České dráhy, a.s.

(*incorporated as a joint stock company under the laws of the Czech Republic*)

Legal Entity Identifier (LEI): 31570010000000034336

EUR 500,000,000 5.625 per cent. Green Notes due 2027

The issue price of the EUR 500,000,000 5.625 per cent. Green Notes due 2027 (the "**Notes**") of České dráhy, a.s. (the "**Issuer**" or "**ČD**") is 99.347 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 12 October 2027 (the "**Maturity Date**"). The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Czech Republic. The Notes may also be redeemed at the option of the Issuer, in whole or in part pursuant to Condition 7(c) (*Redemption at the option of the Issuer*) at their Make Whole Redemption Amount at any time until three months prior to their Maturity Date or at their principal amount on any date from three months prior to their Maturity Date until their Maturity Date. In addition, the holder of a Note may, by the exercise of the relevant option, require the Issuer to redeem such Note at its principal amount in the event of a Put Event (as defined in and in accordance with Condition 7). See "*Terms and Conditions of the Notes—Redemption and Purchase*".

The Notes will bear interest from 12 October 2022 at the rate of 5.625 per cent. per annum payable annually in arrear on 12 October in each year commencing on 12 October 2023. Payments on the Notes will be made in EUR without deduction for or on account of taxes imposed or levied by the Czech Republic to the extent described under "*Terms and Conditions of the Notes—Taxation*".

This Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority under Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**") as a prospectus for the purpose of giving information with regard to the issue of the Notes. The CSSF has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus nor as an endorsement of the quality of any Notes. Investors should make their own assessment as to the suitability of investing in such Notes. By approving this Prospectus, the CSSF gives no undertaking as to the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 6(4) of the Luxembourg Act dated 16 July 2019 on prospectuses for securities. Application has been made for the Notes to be admitted to listing on the official list and trading on the Luxembourg Stock Exchange's Regulated Market, which is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended, the "**Securities Act**") or any U.S. state securities laws. The Notes are being offered outside the United States by the Joint Bookrunners (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes will be in registered form in the denomination of EUR 100,000. The Notes may be held and transferred, and will be offered and sold, in the principal amount of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof. The Notes will be represented by a global registered note certificate (the "**Global Note Certificate**") registered in the name of Citibank Europe plc as nominee for, and deposited with, the common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Individual note certificates ("**Note Certificates**") evidencing holdings of Notes will only be available in certain limited circumstances. See "*Overview of Provisions Relating to the Notes in Global Form*".

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 7 onwards.

Pursuant to Czech law, the Issuer is required to withhold tax in respect of payments of Principal and Interest to Czech Tax Residents and Non-Qualifying Czech Tax Non-Residents. Beneficial Ownership Information will be required in respect of all Beneficial Owners of the Notes to grant any Tax Relief, and withholding will be applicable (without a requirement on the Issuer to gross-up such payments) if such information is not delivered to the Issuer. For more information see "*Risks relating to the withholding taxation regime in the Czech Republic*" on page 24 and the Taxation section on page 127.

The Notes will be rated Baa2 by Moody's France S.A.S. ("**Moody's**"). Moody's is established in the EEA and is registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"). As such, Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") in accordance with the EU CRA Regulation. Moody's is not established in the United Kingdom, but the ratings issued by Moody's have been endorsed by Moody's Investors Service Ltd ("**Moody's UK**") in accordance with Regulation (EC) No. 1060/2009 as it forms part of United Kingdom ("**UK**") domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK CRA Regulation**") and have not been withdrawn. Moody's UK is registered in accordance with the UK CRA Regulation and, as such, the ratings issued by Moody's may be used for regulatory purposes in the United Kingdom in accordance with the UK CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Global Coordinators and Bookrunners

ERSTE GROUP	**ING**	**UNICREDIT**

Joint Bookrunner

SOCIÉTÉ GÉNÉRALE

CORPORATE & INVESTMENT BANKING

The date of this Prospectus is 10 October 2022

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

The Issuer has confirmed to the Joint Bookrunners named under "*Subscription and Sale*" below (the "**Joint Bookrunners**") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Bookrunners.

Neither the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Joint Bookrunner) in connection with the issue and offering of the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no change, or any event reasonably likely to involve any change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been, and will not be, registered under the Securities Act or any U.S. state securities laws. The Notes are being offered outside the United States by the Joint Bookrunners in accordance with Regulation S under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**CZK**" are to the Czech Koruna, the lawful currency of the Czech Republic. References to "**billions**" are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The Notes are issued as Green Bonds

None of the Joint Bookrunners accept any responsibility for any social, environmental and sustainability assessment of the Notes or make any representation or warranty or assurance whether the Notes will meet any investor expectations or requirements regarding such "green" or similar labels. None of the Joint Bookrunners are responsible for the use of proceeds for the Notes, nor the impact or monitoring of such use of proceeds. Moody's ESG Solution has issued an independent opinion, dated 2 June 2022 (available to view on the Issuer's website at *www.ceskedrahy.cz*) (the "**Second Party Opinion**") on the Issuer's Green

