RegioJet sent a pre-trial notice to ČD for the payment of the compensation of detriment dated 10 April 2015 in which it seeks payment of about CZK 717 million. The alleged detriment was caused by ČD's claimed illegal activities in operating the Prague – Ostrava route, involving the application of dumping prices. ČD refused to pay for the detriment. RegioJet filed a legal action seeking a payment of compensation of approximately CZK 717 million including accrued interest and charges. During the course of a judicial proceeding in the first instance, the trial was suspended until the EC decision on the alleged abuse of a dominant position on the Prague-Ostrava route, described in Note 26.1.

The European Commission and the OPC discontinued the proceedings against ČD as they had concluded that ČD had not abused the dominant position.

32.1.3. Legal action by RegioJet a.s. and STUDENT AGENCY k.s. for the repayment of alleged unlawful state aid (defendants ČD, a.s., SŽ, s.o., ČR represented by the Ministry of Transport of the Czech Republic)

In April 2015, RegioJet filed a legal action for the repayment of approximately CZK 7 billion plus late payment interest for alleged unlawful state aid. STUDENT AGENCY k.s. subsequently joined the legal action. By this amount, the "dead railroad" assets that ČD transferred to SŽ for CZK 12 billion in 2008 were allegedly overestimated. Both the Municipal Court in Prague (by judgment of 6 February 2019) and the High Court in Prague (by judgment of 23 September 2020) ruled in favour of ČD. The Supreme Court reversed the previous decision by judgment of 29 February 2024 and ordered the matter to be reheard. The reversal of the judgments was due to the application of incorrect legislation by the courts of both instances. The Municipal Court in Prague will therefore start hearing the matter again. According to the analysis of external legal counsel, the ruling of the Supreme Court does not change the unjustifiability of the claimants' claim and no other final decision on the matter is expected.

32.1.4. Legal action by CB Station Development and EZ Holding against ČD

In a real estate project, three legal actions were filed against ČD by CB Station Development and EZ Holding. The legal actions were aimed at determining ČD's obligation to conclude a sales contract with the claimants based on a previous agreement on a future contract. The claim for contractual penalty in the amount of CZK 100 million and other damage (other claims, pre-contractual liability) cannot be excluded. The legal action against ČD was dismissed by the court of first instance. An appeal was filed against the decision by CB Station Development, a.s.

The appellate court confirmed the former positive judgment of the court of first instance, and the legal proceedings are finally concluded by a full success of ČD. Concurrently with the success of ČD in the dispute, the preliminary injunction ordered by the court in relation to the land concerned expires. ČD can already use the land at its own discretion.

33. Financial Instruments

33.1. Capital risk management

The Company's main objective in managing its capital structure is to maintain a long-term sustainable debt ratio and investment grade rating. Based on its methodology, the rating agency assesses the debt ratio using the debt/EBITDA indicator. For the current investment grade, an indicated ratio level determined using the consolidated data is 6.0. The rating agency annually comments on the indicator level and its potential impact on the Company's rating in its report that is publicly available on the Company's website. As a source of long-term financing, the Company mainly uses bond issues and long-term investment loans.

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

(CZK million)

		31 Dec 2023	31 Dec 2022
Net debt			
Loans, borrowings and lease liabilities	25	54,237	49,769
Cash and cash equivalents	23	(5,810)	(6,711)
Total net debt		**48,427**	**43,058**
Equity			
Share capital	24	20,000	20,000
Capital contributions	24	16,827	17,341
Accumulated losses	24	(1,093)	(3,936)
Total equity		**35,734**	**33,405**
Total managed capital		**84,161**	**76,463**

The Company is not subject to any externally imposed capital requirements.

The Board of Directors and the Supervisory Board of the Company are regularly informed about the development of debt. Any additional debt is subject to their approval.

33.2. Classes of financial instruments

(CZK million)

Classification of financial assets	Category of financial assets		31 Dec 2023	31 Dec 2022
Financial assets measured at amortised cost	Trade receivables	20	3,159	2,268
	Cash and cash equivalents	23	5,810	6,711
	Finance lease receivables	21	78	78
	Loans and cash pooling in the ČD Group	21	260	355
	Other	21	686	639
Financial assets measured at fair value through profit or loss	Financial derivatives used in hedge accounting *	21	284	340
Financial assets measured at fair value through other comprehensive income	Capital investments at fair value through other comprehensive income	21	327	333
	Total		**10,604**	**10,724**

(CZK million)

Classification of financial liabilities	Category of financial liabilities		31 Dec 2023	31 Dec 2022
Financial liabilities measured at fair value through profit or loss	Financial derivatives used in hedge accounting *	27	1,472	1,524
Financial liabilities measured at amortised cost	Loans, borrowings and lease liabilities	25	54,237	49,769
	Trade payables		4,035	3,884
	Other	27	252	214
	Total		**59,996**	**55,391**

** Provided that the hedge is effective, changes in the fair value of the hedging instrument are initially recognised in other comprehensive income (Note 24.2.3).*

Income from individual classes of financial assets is as follows:

(CZK million)

	2023	2022	Reported in the statement of profit or loss line
Interest on cash and cash equivalents	295	36	Finance income
Interest on cash pooling and loans provided	25	26	Finance income
Interest on finance lease receivables	22	20	Finance income
Dividends from equity investments	1	2	Other operating income
Total	**343**	**84**	

Impairment losses on financial assets are disclosed in Note 20 Trade receivables and in Note 33.8 Credit risk management.

33.3. Fair value of financial instruments

(CZK million)

Financial assets	Level	Fair value as at 31 Dec 2023	Carrying value as at 31 Dec 2023	Fair value as at 31 Dec 2022	Carrying value as at 31 Dec 2022
Measured at fair value		**611**	**611**	**673**	**673**
Derivative instruments used in hedge accounting	Level 2	284	284	340	340
Financial assets at fair value through other comprehensive income	Level 3	327	327	333	333
Measured at amortised cost		**190**	**192**	**531**	**568**
Loans in the ČD Group	Level 2	58	58	177	177
Finance lease receivables	Level 2	78	78	78	78
Other financial assets – non-current	Level 2	54	56	276	313
Total		**801**	**803**	**1,204**	**1,241**

(CZK million)

Financial assets	Level	Fair value as at 31 Dec 2023	Carrying value as at 31 Dec 2023	Fair value as at 31 Dec 2022	Carrying value as at 31 Dec 2022
Measured at fair value		**1,472**	**1,472**	**1,524**	**1,524**
Derivative instruments used in hedge accounting	Level 2	1,472	1,472	1,524	1,524
Measured at amortised cost		**50,073**	**50,375**	**45,943**	**48,225**
Issued bonds	Level 2	5,973	6,398	5,517	6,236
Issued bonds (publicly traded)	Level 1	24,720	24,849	32,477	33,930
Loans *	Level 2	7,305	7,325	7,818	7,888
Loan from EUROFIMA	Level 2	11,909	11,611	-	-
Other financial liabilities – long-term	Level 2	166	192	131	171
Total		**51,545**	**51,847**	**47,467**	**49,749**

** The fair value of variable interest loans is approximately the same as the book value of these loans.*

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

In 2023 and 2022, there were no transfers of financial instruments between levels.

33.3.1. Valuation procedures used to determine fair value

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

- fair value of investments in equity instruments at fair value through other comprehensive income was estimated using the asset-based approach. As of 31 December 2023 and 2022, the Company's management analysed the investee's audited financial statements and concluded that its fair value is approximately equal to the carrying value of its net assets;
- fair value of interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows;
- fair value of cross-currency interest rate swaps is calculated using a valuation model on the basis of discounted future cash flows in respective currencies; and
- fair value of currency swaps is calculated using a valuation model based on discounted yield curves and swap points for the relevant 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:

- fair value of the bonds is determined on the basis of quoted market prices, if they exist. If quoted market prices do not exist, the fair value is determined using a valuation model on the basis of quoted market prices of comparable bonds; and
- 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.

33.3.2. Fair value measurement recognised in the separate 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;
- 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); and
- 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).

Investments in equity instruments measured at fair value through other comprehensive income as of 31 December 2023 and 31 December 2022 are included in level 3. All other financial instruments measured at fair value as of 31 December 2023 and 31 December 2022 are included in level 2.

33.3.3. Reconciliation of measurement of financial instruments at fair value at level 3

The following table shows the financial assets measured at fair value at level 3:

(CZK million)

	Investment in equity instruments
Balance as at 1 Jan 2022	**390**
Total gains or losses:	(49)
in profit or loss	*25*
in other comprehensive income	*(74)*
Transfer from level 3 financial instruments	(8)
Balance as at 31 Dec 2022	**333**
Total gains or losses:	23
in profit or loss	*-*
in other comprehensive income	*23*
Transfer from level 3 financial instruments	(29)
Balance as at 31 Dec 2023	**327**

33.4. Financial risk management objectives

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

33.4.1. Hedge accounting

The Company uses financial derivatives to hedge risks and mitigate their impacts. The use of financial derivatives observes the Company's principles approved by the Board of Directors. The Company does not arrange financial derivatives for trading for speculative purposes. All derivative transactions that the Company engages in are arranged on an economic basis solely for hedging purposes, but some of them are not classified as hedging for formal reasons. Derivatives that do not meet the hedge accounting criteria are reported as financial derivatives for trading and are recognised at fair value through profit or loss.

The accounting principles of hedge accounting are disclosed in Notes 2.16.11 to 2.16.13.

The following tables show the concluded derivatives:

(CZK million)

as at 31 December 2023:						
Type of risk	**Derivative**	**Other financial assets – current (Note 21)**	**Other financial assets – non-current (Note 21)**	**Other financial liabilities – current (Note 27)**	**Other financial liabilities – non-current (Note 27)**	**Note**
Currency	Cross-currency interest rate swaps	175	39	475	922	33.5.2
Interest rate	Interest rate swaps	64	6	6	69	33.6.2
Total		**239**	**45**	**481**	**991**	

(CZK million)

as at 31 December 2022:						
Type of risk	**Derivative**	**Other financial assets – current (Note 21)**	**Other financial assets – non-current (Note 21)**	**Other financial liabilities – current (Note 27)**	**Other financial liabilities – non-current (Note 27)**	**Note**
Currency	Currency swaps	-	-	56	-	33.5.3
	Cross-currency interest rate swaps	157	-	517	944	33.5.2
Interest rate	Interest rate swaps	100	83	7	-	33.6.2
Total		**257**	**83**	**580**	**944**	

The information on the effect of hedge accounting on the cash flow hedge reserve and the cost of hedging reserve is disclosed in Notes 24.2.3 and 24.2.4.

33.5. Currency risk management

The Company undertakes certain transactions denominated in foreign currencies resulting in exposures to exchange rate fluctuations. These transactions predominantly include proceeds from international transport, issued bonds, the loan from EUROFIMA, term deposits, deposit bills and purchases of rolling stock in foreign currency. In line with the approved Risk Management Strategy, the Company hedges anticipated payments in a foreign currency such that the size of the open risk position does not exceed the limit defined for the period by the Risk Management Committee and approved by the Company's Board of Directors. The share of long-term funding of the Company agreed in foreign currency and unhedged against currency risk may be a maximum of 10%.

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

(CZK million)

31 Dec 2023	EUR	Other	Total
Financial assets	1,553	2	1,555
Financial liabilities	(36,134)	-	(36,134)
Total	**(34,581)**	**2**	**(34,579)**

(CZK million)

31 Dec 2022	EUR	Other	Total
Financial assets	7,264	2	7,266
Financial liabilities	(41,985)	-	(41,985)
Total	**(34,721)**	**2**	**(34,719)**

Information on the nominal and book value of hedging instruments used to hedge currency risk is included in the description of individual hedging relationships in Notes 33.5.2 and 33.5.3.

33.5.1. Sensitivity to exchange rate changes

The exposure to currency risks is measured by a sensitivity analysis. The Company is exposed to the currency risk due to:

- changes in the carrying value of monetary 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 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 Czech currency by CZK 1 against EUR		Weakening Czech currency by CZK 1 against EUR	
	2023	**2022**	**2023**	**2022**
Translation of items denominated in foreign currencies at the end of the period	1,399	1,440	(1,399)	(1,440)
Change in the fair value of derivatives at the end of the period	(802)	(790)	802	790
Total impact on the profit/(loss) before tax	**597**	**650**	**(597)**	**(650)**
Change in impact on tax reported in profit/(loss)	(113)	(123)	113	123
Total impact on profit/(loss) after tax	**484**	**527**	**(484)**	**(527)**
Change in the fair value of derivatives at the end of the period *	(6)	27	6	(27)
Total impact on other comprehensive income before tax	**(6)**	**27**	**6**	**(27)**
Change in impact on tax reported in other comprehensive income	1	(5)	(1)	5
Total impact on other comprehensive income after tax	**(5)**	**22**	**5**	**(22)**

** Financial derivatives used in hedge accounting.*

33.5.2. Cross-currency interest rate swaps

In line with the currency risk management requirements, the Company has entered into cross-currency interest rate swaps which reduce 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:

- nominal values of the swaps are the same as the face values of the relevant bond volume;
- both transactions are contracted in the same currencies;
- maturity of interest rate swaps payment and interest bond payment are equal;
- swaps are agreed at market value (without premium); the fair value of derivatives at trade date is nil;
- swaps do not include any arrangements on agreed interest rate restriction (embedded interest rate options); and
- the Company assumes no early bond repayment.

Sources of hedge relationship ineffectiveness are recognised as follows:

- significant decrease in the Company's or counterparty's creditworthiness;
- timing of payments from the hedged item; and
- termination of the cross-currency interest rate swap by a counterparty.

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 2023	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	795	2.47%	(20,757)	3.49%	(301)
1 to 5 years	766	2.79%	(20,757)	3.68%	(615)
Over 5 years	166	3.45%	(4,597)	3.63%	(267)
Total					**(1,183)**

31 Dec 2022	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	755	2.01%	(19,927)	2.97%	(361)
1 to 5 years	755	2.11%	(18,304)	3.13%	(743)
Over 5 years	166	3.45%	(4,597)	3.63%	(200)
Total					**(1,304)**

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 finance costs in the period in which the coupon payments on the issued bonds affect profit or loss.

For purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

Hedging inefficiency in respect of cross-currency interest rate swaps was immaterial in 2023 and 2022.

The expected realisation of hedged items by cross-currency interest rate swaps

Expected cash flows of hedged foreign currency bonds are listed in Note 33.9.1 in the tables with remaining contractual maturities of financial liabilities in the Fixed interest rate instruments.

33.5.3. Foreign exchange swaps

In line with the requirements of currency risk management, the Company has entered into long-term currency swaps that mitigate the risk of financing bonds in EUR with a hedge ratio of 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 the same as the face values of the relevant bond volume;
- both transactions are agreed in the same currencies;
- swaps have been agreed at market value (without premium); the fair value of derivatives at settlement is zero; and
- the Company assumes no early bond repayment.

Sources of hedge relationship ineffectiveness are identified as follows:

- significant decrease in the Company's or counterparty's creditworthiness;
- timing of payments from the hedged item; and
- termination of the foreign exchange swap by a counterparty.

The Company has classified these swaps as fair value hedges.

The following table shows the terms of currency swap agreements that were open at the end of the reporting period:

31 Dec 2022	Average agreed exchange rate (CZK/EUR)	Principal amount	Fair value in CZK millions
Up to 1 year	26.41	EUR 30 million	(56)
Total			**(56)**

These currency swaps were settled in May 2023. During 2023, no currency swaps were concluded.

For the purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

Hedging inefficiency in respect of foreign exchange swaps was immaterial in 2022.

Expected hedged cash flows from foreign currency bonds are disclosed in Note 33.9.1 in the tables with the residual contractual maturity of financial liabilities in the line Fixed rate instruments.

33.6. Interest rate risk management

The Company manages interest rate risk by maintaining an appropriate mix between fixed and variable rate financing, and, for this purpose, the Company 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 Company. The share of long-term financing of the Company agreed with variable interest rate may be a maximum of 10%.

The following table shows the division of financial instruments by type of interest:

(CZK million)

	31 Dec 2023	31 Dec 2022
Instruments with fixed interest rate		
Financial assets	4,697	6,389
Financial liabilities	47,202	42,465
	42,505	**36,076**
Instruments with variable interest rate		
Financial assets	260	355
Financial liabilities – PRIBOR	6,554	7,068
	6,294	**6,713**

The information on the nominal and carrying value of hedging instruments which hedge the interest rate is disclosed in the description of the hedge relationship in Note 33.6.2.

33.6.1. Sensitivity to interest rate changes

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
- changes 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 an 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:

(CZK million)

	Increase in interest rates of 100 basis points		Decrease in interest rates of 100 basis points	
	2023	**2022**	**2023**	**2022**
Interest on loans	(63)	(67)	63	67
Total impact on profit/(loss) for the period before tax	**(63)**	**(67)**	**63**	**67**
Change in impact on tax reported in profit/(loss)	12	13	(12)	(13)
Total impact on the profit/(loss) after tax	**(51)**	**(54)**	**51**	**54**
Change in the fair value of derivatives at the end of the period *	128	127	(134)	(134)
Total impact on other comprehensive income before tax	**128**	**127**	**(134)**	**(134)**
Change in impact on tax reported in other comprehensive income	(24)	(24)	25	25
Total impact on other comprehensive income after tax	**104**	**103**	**(109)**	**(109)**

** Financial derivatives used in hedge accounting.*

33.6.2. Interest rate swap contracts

In line with interest rate risk management requirements, the Company has entered into interest rate swap contracts which reduce the risk arising from loans 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 loans with variable interest rates;
- both transactions are contracted in the same currencies;
- maturity of interest rate swaps payments and interest payments from loans with variable interest rates 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); and
- the Company assumes no early repayment of loans.

Sources of hedge relationship ineffectiveness are recognised as follows:

- early repayment of the loan;
- termination of the interest rate swap by the counterparty; and
- 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 periods:

	Hedging of interest payments on	Average contracted fixed interest rate	Principal amount	Fair value in CZK million as at 31 Dec 2023
Up to 1 year	loans	3.84%	CZK 3,277 million	58
1 to 5 years	loans	3.82%	CZK 2,698 million	(62)
more than 5 years	loans	3.63%	CZK 1,179 million	(1)
Total				**(5)**

	Hedging of interest payments on	Average contracted fixed interest rate	Principal amount	Fair value in CZK million as at 31 Dec 2022
Up to 1 year	loans	3.70%	CZK 2,714 million	93
1 to 5 years	loans	3.69%	CZK 2,418 million	75
more than 5 years	loans	3.65%	CZK 1,256 million	8
Total				**176**

The Company settles the difference between fixed and variable interest rates on a net basis. The interest rate swaps and the interest payments on the loan occur simultaneously, and the amount accumulated in equity is reclassified to profit or loss over the period that the variable interest rates on debt affect the profit or loss. Gains and losses reclassified during the year from the equity are included in Other interest expense which are part of Finance cost in the separate statement of profit or loss.

For the purposes of determining effectiveness, the change in the fair value of the hedged item is equal to the change in the fair value of the hedging instrument since the hedging relationships were fully effective.

Hedging inefficiency in respect of interest rate swaps was immaterial in 2023 and 2022.

The expected realisation of hedged items by interest rate swaps

The expected hedged cash flows from interest on variable-rate debt are listed in Note 33.9.1 in tables with remaining contractual maturities of financial liabilities in Variable interest rate instruments lines.

33.7. Commodity risk management

The Company 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 Company. The Company manages this risk using the following instruments:

- negotiating a fixed price of electricity always for the following calendar year; and
- conclusion of contracts with public transport customers so that a possible price increase of the above-mentioned commodities is reflected in the amount of received payments.