Finance Framework (as defined below). The Second Party Opinion provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects of an investment in the Notes, including without limitation market price, marketability, investor preference or suitability of any security. The Second Party Opinion is a statement of opinion, not a statement of fact. The Second Party Opinion is not, nor should be deemed to be, a recommendation by the Issuer or the Joint Bookrunners or any other person to buy, sell or hold Notes. No representation or assurance is given by the Issuer or the Joint Bookrunners as to the suitability or reliability of the Second Party Opinion or any opinion or certification of any third party made available in connection with an issue of the Notes, nor is any such opinion or certification a recommendation by the Issuer or any Joint Bookrunner to buy, sell or hold Notes and is current only as of the date it was issued. As of the date of this Prospectus, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. The Second Party Opinion and any other such opinion or certification does not form part of, nor is incorporated by reference in, this Prospectus.

The Notes are intended to be, listed, and admitted to trading on the Luxembourg Green Exchange segment of the Luxembourg Stock Exchange, however, no representation or assurance is given by the Joint Bookrunners that such listing or admission will be obtained or maintained for the lifetime of the Notes.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**") or; (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

In connection with the issue of the Notes, ING Bank N.V. (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

This Prospectus contains various forward-looking statements that relate to, among others, events and trends that are subject to risks and uncertainties that could cause the actual business activities, results and financial position of the Issuer and its subsidiaries (the "**Group**") to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Issuer and its management, are intended to identify such forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Prospectus. The Issuer does not undertake any obligations publicly to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by law or applicable regulations.

When relying on forward-looking statements, investors should carefully consider the foregoing risks and uncertainties and other events, especially in light of the political, economic, social and legal environment in which the Group operates. Factors that might affect such forward looking statements include, *inter alia*, overall business and government regulatory conditions, changes in tariff and tax requirements (including tax rate changes, new tax laws and revised tax law interpretations), interest rate fluctuations and other capital market conditions, including foreign currency exchange rate fluctuations, economic and political conditions in the Czech Republic and other markets, and the timing, impact and other uncertainties of future actions. See "*Risk Factors*". The Issuer does not make any representation, warranty or prediction that the factors anticipated by such forward-looking statements will be present, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Information Sourced from Third Parties

Certain information contained in this Prospectus has been sourced from third parties including, without limitation, information published or provided by the Ministry of Transportation of the Czech Republic (the "**Ministry of Transport**"), the European Investment Bank (the "**EIB**"), Eurostat, the Union Internationale des Chemins de Fer ("**UIC**"), Trans-European Transport Network (TEN-T), Railway Infrastructure Administration (*Správa železnic, státní organizace*) ("**SŽ**") and the Czech Statistical Office (*Český statistický úřad*) which, in each case, are independent sources. Where information has been sourced from a third party, the source has been identified, the information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which could render the reproduced information inaccurate or misleading. While the Issuer believes that the information sourced from third parties, which is reproduced in this Prospectus, is reliable, the Issuer has not independently verified such information and cannot guarantee its accuracy or completeness.

References and Links to Websites

Any websites included in the Prospectus are for information purposes only and are not incorporated by reference in the Prospectus and, therefore, do not form part of the Prospectus.

IMPORTANT INFORMATION RELATING TO TAX REGIME OF THE NOTES

Pursuant to applicable provisions of Czech law, payments of Interest in respect of the Notes may be subject to Withholding Tax, and payments of Principal in respect of the Notes may be subject to Tax Security. Beneficial Ownership Information will be required in respect of all Beneficial Owners of the Notes to grant any Tax Relief, and withholding will be applicable (without a requirement on the Issuer to gross-up such payments) if such information is not delivered to the Issuer. This Prospectus describes in summary form certain Czech tax implications and procedures in connection with an investment in the Notes (see "*Risk Factors – Risks Relating to the Notes – Risks relating to the withholding taxation regime in the Czech Republic" and "Taxation"*). Investors must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.

Issuer:	České dráhy, a.s., incorporated in the Czech Republic
Legal Entity Identifier ("LEI") of the Issuer:	315700100000000034336
Joint Bookrunners:	Erste Group Bank AG, ING Bank N.V., Société Générale, UniCredit Bank AG
The Notes:	EUR 500,000,000 5.625 per cent. Green Notes due 2027
Issue Price:	99.347 per cent. of the principal amount of the Notes
Issue Date:	Expected to be on or about 12 October 2022
Maturity Date:	12 October 2027
Use of Proceeds:	The net proceeds of the issue of the Notes will be used by the Issuer to repay certain financial indebtedness of the Group, to finance capital expenditures and for general corporate purposes. The Issuer intends to allocate an amount equivalent to the net proceeds of the Notes to finance or re-finance, in whole or in part, a portfolio of eligible green assets in accordance with the use of proceeds criteria and selection process described in the Issuer's Green Finance Framework. See "*Use of Proceeds*".
Interest:	The Notes will bear interest from 12 October 2022 at a rate of 5.625 per cent. per annum payable annually in arrear on 12 October in each year commencing 12 October 2023.
Status:	The Notes are senior, unsubordinated, unconditional and (subject to the provisions of the negative pledge covenant described below) unsecured obligations of the Issuer.
Form and Denomination:	The Notes will be issued in registered form in the denomination of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof. The Global Note Certificate is to be held under the New Safekeeping Structure.
Optional Redemption:	Upon the occurrence of a Put Event (as defined in the Conditions) Notes will be redeemable at the option of the Noteholders on a date or dates specified prior to their stated maturity, as further described in Condition 7 (e) (*Redemption at the option of the Noteholder following a put event*). The Notes will also be redeemable at the option of the Issuer either at a Make Whole Redemption Amount or at their principal amount, as further described in Condition 7(c) (*Redemption at the Option of the Issuer*)
Tax Redemption:	The Notes may be redeemed at the option of the Issuer in whole, but not in part, for taxation reasons, in accordance with Condition 7(b) (*Redemption for tax reasons*).