The following table shows what impact on the profit and other comprehensive income would result from an increase/decrease in the diesel price by 10%. The positive value indicates an increase in the profit and other comprehensive income, the negative value indicates a decrease in the profit and other comprehensive income:

(CZK million)

	Increase in the diesel price by 10%		Decrease in the diesel price by 10%	
	2023	**2022**	**2023**	**2022**
Costs of diesel consumption for the period	(128)	(153)	128	153
Total effect on profit/(loss) for the period before tax	**(128)**	**(153)**	**128**	**153**
Change in impact on tax reported in profit/(loss)	24	29	(24)	(29)
Total impact on profit/(loss) after tax	**(104)**	**(124)**	**104**	**124**

33.8. Credit risk management

The Company is exposed to credit risk, which poses a risk 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 flow. The Company analyses the counterparties using both internal departments support 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 the threat of a counterparty default in a transaction were identified by the Company as follows:

- financial institutions;
- employees or tenants – individuals from whom the receivable arises;
- corporate customers;
- entities in the ČD Group as borrowers of loans from ČD; and
- the state and the regions as public service payers.

Hence, business operations with new counterparties are subject to standardised 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 expose the Company to potential credit risk include cash and cash equivalents, trade receivables, loans granted within the ČD 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 Group companies' exposure and rating are monitored and managed within the Group.

The Company is mainly exposed to the following credit risk categories due to its business activities:

- direct credit risk; and
- credit equivalent risk.

Most frequently, the direct credit risk arises from receivables from ongoing trading relationships, particularly from supplier loans granted. Credit quality of the customers is assessed individually, based on their financial position, previous experience and other factors. The Company assesses its financial assets at each balance sheet date to determine whether there is any objective evidence that they might be impaired. Financial assets are considered impaired if objective evidence indicates that one or more events have adversely affected the estimated future cash flows from those assets. Material financial assets are tested for impairment individually. The remaining financial assets are assessed on a portfolio basis in the groups that have similar credit risk characteristics. All impairment losses on financial assets other than financial assets at fair value through other comprehensive income are recognised in profit or loss.

The concentration of credit risk is affected by a limited number of available counterparties (e.g., a limited number of banks on the Czech market, a limited number of public service customers). In such cases, the Company reduces credit risk by cooperating only with counterparties with high creditworthiness (reputable banks with investment ratings, customers paying from the public budgets).

The credit risk associated with the fare revenue has a low concentration as a significant proportion of fare sales is collected in cash. Credit risk related to payments from the state budget and the regional budget is low due to the high credit quality of the counterparties. Concentration of short-term and long-term trade receivables from the customers controlled by the state (Ministry of Transport, the regions and SŽ) as of 31 December 2023 is 40% (31 December 2022: 59%). The Company's exposure and the payment discipline of its contractors are monitored on an ongoing basis.

33.8.1. Short-term trade receivables and finance lease receivables

For the purposes of determining expected credit losses using the simplified approach, short-term receivables and finance lease receivables are classified according to the common credit risk characteristics and appropriate maturities. The expected credit loss rates are determined according to the payment profile and sales for the period of 3 years preceding 31 December 2023 or 31 December 2022, respectively, based on credit losses recognised in the past. The Company analysed a number of macroeconomic variables (GDP, industrial indices, etc.) and their possible correlation to customer solvency. However, as no correlation has been identified, the Company considers rather individual assessment of customer creditworthiness. The Company also creates specific allowances for receivables.

The table below presents an overview of the impairment losses on short-term trade and finance lease receivables. The carrying values of receivables as of 31 December 2023 and 31 December 2022 below represent the Company's maximum exposure to credit risk on these assets:

(CZK million)

		Past due date (days)					
As at 31 Dec 2023	**Before due date**	**1–30**	**31–90**	**91–180**	**181–365**	**Over 365**	**Total**
Expected credit loss rate	2%	3%	7%	23%	74%	100%	-
Finance lease receivables – gross (refer to Note 21.1)	80	-	-	-	-	-	80
Short-term trade receivables – gross (refer to Note 20)	1,760	18	2	-	1	82	1,863
Expected credit loss	**39**	**1**	**-**	**-**	**1**	**82**	**123**

(CZK million)

		Past due date (days)					
As at 31 Dec 2022	**Before due date**	**1–30**	**31–90**	**91–180**	**181–365**	**Over 365**	**Total**
Expected credit loss rate	2%	4%	7%	24%	78%	100%	-
Finance lease receivables – gross (refer to Note 21.1)	80	-	-	-	-	-	80
Short-term trade receivables – gross (refer to Note 20)	1,735	27	1	1	2	87	1,853
Expected credit loss	**42**	**1**	**-**	**-**	**2**	**87**	**132**

33.8.2. Cash, other financial assets and long-term trade receivables

The credit risk of liquid financial assets and financial derivatives is limited, as the contractual partners are banks with an investment grade credit rating. The Company does not expect any losses from default by these counterparties. For this reason, the impact of impairment of cash and cash equivalents is immaterial.

(CZK million)

Bank	Rating (Moody's)	Bank balance as at 31 Dec 2023	Restricted cash as at 31 Dec 2023	Promissory notes as at 31 Dec 2023	Bank balance as at 31 Dec 2022	Restricted cash as at 31 Dec 2022	Promissory notes as at 31 Dec 2022
Komerční banka	Aa3	265	563	-	44	558	-
ČSOB	Aa3	326	-	247	185	-	2,892
Citibank	Aa3	200	-	-	-	-	-
ING bank	Aa3	-	-	-	-	-	-
Česká spořitelna	Aa3	3	-	-	-	-	-
Raiffeisenbank	A2	248	-	-	-	-	-
UniCredit Bank	A2	-	-	-	40	-	-
Všeobecná úverová banka	A2	4,457	-	-	3,503	-	-
Total		**5,499**	**563**	**247**	**3,772**	**558**	**2,892**

The credit risk associated with financial operations is low because the Company spreads the risk over a larger number of financial institutions and only deals with financial institutions that have a credit rating in the investment range.

Other financial assets mainly include securities at fair value through other comprehensive income, receivables from loans and cash pooling within the ČD Group, to which the Company applied a general impairment model. The Company analysed the financial performance, external indebtedness and future cash flows of related parties and assessed that the credit risk associated with these receivables is limited and at the same time the probability of default related to these balances is low. The application of the expected credit loss model has immaterial impact on all Other financial assets.

The following table provides an analysis of the credit risk of Other financial assets at amortised cost. The carrying values of assets as of 31 December 2023 and 31 December 2022 represent the Company's maximum exposure to credit risk from these assets:

(CZK million)

As at 31 Dec 2023	Level 1 (expected 12month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Trade receivables – long-term	1,417	-	-	-	1,417
Loans within ČD Group	58	-	-	-	58
Group cash pool	202	-	-	-	202
Restricted cash	563	-	-	-	563
Receivables from damages and losses	84	-	-	(2)	82
Other	42	3	-	(4)	41
Total	**2,371**	**3**	**-**	**(6)**	**2,368**

(CZK million)

As at 31 Dec 2022	Level 1 (expected 12month credit losses)	Level 2 (expected lifetime credit losses)	Level 3 (impaired)	Allowances	Total
Trade receivables – long-term	557	-	-	(12)	545
Loans within ČD Group	177	-	-	-	177
Group cash pool	178	-	-	-	178
Restricted cash	558	-	-	-	558
Receivables from damages and losses	44	-	-	(1)	43
Other	40	4	-	(6)	38
Total	**1,554**	**4**	**-**	**(19)**	**1,539**

The Company has assessed the credit risk for individual items of Other financial assets. Counterparties have low risk, and no material overdue receivables are recorded. Credit risk has not increased significantly since initial recognition. The carrying value of other financial assets at fair value as of 31 December 2023 and 31 December 2022 represents the Company's maximum credit exposure from these assets (Note 21).

As of 31 December 2023 and 31 December 2022, the Company does not have any financial assets pledged as collateral.

33.9. Liquidity risk management

The Company manages its liquidity risk through planning future cash flows and securing binding limits of short-term financing with reputable financial institutions (promissory notes programme and agreed overdraft and revolving loans), with a minimum notice period of 18 months. In order to secure sufficient short-term liquidity, the Company has contracted these binding credit limits so that its available funds exceed its expected short-term outflows. The liquidity is also monitored by the Moody's rating agency on an ongoing basis.

33.9.1. Liquidity risk tables

The following tables show 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 variable 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 2023	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total
Non-interest bearing	2,343	1,624	124	61	134	4,286
Liabilities from unpaid share capital (Note 32)	555	-	-	-	-	555
Derivatives *	-	(8)	270	999	547	1,808
Incoming cash flows	-	*8*	*1,101*	*13,318*	*4,310*	*18,737*
Outgoing cash flows	-	-	*1,371*	*14,317*	*4,857*	*20,545*
Lease liabilities	101	182	1,359	2,048	20	3,710
Variable interest rate instruments	641	223	1,144	4,754	1,271	8,033
Fixed interest rate instruments	423	59	4,078	30,570	18,666	53,796
Total	**4,063**	**2,080**	**6,975**	**38,432**	**20,638**	**72,188**

** Negative net undiscounted cash flows arise on specific cross-currency interest rate derivatives due to the significant interest rate differential between the functional currency and the hedged currency.*

(CZK million)

31 Dec 2022	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total
Non-interest bearing	2,541	1,316	70	133	38	4,098
Liabilities from unpaid share capital (Note 32)	510	-	-	-	-	510
Derivatives	-	-	472	1,651	682	2,805
Incoming cash flows	*-*	*-*	*2,536*	*13,870*	*4,342*	*20,748*
Outgoing cash flows	*-*	*-*	*3,008*	*15,521*	*5,024*	*23,553*
Lease liabilities	40	60	284	1,226	6	1,616
Variable interest rate instruments	221	251	1,269	5,324	3,423	10,488
Fixed interest rate instruments	-	-	10,889	28,845	6,188	45,922
Total	**3,312**	**1,627**	**12,984**	**37,179**	**10,337**	**65,439**

The following tables demonstrate the Company'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 2023	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total
Non-interest bearing	1,908	804	99	2,147	327	5,285
Finance lease receivables	6	-	16	88	436	546
Fixed interest rate instruments	4,711	-	-	-	-	4,711
Variable interest rate instruments	202	2	5	78	-	287
Hedging derivatives *	-	17	(6)	(10)	-	1
Incoming cash flows	*-*	*17*	*154*	*2,922*	*-*	*3,093*
Outgoing cash flows	*-*	*-*	*160*	*2,932*	*-*	*3,092*
Total	**6,827**	**823**	**114**	**2,303**	**763**	**10,830**

** Negative net undiscounted cash-flows arise on specific cross-currency interest rate derivatives due to the significant interest rate differential between the functional currency and the hedged currency.*

(CZK million)

31 Dec 2022	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total
Non-interest bearing	1,711	847	125	545	333	3,561
Finance lease receivables	5	-	14	76	400	495
Fixed interest rate instruments	6,396	-	-	-	-	6,396
Variable interest rate instruments	184	16	52	178	-	430
Hedging derivatives	-	31	69	201	24	325
Incoming cash flows	-	*31*	69	*201*	*24*	*325*
Total	**8,296**	**894**	**260**	**1,000**	**757**	**11,207**

The amounts shown above for variable interest rate instruments for non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from the interest rates determined at the end of the reporting period.