Negative Pledge:	The terms of the Notes contain a negative pledge provision as further described in Condition 4 (*Negative Pledge*).
Cross-Acceleration:	The terms of the Notes contain a cross acceleration provision as further described in Condition 10(c) (*Cross-acceleration of Issuer or Subsidiary*).
Rating:	The Notes are expected upon issue to be rated Baa2 by Moody's. Obligations rated Baa by Moody's are considered by Moody's to be subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics. The modifier "2" indicates a mid-range ranking.
Withholding Tax:	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made free and clear of withholding taxes of the Czech Republic unless the withholding of such taxes is required by law, all as described in Condition 9 (*Taxation*).
Governing Law:	The Notes, the Agency Agreement, the Deed of Covenant (each as defined in the Conditions) and the Subscription Agreement will be governed by English law.
Listing and Trading:	Application has been made for the Notes to be admitted to listing on the official list and trading on the Luxembourg Stock Exchange's regulated market.
Clearing Systems:	Euroclear and Clearstream, Luxembourg
Selling Restrictions:	See "*Subscription and Sale*".
Risk Factors:	Investing in the Notes involves risks. See "*Risk Factors*".
Financial Information:	See "*Presentation of Financial and Other Information*", "*Selected Historical Financial and Operating Information*" and "*Information Incorporated by Reference*".

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with an investment in the Notes, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer believes may be material for the purpose of assessing the risks associated with the Notes are also described below. Additional risks and uncertainties relating to the Group that are not currently known to the Issuer, or that the Issuer currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations or financial position.

RISKS RELATED TO THE GROUP'S BUSINESS AND INDUSTRIES GENERALLY

Industry risks

The Group is exposed to competition from other providers of rail transport.

The Group is a major rail transport carrier in the Czech Republic, with ČD providing regional passenger transport pursuant to long-term contracts entered into with the individual regions of the Czech Republic (the "**Czech Regions**"), long-distance passenger rail transport pursuant to long-term contracts entered into between ČD and the Czech Republic (the "**State**") and commercial passenger transport purely on economic grounds and without any payments from the State or the Czech Regions.

In addition, ČD Cargo, a.s. ("**ČD Cargo**") has a market share of 56.38 per cent. in terms of gross tonne-kilometres for the provision of freight rail transport, as of 31 December 2021, according to data published by SŽ.[1] However, the Group's business is exposed to competitive pressures, including in the areas of pricing and service, from other operators of rail transport and from modes of transport other than rail.

A substantial part of the revenues of the Group's Passenger Transport Business, both in terms of regional transport and domestic long-distance transport, represents payments received by ČD from the **Czech Regions** and the **State**. Due to the liberalisation of the passenger transport market, the Group may fail to renew contracts between ČD and the Czech Regions for regional passenger rail transport and between ČD and the State for long-distance passenger rail transport.

Regional Passenger Transport

ČD provides regional passenger transport pursuant to long-term contracts entered into with the Czech Regions, including the city of Prague. ČD's passenger transport business is unprofitable on a stand-alone basis, as tariffs are set below economically reasonable levels to keep prices affordable for consumers. In addition to tickets sales, revenues are generated from payments received from the Czech Regions and the State acting through the Ministry of Transport. The Czech Regions provide ČD with annually agreed payments, corresponding to prices determined by ČD, for the provision of public services on a monthly or pro-rata basis (thus not limiting ČD's liquidity) under the terms and conditions set in the respective agreements concluded with individual Czech Regions. The payments received from the Czech Regions shall be equal to the estimated eligible costs, including a margin allowing a reasonable profit to be provided for the provision of regional passenger transport.

Approximately one third of the payments provided by the Czech Regions to ČD is funded by the State from the State budget pursuant to the Memorandum on Ensuring Stable Financing of Public Regional Passenger Rail Transport entered into between, among others, the State and the Czech Regions in 2009 (the "**Memorandum**"). On 9 March 2016, the government of the Czech Republic (the "**Government**") approved a resolution outlining the funding mechanism for the Czech Regions and their respective regional passenger rail transport for the period between 2020 and 2034. The approved document retains the previous

1 Source: SŽ statistics as of 31 December 2021, gross ton kilometre values used.

funding mechanism. As such, the Czech Regions continue to receive the same amount from the State budget as before, adjusted for inflation. Due to the high density of the network and low occupancy rates, regional rail transport is, to a large extent, dependent on these payments.