33.9.2. Financing facilities

The Company has access to the following loan facilities:

(CZK million)

Overdrafts	ČSOB	KB	Všeobecná úverová banka	Total
Loan facility as at 1 Jan 2022	**700**	**1,500**	**-**	**2,200**
Unused amount as at 1 Jan 2022	**700**	**1,500**	**-**	**2,200**
Change of loan facility in 2022	-	-	-	-
Loan facility as at 31 Dec 2022	**700**	**1,500**	**-**	**2,200**
Unused amount as at 31 Dec 2022	**700**	**1,500**	**-**	**2,200**
Change of loan facility in 2023	-	-	500	500
Loan facility as at 31 Dec 2023	**700**	**1,500**	**500**	**2,700**
Unused amount as at 31 Dec 2023	**700**	**1,500**	**500**	**2,700**

(CZK million)

Promissory note programme	ČSOB	ING	KB	Česká spořitelna	Total
Loan facility as at 1 Jan 2022	**2,000**	**1,500**	**500**	**2,000**	**6,000**
Unused amount as at 1 Jan 2022	**2,000**	**1,500**	**500**	**2,000**	**6,000**
Change of loan facility in 2022	-	-	-	-	-
Loan facility as at 31 Dec 2022	**2,000**	**1,500**	**500**	**2,000**	**6,000**
Unused amount as at 31 Dec 2022	**2,000**	**1,500**	**500**	**2,000**	**6,000**
Change of loan facility in 2023	-	(1,500)	-	-	(1,500)
Loan facility as at 31 Dec 2023	**2,000**	**-**	**500**	**2,000**	**4,500**
Unused amount as at 31 Dec 2023	**2,000**	**-**	**500**	**2,000**	**4,500**

(CZK million)

Revolving loan	Citibank	ING	Total
Loan facility as at 1 Jan 2022	**1,500**	**-**	**1,500**
Unused amount as at 1 Jan 2022	**1,500**	**-**	**1,500**
Change of loan facility in 2022	-	-	-
Loan facility as at 31 Dec 2022	**1,500**	**-**	**1,500**
Unused amount as at 31 Dec 2022	**1,500**	**-**	**1,500**
Change of loan facility in 2023	(750)	1,500	750
Loan facility as at 31 Dec 2023	**750**	**1,500**	**2,250**
Unused amount as at 31 Dec 2023	**750**	**1,500**	**2,250**

The Company contracted long-term bank credit lines as part of securing resources for the planned investments with the following facilities.

(CZK million)

Long-term credit facilities	Raiffeisenbank	UniCredit Bank	Všeobecná úverová banka	EUROFIMA	EIB	Total
Loan facility as at 1 Jan 2022	**2,600**	**4,000**	**1,900**	**-**	**-**	**8,500**
Unused amount as at 1 Jan 2022	**2,100**	**3,000**	**1,400**	**-**	**-**	**6,500**
Change of loan facility in 2022	-	-	-	15,409	904	16,313
Loan facility as at 31 Dec 2022	**2,600**	**4,000**	**1,900**	**15,409**	**904**	**24,813**
Unused amount as at 31 Dec 2022	**-**	**-**	**-**	**15,409**	**904**	**16,313**
Change of loan facility in 2023	-	-	-	-	-	-
Impact of the foreign exchange	-	-	-	390	-	390
Loan facility as at 31 Dec 2023	**2,600**	**4,000**	**1,900**	**15,799**	**904**	**25,203**
Unused amount as at 31 Dec 2023	**-**	**-**	**-**	**4,426**	**527**	**4,953**

34. Post Balance Sheet Events

No significant events occurred between the balance sheet date and the date of approval of the Separate Financial Statements.

35. Approval of the Financial Statements

These Separate Financial Statements were approved by the Board of Directors and authorised for issue on 16 April 2024.

Consolidated Disclosure under Article 8 of the Regulation (EU) of the European Parliament and of the Council (EU) 2020/852 on the Establishment of a Framework to Facilitate Sustainable Investment (Taxonomy Regulation)

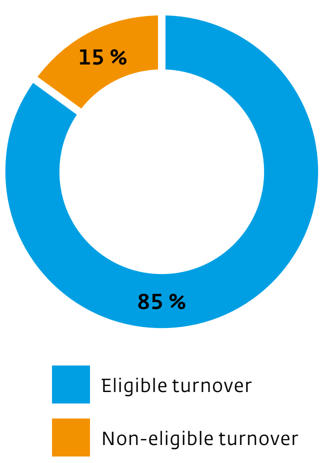
Consolidated Disclosure under Article 8

The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with the EU's climate objectives as the Taxonomy is a classification system for environmentally sustainable economic activities.

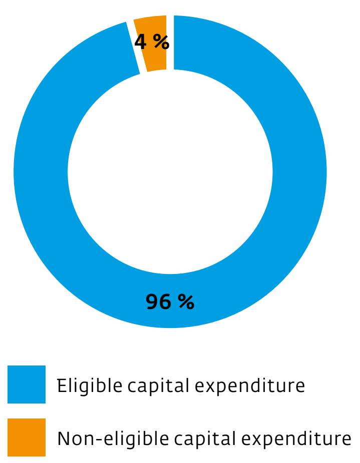
In the following text, we, as a non-financial ČD Group, present the proportion of our Taxonomy-eligible economic activities in 2023 related to the first two environmental objectives (climate change mitigation and climate change adaptation) in the total turnover of the Group (Turnover KPI), capital expenditure of the Group (CapEx KPI) and operational expenditure of the Group (OpEx KPI) in accordance with Article 8 of the Taxonomy Regulation and Article 10 (2) of the Commission Delegated Regulation (EU) 2021/2178.

In 2023, new legislation in the form of Commission Delegated Regulation (EU) 2023/2486 establishing the technical screening criteria for the remaining four environmental objectives (the Sustainable use and protection of water and marine resources, the Transition to a circular economy, Pollution prevention and control, the Protection and restoration of biodiversity and ecosystems). The Group prepared an analysis and identified no activities that would be relevant in terms of the reported KPIs, i.e. no other activities were identified as eligible. The list of eligible activities remains unchanged compared to 2022.

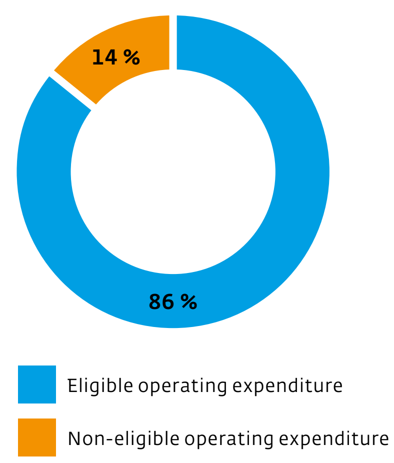
Turnover KPI



CapEx KPI



OpEx KPI



Share of Taxonomy-eligible and Taxonomy-non-eligible economic activities in total turnover, CapEx and OpEx:

2023	Total (CZK million)	Proportion of Taxonomy-eligible economic activities (in %)	Proportion of Taxonomy-aligned economic activities (in %)	Proportion of Taxonomy-non-eligible economic activities (in %)
Turnover	52,981	85%	-	15%
Capital expenditure	19,857	96%	-	4%
Operating expenditure	7,301	86%	-	14%

Taxonomy-eligible Economic Activities

We have examined the relevant Taxonomy-eligible economic activities based on an analysis of our worldwide activities and assigned them to the following economic activities in accordance with Annex I and II to the Delegated Regulation on climate change. The table below indicates for which environmental objective the activities qualify as eligible:

Eligible economic activity (Number, name)	Description	Climate change mitigation	Climate change adaptation
6.1 Intercity railway passenger transport	Purchase, operation, lease and transport of passengers using railway vehicles.	✔	✔
6.2 Railway freight transport	Purchase, financing, lease, rental and operation of freight transport on mainline rail networks as well as short line freight railroads.	✔	✔
6.14 Infrastructure for railway transport	Construction, modernisation, operation and maintenance of railways and subways as well as bridges and tunnels, stations, terminals, rail service facilities, safety and traffic management systems including the provision of architectural services, engineering services, design services, building inspection services and surveying, mapping and similar services as well as physical, chemical and other analytical testing of all types of materials and products.	✔	✔

Structure of Reported KPIs for Eligible Activities

		Turnover		Capital expenditure		Operating expenditure	
Economic activities	Codes	CZK million	%	CZK million	%	CZK million	%
Intercity railway passenger transport	6.1	29,738	56%	14,483	73%	4,487	62%
Railway freight transport	6.2	15,538	29%	3,237	16%	1,197	16%
Infrastructure for railway transport	6.14	-	-	1,268	7%	579	8%
Total eligible activities		**45,276**	**85%**	**18,988**	**96%**	**6,263**	**86%**
Taxonomy-non-eligible activities		7,705	15%	869	4%	1,038	14%
Total		**52,981**	**100%**	**19,857**	**100%**	**7,301**	**100%**

Taxonomy-aligned Economic Activities

For the year 2023, we are not able to report our Taxonomy-aligned economic activities due to the current failure to meet the criterion of “doing no significant harm to any of the environmental objectives” in the part of climate change adaptation according to Appendix A of the Commission Delegated Regulation (EU) 2021/2139.