As most of the long-term contracts governing regional passenger transport expired on 14 December 2019, the Czech Regions entered into new contracts governing passenger transport beginning as of 15 December 2019. As of the date of this Prospectus, ČD is a party to 36 contracts with the Czech Regions the vast majority of which were implemented under the so-called market consultation and subsequent direct award. Based on the agreements with the Czech Regions which are in place as of the date of this Prospectus, ČD expects to obtain a total output of up to 81.8 million train-kilometres in 2022. This would represent a decrease by approximately 1.3 per cent. compared to ČD's total output in the regional transport in 2021. However, there is no guarantee that ČD will obtain such transport volume in the future as the existing agreements allow the Czech Regions to, subject to the limitations set out in the respective agreements, to decrease the ordered transport volume.

Under the terms of certain agreements with the Czech Regions, ČD bears the risk of a decrease of the revenues from the ticket sales. Under such agreements, if the revenues from the ticket sales decrease, the payments received from the Czech Regions will not be adequately increased, which might result in ČD being obliged to operate certain lines at a loss.

When the existing contracts expire, ČD may not be successful in obtaining new contracts either through direct orders from the Czech Regions, or through public tenders. As from 2023, direct orders will be permitted by EU legislation only in limited circumstances, subject to strict contractual requirements for service quality, frequency, and capacity. After a ten-year transition period, direct orders will no longer be permitted by EU legislation and contracts will be awarded only through public tenders. ČD's competitors in these public tenders may include Czech low-cost passenger rail operators, such as RegioJet a.s. ("**RegioJet**"), Leo Express Global a.s. ("**LEO Express**") and GW Train Regio a.s. ("**GW Train**") as well as Arriva, a subsidiary of Deutsche Bahn. As such, there can be no guarantee that ČD will be able to renew its current contracts in the future. The Group also cannot guarantee that any renewal of contracts or new contracts for the provision of regional passenger rail transport will be on substantially the same terms or for the same scope of services as currently provided. Any of these risks could have a material adverse impact on the Group's business, results of operations, financial condition, cash flows and prospects.

Domestic Long-distance Passenger Transport

ČD provides long-distance passenger rail transport pursuant to long-term contracts entered into between ČD and the State. The State provides ČD through the Ministry of Transport with payments for the provision of public services under the similar terms and conditions as the contracts governing regional passenger transport. Most of the long-term contracts entered into between ČD and the State, acting through the Ministry of Transport, regarding the provision of long-distance transport services, were concluded in 2019 for a period of up to ten years, expiring gradually until 2030. These include 21 long-distance lines, including the international lines Prague – Berlin, Prague – Vienna, and Prague – Bratislava – Budapest, which are operated by ČD.

Since 2020, the Ministry of Transport has had to conclude new contracts with railway transport operators on a competitive basis. The Group cannot provide any assurance that it will be awarded any contracts tendered in the future or that any renewal of existing contracts or new contracts will be on substantially the same terms or for the same scope of services as currently provided. ČD's competitors in these public tenders may include Czech low-cost passenger rail operators, such as RegioJet, LEO Express and Arriva, as well as significant passenger rail operators from neighbouring countries, such as German Deutsche Bahn and Austrian ÖBB. Should ČD not be awarded some or all tendered contracts, this may have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

Commercial Passenger Transport

Commercial passenger transport is undertaken by ČD and other passenger rail operators on commercial routes purely on economic grounds and without any payments from the State or the Czech Regions. As of the date of this Prospectus, the Prague-Ostrava-Košice route is the only non-regulated commercial route in the Czech Republic. As a result, this line is characterised by high levels of competition. ČD's two main local competitors, LEO Express and RegioJet, have significantly increased the level of service provided to customers on this line since the commencement of their operations in 2012 and 2011, respectively. Should

ČD fail to effectively respond to competition from the existing or new passenger rail operators on any commercial route, it may not be able to maintain its market share. This could have a material adverse impact on the Group's business, results of operations, financial condition, cash flows and prospects.

Freight Transport Business

ČD Cargo competes against other companies that provide rail freight transport, truck freight transport and, to a smaller extent, ship carriers and providers of tube transport systems. The European rail freight transport business is highly concentrated and ČD Cargo's ability to efficiently compete with other rail freight operators, in particular those in other neighbouring countries, depends on ČD Cargo's ability to provide its customers with reliable services under commercially attractive terms. Should ČD Cargo's competitors develop any technological or other business advantage or should ČD Cargo lose a significant business or customer to a competitor, this could have a material impact on the Group's Freight Transport Business' market share and, as a result, on the Group's business, results of operations, financial condition, cash flows and prospects.

Business risks

The Group is exposed to risks associated with the global coronavirus pandemic and with the spread of pandemic diseases generally.