The fulfilment of this objective is conditioned, for example, by an assessment of the climate vulnerability and risks of the Group's key assets to provide their main economic activities in line with the climate projection applicable to the Czech Republic. The principal asset that the ČD Group uses for its main activities of railway transport – i.e. the railway infrastructure – is not owned by the Group, and without the cooperation of the owner of the railway infrastructure, it was not possible to carry out the joint analysis of the environmental vulnerability of these assets in 2023. However, the ČD Group has already initiated negotiations with the owner of the railway infrastructure on working together in this respect for the following period.

The monitoring of the impacts of climatic risks on our economic activities has already been carried out at the level of monitoring and assessment of the causes of "extraordinary events", and currently, these risks are assessed as low by the ČD Group.

Due to the impossibility of meeting the climate vulnerability criteria for 2023, and thus also reporting our economic activities in line with the Taxonomy, the review of compliance with the minimum precautionary measures in the area of human rights was also not carried out in 2023. We will proceed with this review in the subsequent period, based on the refinement of the evaluation criteria and the development of sufficient „best practice" rules for this area which will serve as guidelines for such review.

Allocation of Turnover, CapEx and OpEx to a Specific Environmental Objective

The ČD Group is particularly concerned about global climate change and therefore seeks to contribute as much as possible to its own climate change mitigation objective. The ČD Group has decided that activities 6.1, 6.2 and 6.14 should be allocated to climate change mitigation as the contribution to climate change adaptation is of minor importance and the Taxonomy does not allow double counting (i.e. assigning one activity to more than one climate objective).

Contribution to Multiple Climate Objectives

In line with our sustainability strategy, we aim to make a positive contribution to climate change mitigation through our main activities in railway transport operations – i.e. through our eligible activities, we contribute to fulfilling the first objective of "climate change mitigation".

For these reasons, we do not report the contribution to fulfilling any more climatic objectives for 2023.

Relevant Assessment of the Taxonomy-eligibility of our Activities

Assessment of activities in the value chain of our revenue-generating activities

Our assessment of Taxonomy-eligible activities is focused on economic activities defined as the combination of resources needed to provide services. As a major operator of passenger and freight railway transport, we operate in several sectors in the value chain of our services and products and we generate revenues in several areas within this value chain, namely revenues related to passenger transport (activity 6.1) and freight transport (activity 6.2). We do not disclose information on activities within the value chain that are not external revenue-generating, but that result in assets or processes that are essential for our revenue-generating activities, such as:

- intra-group maintenance and repair activities;
- intra-group leases of railway vehicles and transport capacities;
- intra-group IT support and administrative services; and
- acquisitions/construction of new buildings.

These activities are not reported as Taxonomy-eligible and are not included in our turnover KPI as they are not generating external turnover on a standalone basis.

Activity 6.1 Intercity railway passenger transport

One of the main activities of the ČD Group is passenger transport. This category includes all activities provided by our entities with the use of railway vehicles operating on the European railway infrastructure relating to passenger transport. This category consists of revenues from passenger fares at both national and international levels, revenues from the state and individual regions paid in order to strengthen or maintain railway transport functions, and revenues from the sale of seat reservation tickets in our carriages.

Activity 6.2 Railway freight transport

Another significant activity of the ČD Group is freight transport. This category includes all transport services provided by our entities using railway vehicles operating on the European railway infrastructure relating to the transport of freight at both national and international levels.

Activity 6.14 Infrastructure for railway transport

As a contribution to our main activities 6.1 and 6.2, we are also engaged in supporting activities related to the construction, modernisation and operations of selected parts of the railway infrastructure owned by the ČD Group (i.e. outside the infrastructure owned by Správa železnic s.o.). This category includes equipping locomotives with the ETCS, renovating operations buildings, and upgrading operational software.

There were no significant year-on-year changes in the scope and manner of reporting eligible activities of the ČD Group.

Taxonomy-non-eligible Economic Activity

In its entities, the ČD Group provides a number of other services that we consider to be non-eligible to meet the EU's climate objectives in terms of EU Taxonomy.

The ČD Group provides services in telematics. These include a wide range of telecommunications and IT services with contractually guaranteed parameters. To provide these services, it uses the second largest telecommunications infrastructure in the Czech Republic, central data storage, server farms, development, maintenance and other specialised units. The services provided range from development and operation to user support provided to tens of thousands of people.

In addition, we provide professional services and comprehensive solutions in the assessment of testing and expert activities for railway systems and railway transport. We operate our own two testing circuits in the Velim Test Centre which are significant and renowned testing centres for railway technology and railway facilities in Europe. Its infrastructure and technical equipment create a unique compact unit for all types of railway vehicle ride tests, tests of all railway facilities and other experimental measurements and verifications. The test centre includes a Dynamic Test Bench intended for fatigue and dynamic tests of vehicles and their parts, including simulations of operating conditions and vehicle operating conditions.

The ČD Group further provides a number of other services relating to its own assets such as leases of real estate, their parts, mediation of the sale of diesel and spare parts and income from the sale of own real estate.

Taxonomy-eligible CapEx/OpEx and Individually Taxonomy-eligible CapEx/OpEx

With regard to CapEx and OpEx related to our Taxonomy-eligible economic activities and CapEx/OpEx that we consider to be individually Taxonomy-eligible, we refer to the explanations in the "CapEx KPI" and "OpEx KPI" sections in the description of our accounting policies.

Our KPIs and Accounting Policies

Key performance indicators (KPIs) include the turnover KPI, the CapEx KPI and the OpEx KPI. For the reporting period ended 31 December 2023, the KPIs have to be disclosed in relation to our Taxonomy-eligible and Taxonomy-non-eligible economic activities pursuant to Article 10 (2) of Commission Delegated Regulation (EU) 2021/2178.

The specification of the KPIs is determined in accordance with Annex I of Commission Delegated Regulation (EU) 2021/2178. We determine the KPIs in accordance with the legal requirements and describe our accounting policy in this respect as follows:

Turnover KPI

Definition

The proportion of Taxonomy-eligible economic activities in our total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the net turnover (denominator), in each case for the financial year 2023.

The denominator of the turnover KPI is based on our consolidated net turnover in accordance with IAS 1.82(a). Further details on our accounting principles relating to the consolidated net turnover are discussed in the consolidated financial statements, Note 2.

The numerator of the turnover KPI is defined as the net turnover derived from products and services relating to Taxonomy-eligible economic activities as follows:

- 6.1 Intercity railway passenger transport generating income from fares and related services and income from the state and regions;
- 6.2 Railway freight transport generating income from freight transport and related services.

Reconciliation to financial statements

Our consolidated net turnover can be reconciled to our consolidated financial statements, see the consolidated statement of profit or loss (Revenue and Other operating income line items).

Further explanations

In its internal IT systems, the ČD Group records a detailed allocation of individual income to activities 6.1 and 6.2. For this reason, there was no need to use any allocation keys to allocate the income to individual EU Taxonomy-eligible activities.

CapEx KPI

Definition

The CapEx KPI is defined as Taxonomy-eligible CapEx (numerator) divided by our total CapEx (denominator).

Total CapEx consists of additions to property, plant and equipment and intangible assets during the financial year, before depreciation, amortisation and any remeasurements. It includes acquisitions of property, plant and equipment (IAS 16), intangible fixed assets (IAS 38), right-of-use assets (IFRS 16) and investment property (IAS 40). Additions resulting from business combinations are also included. The CapEx does not include goodwill, which is not treated as an intangible asset under IAS 38. Further details of our accounting principles relating to capital expenditure are discussed in the consolidated financial statements, Note 2.

The numerator consists of the following categories of Taxonomy-eligible CapEx:

a) Investments related to assets or processes that are associated with Taxonomy-eligible economic activities (“category a”):

Assets and processes are treated as relating to Taxonomy-eligible economic activities if they are basic components for the provision of economic activities. As a result, all capital expenditure invested in the following is reflected in the nominator of the CapEx KPI:

- Railway traction vehicles, wagons and other railway vehicles;
- Components, spare parts and batteries for railway vehicles; and
- Information systems used by end customers to buy tickets, order capacities.

b) CapEx that is part of investment plans to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-eligible economic activity (“category b”):

- No CapEx recorded in this category in 2023.

c) CapEx related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling certain target activities (usually our non-eligible activities) to become low-carbon activities or to lead to greenhouse gas reductions ("category c"). The eligible CapEx also include CapEx where the purchased output meets the description of the relevant economic activity (see Further explanations below).

Structure of CapEx by asset type

(CZK million)

Economic activities	Codes	Property, plant and equipment					
		Buildings and land	Machinery, equipment and other	Vehicles	Assets under construction	Prepayments	Total for property, plant and equipment
Intercity railway passenger transport	6.1	-	-	8,000	1,184	2,885	12,069
Railway freight transport	6.2	-	7	2,335	173	-	2,515
Infrastructure for railway transport	6.14	170	21	7	1,013	34	1,245
Taxonomy-non-eligible activities		46	150	36	25	28	285
Total per category		**216**	**178**	**10,378**	**2,395**	**2,947**	**16,114**

(CZK million)

Economic activities	Codes	Intangible assets and goodwill
		Software
Intercity railway passenger transport	6.1	90
Railway freight transport	6.2	69
Infrastructure for railway transport	6.14	21
Taxonomy-non-eligible activities		161
Total per category		**341**

(CZK million)

Economic activities	Codes	Right-of-use assets			
		Buildings and land	Machinery, equipment and other	Vehicles	Total for right-of-use assets
Intercity railway passenger transport	6.1	-	-	2,324	2,324
Railway freight transport	6.2	-	125	528	653
Infrastructure for railway transport	6.14	2	-	-	2
Taxonomy-non-eligible activities		359	11	53	423
Total per category		**361**	**136**	**2,905**	**3,402**

Reconciliation to financial statements

Our total CapEx can be reconciled to our consolidated financial statements, see Note 15 Property, plant and equipment, Note 17 Intangible assets and goodwill and Note 18 Right-of-use assets. They are the total of all additions to property, plant and equipment and intangible assets.

Further explanations

Allocation keys

When the same asset is used for both Taxonomy-eligible and non-eligible activities (mixed cases), part of the Taxonomy-eligible capital is determined based on the share of eligible activities in these assets. Investments for our eligible activities (i.e. activities relating to both passenger and freight railway transport) are defined using a suitable turnover-based allocation key.