The outbreak of the COVID-19 pandemic together with measures aimed at mitigating the further spread of COVID-19, such as restrictions on travel, imposition of quarantines, border closures, prolonged closures of workplaces, curfews and other social distancing measures, have had a significant adverse effect on the global economy, international financial markets and the Group's business.

In early 2020, many countries around the world, including the Czech Republic, Germany, Austria, Slovakia and Hungary, implemented significant lockdown or curfew measures in the spring of 2020, the autumn of 2020 and again in the spring of 2021 due to successive waves of COVID-19. These and similar social distancing measures, such as cancelling public events, closing restaurants and shops and restricting the movement and gathering of people, were implemented to slow the spread of COVID-19. As a result, demand for both passenger and freight transport dropped significantly, thereby materially adversely affecting the Group's operations.

In the years ended 31 December 2021 and 2020, ČD transported 120.7 million and 117.7 million passengers, respectively, representing a 34 per cent. and 35 per cent. year-on-year decrease compared to the pre-pandemic levels in 2019. The drop was most significant in international passenger transport, which transported 59 per cent. and 66 per cent. fewer passengers in the year ended 31 December 2021 and 2020, respectively, compared to the year ended 31 December 2019. In passenger transport, the situation was exacerbated due to the fact that to maintain the basic transportation services, ČD had to continue operating most of its passenger trains, albeit at significantly lower occupancy rates. These trains were operated at a loss as their operating costs were not covered by ticket sales. At the same time, the Group had to incur additional expenses to combat the spread of COVID-19, including disinfection, ozonation and interior treatment by spraying with nanotechnology. The reduction of passenger mobility also negatively affected the sale of supplementary services, such as on-board restaurant and refreshment services.

In the years ended 31 December 2021 and 2020, ČD Cargo transported 62.8 million and 61 million tons of cargo, representing a 3 per cent. and 6 per cent. year-on-year decrease compared to the pre-pandemic levels in 2019. ČD Cargo's decline in performance fully corresponded with the economic development of the relevant industries and the restriction on import and export to and from China and throughout Europe. As a result of the above, ČD Cargo recorded a profit of CZK 126 million and profit of CZK 247 million in the six months ended 30 June 2022 and 2021, respectively. In the years ended 31 December 2021 and 2020 ČD Cargo recorded a profit of CZK 290 million and loss of CZK 384 million, respectively.

Although, as of the date of this Prospectus, most of the restrictions aimed at mitigating the further spread of COVID-19 have been lifted, the Group cannot guarantee that such measures would not be imposed again in the future with another wave of the COVID-19 pandemic or any pandemic generally. The materialisation of this risks could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to commodity price risk.

Purchases of fuel (diesel) and electricity represented around 13.4 per cent. of the Group's costs of services, raw material and energy for the six months ended 30 June 2022. For the year ended 31 December 2021 the purchases of fuel (diesel) and electricity represented around 23 per cent. of the Group's costs of services, raw material and energy for the year ended 31 December 2021, as compared to 23.5 per cent. for the year ended 31 December 2020. The Group is therefore exposed to commodity price risk, mainly as a result of fuel and electricity usage. The price of fuel and electricity can be volatile as their prices and supply levels can be influenced significantly by international, political and economic circumstances. More recently, the Brent crude oil spot price increased from EUR 42.21 as of 31 December 2020 to EUR 69.48 as of 31 December 2021 and to EUR 96.43 as of 31 August 2022.[2] Similarly, the fixed annual price of electricity paid by ČD increased from EUR 89.2 per MWh as of 31 December 2020 to EUR 90.93 per MWh as of 31 December 2021. During the course of 2022, the European electricity market continued to experience a price surge and volatility, with the baseload year-ahead power prices briefly exceeding EUR 1,000 per MWh in August. Further price increase of both commodities may be expected in response to, in particular, the conflict between Ukraine and Russia and the associated sanctions imposed on Russia and certain Russian companies and entities, including producers of oil and gas. See "*—The Group may be negatively affected by the current conflict between Ukraine and Russia.*"

The Group manages the commodity price risk using a combination of the following instruments so as not to exceed the open risk position limit set by the Risk Management Committee and approved by the Board of Directors: (i) entering into mid-term derivatives for the purchase of fuel; (ii) in the event the price of fuel and electricity increases by more than 10 per cent., the Group may request the Czech Regions and the State to increase the payments for the provision of passenger transport services pursuant to long-term contracts; and (iii) annually negotiating a fixed price of electricity from the relevant supplier for the following calendar year. As of the date of this Prospectus, the Group considers to request the Czech Regions and the State to increase the payments under point (ii) above.

As of the date of this Prospectus, ČD Cargo has hedging contracts covering 50 per cent. of its total expected consumption of diesel in 2022. However, the Group may incur losses if any of the variety of instruments and strategies used to hedge exposures are not effective or cannot be implemented. See "*—Risks related to the Group's financial profile—The Group's hedging strategy may not prove successful or its hedge counterparties may not perform their obligations under the relevant hedging arrangements to which the Group is a party*".

As for electricity, both ČD and ČD Cargo have agreed on a fixed price for which they will purchase electricity for the remainder of the year 2022. See "*Description of the Issuer—Material Contracts*". Once these contracts expire, there is no guarantee that the Group will be able to renew them or enter into new contracts on similar terms. Accordingly, there is a risk that the Group's electricity costs may increase in the future and the Group will not be able to pass these costs onto its customers and offset them by the corresponding increase in the payments for the provision of passenger transport services pursuant to long-term contracts with the State and the Czech Regions.

In addition, the availability of fuel or energy can be subject to limitations on their supply, including due to cancellations or limitations on extraction or import of gas or other commodities, outages or limitations on power production or refinery production, damaged transmission infrastructure, laws (which may or may not come into effect) political uprisings or wars, such as the conflict between Ukraine and Russia and the associated sanctions imposed on Russia and certain Russian companies and entities, including producers of oil and gas, or other means stipulating mandatory allocation or contribution systems of such supplies.

The Group may become subject to increasing competition from providers of other modes of transport, primarily bus, car and air transport, in the passenger transport market and, in the freight transport market, trucks and, to a limited extent, ship carriers. The reduction in oil prices in recent years has led to lower costs for these modes of transport and thus increased their attractiveness relative to railway transport. If the price of oil further decreases or stays on relatively low levels, customer interest in railway transport might decrease and render railway transport less attractive in general. This could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

2 The Brent crude oil spot prices were converted at the USD-EUR exchange rate applicable on the relevant date.

The materialisation of the above risks could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to operational risks, as well as natural disasters, extreme weather conditions, human error and sabotage.

The Group is exposed to the risk of operational incidents. Certain operational incidents are outside the Group's control, which may cause delays or interruptions in the Group's operations, increase capital expenditures and harm the Group's business and reputation. For instance, the Group's operations as well as the railway systems on which the Group operates may be adversely affected by many factors, including a breakdown or failure of equipment, natural disasters and extreme weather conditions, human error or sabotage. Any physical damage to the railway system, the related infrastructure or the Group's facilities and assets may be costly to repair and any outages may cause the Group to lose revenues due to its inability to provide transport services in accordance with existing contracts with its customers.

Further, an accident, derailment or other incident involving the Group's railway operations could result in damage or loss to the Group's property, rolling stock and also disrupt the Group's services and give rise to potential claims by its customers, mainly passengers and freight shippers. For example, in the five years prior to the date of this Prospectus, trains operated by the Group were involved in the following major accidents:

- a derailment of a ČD passenger train near Hlinsko in 2022, which was caused by a tree that fell onto the railroad, resulting in damages of approximately CZK 2 million;
- a collision of a ČD international express train with another train at a railroad near Milavče in 2021, which resulted in three casualties and damages of over CZK 100 million;
- a collision of a ČD Cargo train with another train near Světec in 2021, which resulted in one casualty and damages of approximately CZK 50 million;
- a collision of a ČD passenger train with a truck on a railroad crossing in Rožná na Žďársku in 2021, resulting in damages of approximately CZK 32.5 million; and
- a collision of a ČD Pendolino high speed train with another train in the town of Bohumín on 27 June 2022, which resulted in one fatality and several people being injured. The extent of potential damages is under review and is subject to change, but is currently estimated to be in the region of approximately CZK 200 to 300 million.

Any operational or other safety incident involving harm to any person, loss of life or significant damage to property or assets exposes the Group to financial risk including personal injury claims and other liability claims and criminal proceedings, as well as the possibility that its operations may be suspended or terminated. In the event of a serious accident involving passengers, the Group may also need to provide additional assistance to the affected passengers, in excess of any reimbursement from insurance payments.

Any of the above events could have a material adverse impact on the Group's reputation and the attractiveness of its services in the future. An adverse change in the perception of the Group's safety record could result in customers switching to other means of transport, to other rail transport providers or, due to public pressure, force the Government to divest some of the Group's operations to third-party operators. As a carrier and operator of rolling stock with a relatively high average age, the Group may also be responsible for spillage or leakage from its rolling stock that may be transporting environmentally sensitive materials, the cost of which may exceed any reimbursement received from relevant insurance.

The materialisation of any of the above risks could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is subject to legal proceedings.

The Group is involved in several material legal proceedings and in proceedings by Czech regulatory agencies (see "*Description of the Issuer—Disputes*" for a detailed description of all material proceedings).

Adverse monetary awards, judgments in litigation or arbitral proceedings, individually or in aggregate, could have a material adverse effect on the Group's business, results of operations or financial condition.

Further, such judgments or decisions might include restrictions on the Group's ability to conduct business, which could increase the cost of doing business and limit the Group's prospects for future growth. In addition, any potential loss in litigation or arbitral proceedings may result in negative publicity for the Group and damage its reputation.