Individually Taxonomy-eligible CapEx

The nominator of the CapEx KPI includes the capital expenditure where the purchased output meets the description of the relevant economic activity.

We identified the following purchased outputs that meet the description of the relevant economic activity and thus result in Taxonomy-eligible capital expenditure and operating expenditure:

Individually Taxonomy-eligible CapEx and OpEx

Description of Taxonomy-eligible individual purchased outputs/measures	Relevant economic activity (Annex I to Commission Delegated Regulation (EU) 2021/2178)
Acquisition of ETCS	6.14 Infrastructure for railway transport
Construction, technical improvements, modifications and repairs of railway infrastructure structures, e.g. railway stations, railway tracks, transshipment points and other necessary railway infrastructure	6.14 Infrastructure for railway transport

Individually Taxonomy-eligible expenditure (both CapEx and OpEx) that are part of the activities listed in the table have been excluded from category a) to avoid double counting of these activities in the KPI and are only reflected as expenditure in category c).

OpEx KPI

Definition

The OpEx KPI is defined as Taxonomy-eligible OpEx (numerator) divided by our total OpEx (denominator).

Total OpEx consists of direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of property, plant and equipment by the company or an external contractor, and which are necessary to ensure the continuous and efficient operation of these assets. These primarily include:

- The volume of non-capitalised leases determined under IFRS 16 and includes expenses for short-term leases and low-value leases (see Note 18 of the consolidated financial statements).
- Maintenance and repairs and other direct expenses relating to day-to-day maintenance of property, plant and equipment determined using the maintenance and repair costs allocated to our internal cost centres. Relating cost items can be found in various line items of our profit and loss account, including production costs (maintenance in operations), sales and distribution costs (maintenance logistics) and administrative costs (such as IT systems maintenance). It additionally includes the measures to restore buildings. In general, it includes employees costs, costs of services and material costs for day-to-day servicing, as well as regular and unplanned maintenance and repairs. These costs are directly allocated to property, plant and equipment.

This does not include the costs relating to day-to-day operations of property, plant and equipment such as: operating fluids and fuels, costs of employees operating the machines, energy required to operate the assets and indirect costs.

As to the nominator, we refer to the corresponding statement regarding the CapEx KPI.

Further explanations

As to the use of the allocation keys, we refer to the corresponding paragraph in the CapEx KPI section.

In addition, we have applied the allocation key to staff costs where we have identified employees or departments of individual entities that provide the day-to-day maintenance of assets that are used by the ČD Group to perform Taxonomy-eligible and non-eligible economic activities (mixed cases). The part of this operating expenditure that is Taxonomy-eligible is determined based on the proportion of performed eligible activities in the assets. Investments for our eligible activities (i.e. activities relating to both passenger and freight railway transport) are defined using a suitable allocation turnover-based key. Other operating staff costs are not included in operating expenditure within the meaning of the Taxonomy.

Key Performance Indicators of Non-financial Undertakings

A) Turnover

Financial year	2023			Substantial contribution criteria						Do no significant harm (DNSH) criteria									
Economic activities (1)	Code (2)	Turnover (3)	Proportion of turnover, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum guarantees (17)	Proportion of Taxonomy-aligned activities (A.1) or Taxonomy-eligible activities (A.2) in the turnover, 2022 (18)	Enabling activity category (19)	Transitional activity category (20)
		CZK million	%	%	%	%	%	%	%	Yes /No	Yes /No	Yes /No	Yes /No	Yes /No	Yes /No	Yes /No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-%														-%		
of which enabling		-	-%														-%		
of which transitional		-	-%														-%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (Taxonomy-non-aligned activities)																			
Intercity railway passenger transport	6.1	29,738	56%														58%		
Railway freight transport	6.2	15,538	29%														31%		
Turnover of activities that are Taxonomy-eligible but not environmentally sustainable (Taxonomy-non-aligned) (A.2)		45,276	85%														89%		
Turnover of Taxonomy-eligible activities (A.1+A.2)		45,276	85%														89%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		7,705	15 %																
Total (A.+B.)		52,981	100 %																

B) Capital expenditure

Financial year	2023			Substantial contribution criteria						Do no significant harm (DNSH) criteria									
Economic activities (1)	Code (2)	Turnover (3)	Proportion of turnover, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum guarantees (17)	Proportion of Taxonomy-aligned activities (A.1) or Taxonomy-eligible activities (A.2) in the turnover, 2022 (18)	Enabling activity category (19)	Transitional activity category (20)
		CZK million	%	%	%	%	%	%	%	Yes /No	Yes /No	Yes /No	Yes /No	Yes /No	Yes /No	Yes /No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-%														-%		
of which enabling		-	-%														-%		
of which transitional		-	-%														-%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (Taxonomy-non-aligned activities)																			
Intercity railway passenger transport	6.1	14,483	73%														58%		
Railway freight transport	6.2	3,237	16%														26%		
Infrastructure for railway transport	6.14	1,268	7%														12%		
CapEx of activities that are Taxonomy-eligible but not environmentally sustainable (Taxonomy-non-aligned) (A.2)		18,988	96%														96%		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		18,988	96%														96%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		869	4 %																
Total (A.+B.)		19,857	100 %																

C) Operating expenditure

Financial year	2023			Substantial contribution criteria						Do no significant harm (DNSH) criteria									
Economic activities (1)	Code (2)	Turnover (3)	Proportion of turnover, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum guarantees (17)	Proportion of Taxonomy-aligned activities (A.1) or Taxonomy-eligible activities (A.2) in the turnover, 2022 (18)	Enabling activity category (19)	Transitional activity category (20)
		CZK million	%	%	%	%	%	%	%	Yes /No	Yes /No	Yes /No	Yes /No	Yes /No	Yes /No	Yes /No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-%														-%		
of which enabling		-	-%														-%		
of which transitional		-	-%														-%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (Taxonomy-non-aligned activities)																			
Intercity railway passenger transport	6.1	4,487	62%														61%		
Railway freight transport	6.2	1,197	16%														21%		
Infrastructure for railway transport	6.14	579	8%														6%		
OpEx of activities that are Taxonomy-eligible but not environmentally sustainable (Taxonomy-non-aligned) (A.2)		6,263	86%														88%		
A. OpEx of Taxonomy-eligible activities (A.1+A.2) (A.1+A2)		6,263	86%														88%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		1,038	14 %																
Total (A.+B.)		7,301	100 %																

Provision of Information Pursuant to Act No. 106/1999 Coll., on Free Access to Information, as Amended, for 2023

Pursuant to Section 18 of Act No. 106/1999 Coll., on Free Access to Information, as amended (the "Act"), České dráhy, a.s. ("ČD" or the "Obliged Entity") hereby publishes its annual report on its activities in the provision of information pursuant to the Act in 2023.

In the period prior to 2 March 2020, ČD did not consider itself the Obliged Entity pursuant to the Act with regard to the judgment of the Municipal Court in Prague ref. on. 8 A 80/2017-50 of 28 September 2017; therefore, ČD did not provide information pursuant to the Act.

On 2 March 2020, the judgment of the Supreme Administrative Court (SAC) ref. no. 8 As 145/2018-61 of 27 February 2020 became final, in which the SAC stated that ČD was considered the Obliged Entity pursuant to the Act in accordance with the established case-law.

Statistics of the agenda pursuant to the Act in the period from 1 January to 31 December 2023:

1. In relation to the provision of Section 18 (1) (a) of the Act:

   In the relevant period, a total of 36 requests for information were handled by ČD.

   In 13 requests, a resolution on rejection was issued pursuant to Section 15 of the Act in the period.

   In 8 requests, a resolution on rejection of a part of the request was issued pursuant to Section 15 of the Act in the period.

2. In relation to the provision of Section 18 (1) (b) of the Act:

   In three cases, an appeal was filed against the resolution of ČD pursuant to Section 16 of the Act that was decided by the Office for Personal Data Protection (the "Office").

3. In relation to the provision of Section 18 (1) (c) of the Act:

   Ruling of the Municipal Court in Prague ref no. 10 A 58/2021 – 121 of 21 March 2023 reads: "The Municipal Court in Prague dealt with the objection of the defendant that one piece of the requested information was already destroyed, by referring to the case-law of administrative courts which indicates that in a situation when an obliged entity has an obligation stipulated by law to have certain data available, and it finds out that it no longer has this information as it was erased or removed, it has an obligation to create it again. However, following the presentation of all evidence, it concluded that the defendant made sufficient efforts to regain the information. In view of the long process history of the matter and in view of the time interval from the creation of the requested information and the moment of its destruction, the court believes that it is possible to conclude that the information was unique; however, it is no longer available, and the recreation of identical information is no longer possible. In view of the above, the court concluded that it was no longer possible to order the defendant to provide such information. However, the court ordered the defendant to provide the other requested information to the claimant, as it found the decision of the claimant on the rejection of the information protected by trade secret not to be duly justified and reviewable."

For the relevant period, the Obliged Entity additionally records ruling of the Supreme Administrative Court ref. no. 2 As 96/2023 – 52 of 26 April 2023 on the basis of which a suspensive effect is granted to the appeal in cassation in relation to the judgment of the Municipal Court in Prague ref. no. 10 A 58/2021 – 121 of 21 March 2023.

The Obliged Entity expended the total sum of CZK 6,000 (in words: six thousand Czech crowns) for costs of proceedings in relation to rights and obligations pursuant to the Act in the relevant period.

4. In relation to the provision of Section 18 (1) (d) of the Act:

   In the relevant period, it was not proceeded pursuant to the provision on licence or sub-licence contract in the provision of information in respect of any of the requests.

5. In relation to the provision of Section 18 (1) (e) of the Act:

   In the relevant period, no complaint was filed against the manner of handling the request pursuant to Section 16a of the Act.

6. In relation to the provision of Section 18 (1) (f) of the Act:

   In the relevant period, ČD provided no other information on the application of the Act.

Information on Persons Responsible for the Annual Report of the ČD Group

Affidavit

Having taken all reasonable care, the consolidated annual report gives, to the best of our knowledge, 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 2023 and of the prospects of future development of the financial position, business activities, and profit or loss of the Company and its consolidation group, and no facts have been concealed in this report that could change its meaning.