As of 30 June 2022 the Group maintained provisions in relation to legal, regulatory and administrative proceedings in the amount of CZK 1.708 billion and a provision for a damage caused by a fire in Bohumín in the amount of CZK 500 million. However, the Group has not recorded provisions in respect of all legal, regulatory and administrative proceedings to which the Group is a party or to which it may become a party. In particular, the Group has not recorded provisions in cases in which the outcome is unquantifiable or the Group currently expects to be ruled in its favour. Additionally, the Group may not record provisions for the full amount of the claim, but rather for its estimate of the likely outcome. As a result, the Group cannot give any assurance that its provisions will be adequate to cover all amounts payable in connection with any such proceedings. The Group's failure to quantify sufficient provisions or to assess the likely outcome of any proceedings could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is unable to or may not insure itself against all potential risks and may become subject to higher insurance premiums.

The Group maintains a comprehensive set of insurance policies to cover those risks that it believes to be common in the area of its key activities. The Group does not maintain insurance in relation to damages to its train units. The Group's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations, and the Group will only receive insurance proceeds in respect of a claim made to the extent that its insurers have the funds to make payment. In addition, the Group's operations may be affected by a number of risks for which full insurance cover is either not available or not available on commercially reasonable terms. The Group cannot assure investors that its insurance coverage will be sufficient to cover losses arising from any, or all, of such risks, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

Should an incident occur in relation to which the Group has no insurance coverage or inadequate insurance coverage, the Group could lose the capital invested in, and anticipated future revenue relating to, any asset that is damaged or destroyed and, in certain cases, the Group may remain liable for financial obligations related to the impacted asset. Similarly, in the event that any assessments are made against the Group in excess of any related insurance coverage that it may maintain, its assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group's business requires significant capital expenditures.

Modernisation of rolling stock requires significant capital expenditures. According to its current investment plan, the Group plans to invest more than CZK 88 billion (EUR 3.5 billion) in renewal and modernisation of its fleet during the period between 2022 and 2026. See "*Description of the Issuer—Passenger Transport Business*" and "*Description of the Issuer—Freight Transport Business*" for a description of the Group's investment into modernisation of its rolling stock. The Group cannot guarantee that it will generate sufficient cash flows in the future or that it will be able to raise funds at commercially reasonable rates to be able to meet its capital expenditure needs, sustain its operations, or meet its other capital requirements as and when they arise. Additionally, changes in the legal framework, delays in supply of such equipment and subsequent delays in putting newly acquired equipment into operation may have adverse effects on the Group's ability to fulfil the scope of services pursuant to contracts with third parties in relation to passenger or freight transport and could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects. Such changes may also harm the Group's ability to compete in tenders for both passenger and cargo services.

The Group's transport services and their quality are dependent on the quality of the railway systems on which it operates and on timetables established by SŽ in cooperation with ČD and other rail transport providers.

The transport services the Group provides, and their quality, are dependent on the quality of the railway systems on which the Group operates, primarily the Czech railway system. Any closures or extensive reconstructions could disrupt the Group's operations, limit its services, cause delays and force the Group to use alternative and longer routes or use substitute bus transport, which could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

For example, in 2021, the Issuer incurred extraordinary expenditures of CZK 659 million related to temporary closures of the railways due to construction works carried out by SŽ. These costs mainly comprised the costs of the provision of substitute bus transport, overtime costs and compensations for delays. Out of those expenditures, CZK 479 million has been compensated by SŽ, resulting in a net expense for the Group in the amount of CZK 180 million.

Further, the ability of the Group to provide rail transport services is to a large extent dependent on timetables established between SŽ and rail transport providers. Adverse changes in SŽ's financial stability may have a material adverse impact on the Group's ability to provide adequate quality of service, which in turn may increase operation costs or inefficiencies. This could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

Loss of some major customers of ČD Cargo could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

ČD Cargo's business depends to a certain extent on a number of major customers. In the year ended 31 December 2021, 69 per cent. of ČD Cargo's revenues were derived from its top 20 customers, most of which operate in the mining, metallurgy, power, chemical, automotive and intermodal transport industries. As a result, it is critical that ČD Cargo maintains close relationships with its major clients.

The loss of one or more of ČD Cargo's major customers, a substantial decrease in demand from any of its major customers or counter party risk associated with any of these customers could result in a substantial loss of revenues, which could, in turn, have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

Furthermore, ČD Cargo may be exposed to a credit risk relating to the non-payment or non-performance by customers with respect to trade receivables. The failure of its customers to perform their obligations or the possibility that they may terminate their agreements with ČD Cargo could result in ČD Cargo being unable to meet its working capital requirements. Financial difficulties experienced by customers, including bankruptcies, restructurings and liquidations, or potential financial weakness in the industry, which may be further exacerbated during a period of economic downturn or weaker economic conditions, increase this risk. A failure of customers to pay any material due amounts to ČD Cargo could have a materially adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

ČD Cargo is exposed to fluctuations in demand for certain commodities and to trends in the industries that use these commodities.

ČD Cargo's operations consist mainly of the transport of commodities, including iron and machine industry products, construction materials, chemical products and liquid fuels, wood and paper products, foods and farming products, coal and automotive, but also combined transport and transport of other shipments, including extraordinary cargo.