In Prague on 16 April 2024

Michal Krapinec
Chairman of the Board of Directors
České dráhy, a.s.

Lukáš Svoboda
Member 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 2023

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 (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 2023 to 31 December 2023.

I. The Controlling Party and the preparer of the Report on Relations

The Controlling party, for the purposes of the Report on Relations, is the Czech Republic (the "State" or the "CR").

The Controlled party, for the purposes of the Report on Relations, is České dráhy, a.s. (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.

II. Methods and Means of Control

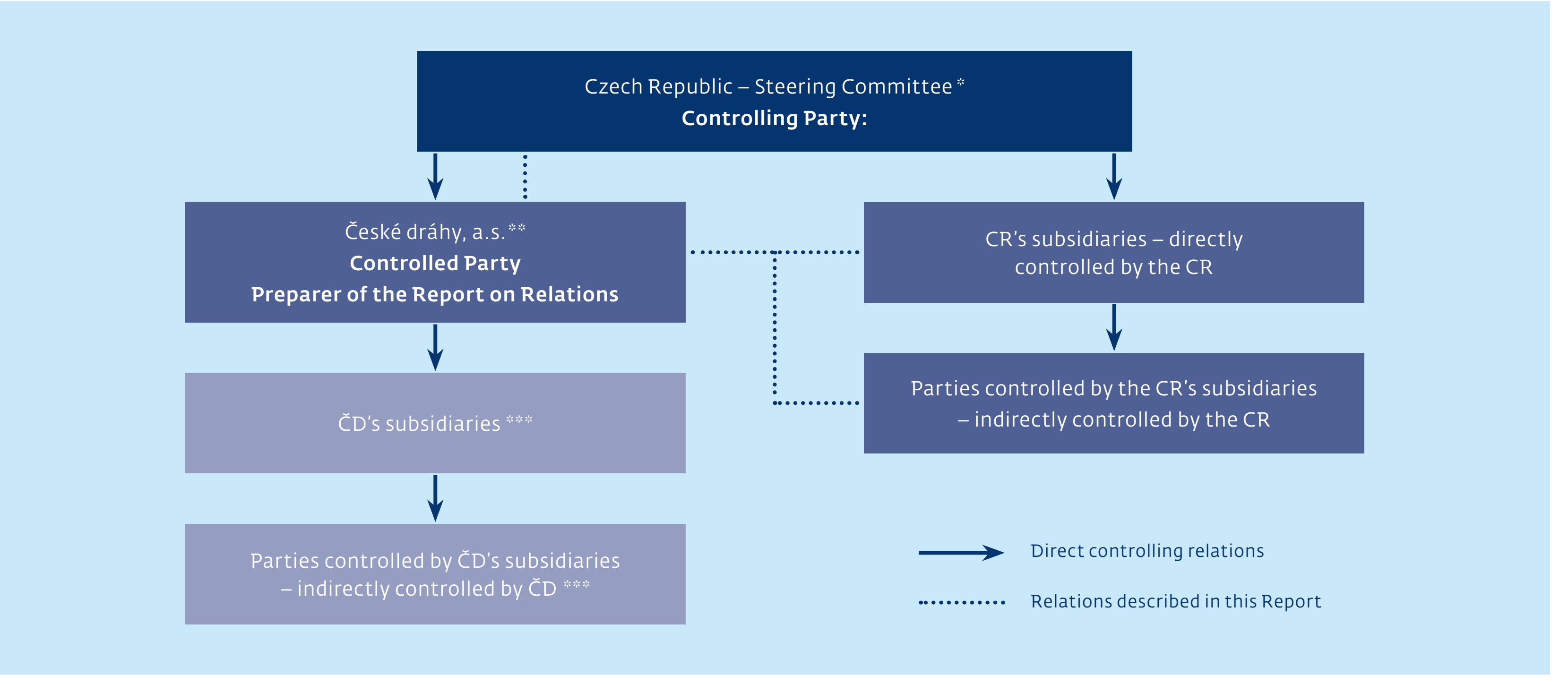
1) A directly controlled party is a corporation in which the State has a share of voting rights of at least 40% of all the votes in a given corporation, unless another party or other parties acting jointly have the same or bigger share of voting rights in a given corporation.

2) An indirectly controlled party is a corporation controlled by a party specified in paragraph 1).

The Report on Relations includes only those indirectly controlled parties of which the Company is aware according to the information available to the statutory body of the Company acting with due managerial care (see Attachment 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 the relevant indirectly controlled 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



** Pursuant to Act No. 77/2002 Coll., on České dráhy, a.s. and Správa železnic, státní organizace (Czech railways, joint stock company, and Railway Transport Route Administration, state organisation) and amending Act No. 266/1994 Coll., on Railways, as amended, and Act No. 77/1997 Coll., on State Organisation, as amended (the "Act on the Joint Stock Company České dráhy, a.s."), the Czech Republic exercises the shareholder rights in the Company through the Company's Steering Committee. The Steering Committee comprises of the employees of the Ministry of Transport (three employees), the Ministry of Finance (one), the Ministry of Defence (one), the Ministry of Industry and Trade (one), and the Ministry of Regional Development (one), 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 Sections 8, 9 and 17 of Act No. 77/2002 Coll., on the Joint Stock Company České dráhy, a.s.*

**** The Board of Directors of ČD presents the list of all subsidiaries in relation to České dráhy, a.s. within the Report on Relations (see Attachment 1).*

The list of subsidiaries that entered into contracts with České dráhy, a.s., valid in 2023:

ČD – Telematika a.s.
Výzkumný Ústav Železniční, a.s.
DPOV, a.s.
ČD Cargo, a.s.
ČD – Informační Systémy, a.s.
Dopravní vzdělávací institut, a.s.
ČD travel, s.r.o.
Žižkov Station Development, a.s.
Masaryk Station Development, a.s.
Smíchov Station Development, a.s.
JLV, a.s.
CR-City, a.s.
ČD Restaurant, a.s.
RailReal a.s.
ČD Bus 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 2023 submitted separately by each of these subsidiaries.

IV. Contracts between the Company and the State or the Company and Parties Indirectly Controlled by the Same Controlling Party (the Czech Republic)

This list below outlines the contracts valid in 2023, concluded between the Company and the State and the Company and parties indirectly controlled by the same Controlling party.

ČEPRO, a.s.

Contract reference no.	Contract description
4600021505	Extra-light fuel oil LTO-E 2023-2026
4600022172	Supply of diesel 2023-2026
4600016691	Extra-light fuel oil LTO-E 2020-2023
4600017184	Supply of diesel 2020-2023
2657020017	Siding – lease of a land plot under a siding Zeleneč
2927202209	Equipment – siding
2937706306	Lease of land plot no. 855/20
2967271207	Lease of a siding – land plot no. 12, Nová Víska cadastral area
2977408603	Lease of a land plot Veselí nad Lužnicí
2977735207	Lease of land plot no. 3203/22, cadastral area no. 722120

ČEZ Distribuce, a. s.

Contract reference no.	Contract description
4600019630	Electricity distribution in Louny depo area
4600020939	Car washing unit installation in Pilsner depo area
4501311074	Administration fee Kolín
2927402414	1S44 power wiring Olomouc
2927852807	Lease of a land plot Ostrava
2947012007	Lease of a siding Všestary
2647019520	Lease of land plot no. 1968/2 Chlumec nad Cidlinou

ČEZ ESCO, a.s.

Contract reference no.	Contract description
4500982292	241-ZAP OVA Electricity supply – Osoblaha
4500899568	Electricity Borová u Poličky
4600019582	Contract on connection of metering point Karlovy Vary
4600020554	Contract on joint electricity supplies Karlovy Vary
4600022446	Contract on joint electricity supplies Karlovy Vary lodging house
4501311470	Electricity supply

ČEZ Prodej, a.s.

Contract reference no.	Contract description
4600008450	Electricity supply – Ústí nad Labem
4600008487	Electricity supply Borová u Poličky
4600010444	Contract on joint electricity supplies
4600011357	Connection of metering point
4600013585	Electricity supply Svojšín 412061
4600013586	Electricity supply Svojšín 412062
4600010443	Electricity supply – Hlinsko
4600013835	Electricity supply – Hlinsko, Nádražní 545
4600013836	Contract on joint electricity supplies
4501315839	Contract on joint electricity supplies

ČEZ, a. s.	
Contract reference no.	**Contract description**
4600008825	Water and sewerage fees
4600015237	Sales of drinking water ČD Kadaň Prunéřov
4501239328	Demineralised technical water
4501308042	Demineralised technical water
2937105107	Lease of a land plot under siding no. 2864/610
2937302207	Lease of land plot no. 4515/20 and 4177/23
2947007207	Lease of property with land plot no. 311/21 siding Dvůr Kr./L.
2947007307	Lease of property with land plot no. 1529 siding Poříčí u Trutnova
2667105020	Lease of siding Trmice land plot no. 1493/1
2667105120	Lease of siding Bílina land plot no. 2795
2977100708	Lease of a land plot under a siding

Ministry of Transport	
Contract reference no.	**Contract description**
4600017864	Contract for the lease of commercial space
E060-59346/2015-O16	Ensuring transport services on the Brno-Břeclav-Olomouc line
E057-55108/2019-O16	Ensuring transport services on the Ex2, R18 line
E057-58507/2019-O16	Ensuring nation-wide transport services
E057-58509/2019-O16	Ensuring transport services on the R29 line
E060-57544/2021-O16	Ensuring transport services on the R9 line
E060-57545/2021-O16	Ensuring transport services on the R10 line
E060-57597/2022-O16	Ensuring transport services on the R27 line
E060-56657/2023-O16	Ensuring transport services on the R33 line

Domat Control System s.r.o.	
Contract reference no.	**Contract description**
4501228003	Repairs and maintenance
4501268767	Repairs and maintenance
4501293765	Repairs and maintenance
4501302930	Repairs and maintenance

ČEZ Teplárenská, a.s.	
Contract reference no.	**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
4600019493	Heat energy – no. 68050003_2
E296-OS-0015/12-A	Water and sewerage fees

MARTIA a.s.	
Contract reference no.	**Contract description**
4600012865	Management and maintenance of the heat source – Chomutov

SD – Kolejová doprava, a.s.	
Contract reference no.	**Contract description**
E296-OS-0022/13-T	Heat and hot process water supply
E296-OS-0026/13-A	Water, sewerage, rainwater
2967105113	Lease of building no. 354 in Březno
2967346907	Lease of siding in Chotějovice with land plot no. 224/6

Severočeské doly a.s.	
Contract reference no.	**Contract description**
2667100215	Lease of siding in Bílina with land plot no. 2251/1 and 2386

ENESA a.s.	
Contract reference no.	**Contract description**
2637700119	Lease of building no. 222 Havlíčkův Brod
4600017272	Lightning reconstruction
4600020139	Heat energy and hot process water supply DKV
4501280071	Repair of lights
4501260367	Heat H. Brod commercial building

AZ KLIMA a.s.	
Contract reference no.	**Contract description**
4501255068	Servicing of cooling Olomouc

THERMAL-F, a.s.	
Contract reference no.	**Contract description**
4501241245	Medical procedures

CERBEROS s.r.o.	
Contract reference no.	**Contract description**
1668000118	Leasing Horní Hanychov

V. Other Relations

The Company received payments from the Ministry of Transport for the operation of long-distance rail transport and compensation of discount fares in the amount of CZK 6,681 million in 2023. The Company made no other legal acts in the interest or at the instigation of the Controlling party or its indirectly controlled parties that would involve assets exceeding in value 10% of the Company's equity, which is in the amount of CZK 3,340 million according to the most recent financial statements as at 31 December 2022.

VI. Other Information

Confidentiality of information: Confidential information comprises information and facts that are part of 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 its controlled 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 the 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 making all reasonable efforts. The scope of the Czech Republic's controlling relations was identified using the data provided by the shareholder. The Report on Relations was submitted for review to the Supervisory Board which will provide its statement at the Company's Steering Committee.

In Prague on 19 March 2024

Michal Krapinec
Chairman of the Board of Directors
České dráhy, a.s.

Lukáš Svoboda
Member of the Board of Directors
České dráhy, a.s.

Attachment 1

The list of the directly and indirectly controlled parties from 1 January 2023 to 31 December 2023

Name of related party	Identification Number	Share of state in %	Means of control
Severočeské mlékárny a.s. Teplice	48291749	40.78	Related party directly controlled by the State
MUFIS a.s.	60196696	49	Related party directly controlled by the State
Kongresové centrum Praha, a.s.	63080249	54.35	Related party directly controlled by the State
ČEZ, a. s.	45274649	69.78	Related party directly controlled by the State
ČEZ Distribuce, a. s.	24729035	100	Related party indirectly controlled by the State through ČEZ, a. s.
ČEZ ESCO, a.s.	3592880	100	Related party indirectly controlled by the State through ČEZ, a. s.
ČEZ Prodej, a.s.	27232433	100	Related party indirectly controlled by the State through ČEZ, a. s.
ČEZ Teplárenská, a.s.	27309941	100	Related party indirectly controlled by the State through ČEZ, a. s.
MARTIA a.s.	25006754	100	Party indirectly controlled by the State through ČEZ Teplárenská, a.s.
SD – Kolejová doprava, a.s.	25438107	100	Related party indirectly controlled by the State through Severočeské doly a.s.
Severočeské doly a.s.	49901982	100	Related party indirectly controlled by the State through ČEZ, a. s.
CERBEROS s.r.o.	24237744	100	Related party indirectly controlled by the State through TelNet Holding, s.r.o.
ENESA a.s.	27382052	100	Related party indirectly controlled by the State through ČEZ ESCO, a.s.
AZ KLIMA a.s.	24772631	100	Related party indirectly controlled by the State through ČEZ ESCO, a.s.
Domat Control System s.r.o.	27189465	100	Related party indirectly controlled by the State through ČEZ ESCO, a.s.
Česká exportní banka, a.s.	63078333	84	Related party directly controlled by the State
HOLDING KLADNO, a.s. in liquidation	45144419	96.85	Related party directly controlled by the State
Exportní garanční a pojišťovací společnost, a. s.	45279314	100	Related party directly controlled by the State
ČEPRO, a.s.	60193531	100	Related party directly controlled by the State
Letiště Praha, a. s.	28244532	100	Related party directly controlled by the State
GALILEO REAL, k.s. in liquidation	26175291	100	Related party directly controlled by the State

Name of related party	Identification Number	Share of state in %	Means of control
IMOB a.s. in liquidation	60197901	100	Related party directly controlled by the State
MERO ČR, a.s.	60193468	100	Related party directly controlled by the State
PRISKO a.s.	46355901	100	Related party directly controlled by the State
THERMAL – F, a.s.	25401726	100	Related party directly controlled by the State
Výzkumný a zkušební letecký ústav, a.s.	10669	100	Related party directly controlled by the State
Ministerstvo dopravy	66003008	100	Related party directly controlled by the State
ČD – Telematika a.s.	61459445	100	Related party indirectly controlled by the State through ČD, a.s.
Výzkumný Ústav Železniční, a.s.	27257258	100	Related party indirectly controlled by the State through ČD, a.s.
DPOV, a.s.	27786331	100	Related party indirectly controlled by the State through ČD, a.s.
ČD Cargo, a.s.	28196678	100	Related party indirectly controlled by the State through ČD, a.s.
ČD – Informační Systémy, a.s.	24829871	100	Related party indirectly controlled by the State through ČD, a.s.
Dopravní vzdělávací institut, a.s.	27378225	100	Related party indirectly controlled by the State through ČD, a.s.
ČD travel, s.r.o.	27364976	51.72	Related party indirectly controlled by the State through ČD, a.s.
Smíchov Station Development, a.s.	27244164	51	Related party indirectly controlled by the State through ČD, a.s.
Žižkov Station Development, a.s.	28209915	51	Related party indirectly controlled by the State through ČD, a.s.
Masaryk Station Development, a.s.	27185842	34	Related party indirectly controlled by the State through ČD, a.s.
JLV, a.s.	45272298	38.79	Related party indirectly controlled by the State through ČD, a.s.
CR-City a.s.	26705427	34	Related party indirectly controlled by the State through ČD, a.s.
ČD Restaurant, a.s.	27881415	100	Related party indirectly controlled by the State through ČD, a.s.
RailReal a.s.	26416581	66	Related party indirectly controlled by the State through ČD, a.s.
ČD Bus a.s.	17377404	100	Related party indirectly controlled by the State through ČD, a.s.

List of Used Abbreviations

APS	Application – Automated machinist's workstation (Automatizované pracoviště strojmistra)
BNSD	Brno new station development, a.s.
OSH	Occupational safety and health
CAPEX	Investment (capital) expenditure
CAPM	Capital Asset Pricing Model
CEO	Chief Executive Officer
CER	Community of European Railway and Infrastructure Companies
ČD	České dráhy, a.s.
ČDC	ČD Cargo, a.s.
ČD–IS	ČD – Informační Systémy, a.s.
ČD–T	ČD – Telematika a.s.
CIT	International Rail Transport Committee
ČNB	Czech National Bank
CSAT	Customer Satisfaction Score
ČSN	Czech Technical Standard
CSR	Corporate Social Responsibility
ČR	Czech Republic
DISOD	Dispatcher Information System for Passenger Transport
VAT	Value Added Tax
DPOV	Vehicle Repair Workshops (Dílny pro opravy vozidel – 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
ECM	Certification – Entity in Charge of Maintenance
EEA	European Economic Area
EC	European Commission
EN	European Standard
ESG	Environmental, Social, and Governance – Taxonomy Regulation

ERTMS	European Rail Traffic Management System
ETD	Electronic Timetable Display
ETCS	European Train Control System
EU	European Union
EUROFIMA	European Company for the Financing of Railroad Rolling Stock
Ex	Express long-distance passenger train
GSM-R	Standard for wireless communication for railway applications
FTE	Forum Train Europe
GŘ	General Directorate
GDP	Gross Domestic Product
IAS	International Accounting Standard
ICT	Information and Communication Technology
IDM	Identity Management Concept
IDS	Integrated Transport System
IFRS	International Financial Reporting Standards
InfZ	Freedom of Information Act
IS	Information System
ISO	International Organization for Standardization
IS OPT	Information System for Transport Revenue Clearing
IT	Information Technology
JŘ	Timetable
KASO	Comprehensive application for turnaround configuration
KC	Competence Centres for Prospective Lines of Rolling Stock
KN	Real Estate Cadastre
KPI	Key Performance Indicators
MT	Ministry of Transport of the Czech Republic
MF	Ministry of Finance of the Czech Republic
MHD	Urban Public Transport

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
MTZ	Material and Technical Security
NAD	Replacement Bus Transport
NNŽ	Žižkov freight railway station (Nákladové nádraží Žižkov)
NSS	Supreme Administrative Court
NÚKIB	National Office for Cyber and Information Security
OCÚ	Regional Maintenance Centres
OPT	Freight Revenue Clearing House
PARIS	Sales and reservation information system
PHM	Fuel
POP	Portable personal cash register
PRIBOR	Prague Inter Bank Offered Rate
RIC	Regolamento Internazionale delle Carrozze
RSM	Regional Asset Management
SAP	ERP system
SC	Category of the Highest Quality Train (SuperCity)
SED	Approval of Electronic Documents

SJT	Single Tariff System
SOC	Security Operation Centre
SÚ	Maintenance Centre
SŽ	Railway Administration – a public organisation (Správa železnic, s.o., formerly SŽDC)
TACR	Technology Agency of the Czech Republic
TSI OPE	Technical Specifications for Interoperability – Operation and Traffic Management
TTR	Timetable Redesign Project
UIC	International Union of Railways
UNIPOK	Czech Passenger Transport Cash System
ÚOHS	Office for the Protection of Competition
UPPS	Exercise of the Right under the Transport Contract
VIM	Automated Processing of Supplier Invoices
Train-km	Train Kilometres (sum of products of number of trains and distances travelled)
VUZ	Railway Research Institute (Výzkumný Ústav Železniční, a.s.)
WACC	Weighted Average Cost of Capital
ŽKV	Railway rolling stock for passenger transport
ŽST	Railway station

Identification and Contact Information

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