In 2021, the largest year-on-year sales overruns were achieved in iron and engineering products, wood and paper products, chemical products, liquid fuels and coal. The results for iron and industrial products reflected the boom in increased demand for the transport of metallurgical products and increased shipments of iron ore. The volume of construction materials transported also increased as a result of an active commercial policy and also an increase in demand for limestone transports as a consequence of the favourable trend in metallurgy and energy sectors. ČD Cargo also experienced great demand for coal transportation to power and heating plants, which reflected the situation in the energy market as power and gas prices were very high. On the other hand, the largest decline in ČD Cargo's sales was in automotive transport due to shortage of electronic components for the production associated with COVID-19 pandemic outbreak. Further, ČD Cargo's combined transport remained influenced by COVID-19 pandemic and its sales were indirectly affected by the grounding of Ever Given ship in Suez Canal, which impacted the railway transport.

As a result, ČD Cargo's revenues and results of operations are dependent on the demand for these commodities, which is directly linked to any trends or changes in the industries that use these commodities and in the economy as a whole. Fluctuations in demand due to any of the foregoing may affect the volume of the commodities being transported. Any significant deterioration in any of these industries could have a material adverse effect on the Group’s business, results of operations, financial condition, cash flows and prospects.

The Group may be negatively affected by the current conflict between Ukraine and Russia.

Following the invasion of Ukraine, the United States, the EU, the UK, Switzerland, Canada, Japan, Australia among other countries imposed sanctions against Russia, Belarus and certain Russian and Belarussian companies and institutions. As a result of the conflict and the associated sanctions, the Group’s transport volumes to and from Russia and Belarus are likely to decrease, thereby negatively affecting the Group’s business. In addition, the commodities transport industry is expected to be adversely affected by the current commodities shortages arising from export disruptions in Ukraine, Belarus and Russia. In the years ended 31 December 2021 and 2020, the freight routes operated by ČD Cargo to and from Ukraine, Belarus and Russia generated approximately 5 and 4 per cent. of the revenues of the Group’s Freight Transport Business, respectively. The disruption of exports to and imports from Ukraine, Belarus and Russia may adversely affect the performance of the Group’s Freight Transport Business. Any widespread disruptions may also adversely affect other economic sectors and, as a such, further decrease the demand for railway transport across Europe.

In addition, in February 2022, the Group announced that its wholly-owned subsidiary Výzkumný Ústav Železniční, a.s. (“**VUZ**”) will cease to provide services to Russian and Belarussian customers. In the years ended 31 December 2021 and 2020, the customers from Russia and Belarus accounted for approximately 0.1 and 0.4 per cent. of the revenues of the Group’s Certification and Testing Business.

The materialisation of the above risks could negatively affect global macroeconomic condition and the economy and could have a material negative effect on the Group’s business, results of operations, financial condition, cash flows and prospects.

The Group may be adversely affected by the nature of its contracts with suppliers.

Suppliers who provide goods or services to the Group need to fulfil certain specific technical requirements stemming from the specific nature of the Group’s business, as well as the applicable regulations and the Group’s internal rules. This limits the number of eligible suppliers and restricts the Group’s choices and competitiveness among suppliers. The Group is particularly dependent on certain suppliers of rolling stock, repair and maintenance services, and IT. Any changes in relation to the abovementioned technical requirements may cause a decrease in the number of suppliers the Group can choose between, an increase in prices, shortages in supply or delays, which could have a material adverse effect on the Group’s business, results of operations, financial condition, cash flows and prospects.

An increase in costs incurred in relation to using the rail network poses risks to the Group.

ČD and ČD Cargo, as well as other rail transport providers in the Czech Republic, incur costs payable to SŽ for the usage of the rail network. These costs, expressed as a maximum price per unit, are set by SŽ following an assessment by the Ministry of Transport. The costs payable to SŽ for the usage of the rail network in 2021 and 2020 amounted to CZK 2,666 million and CZK 2,493 million and payments for the infrastructure capacity allocation, which are integral part of these costs, in 2021 and 2020 amounted to CZK 110 million and CZK 85 million, respectively. Any increases in the amount to be paid to SŽ, not accompanied by equivalent pro-rated compensation from parties using the public rail service, would have an adverse impact on the Group. In the case of cessation of business by SŽ, any potential negotiations or standstills with its successor may pose risks to the Group and as a result may have a material adverse effect on the Group’s business, results of operations, financial condition, cash flows and prospects.

The Group relies on advanced IT systems and technology to operate its business and any failure of these systems could have an adverse effect on its business.

The Group relies on advanced IT systems and technologies for coordination of scheduling, dispatching and other aspects of its railway operations, such as accounting, ticket sales for passenger trains, tracking of freight deliveries and numerous other functions. There is a risk that such technology could fail. Hardware and software used by the Group may be damaged by human error, natural disasters, power loss, sabotage, computer viruses and other internal or external events. Significant disruption to information systems, including computer hardware, software or communication devices, may lead to operation stoppages, breach of security policies or other problems that may have an adverse effect on the Group. The Group has in place disaster recovery procedures, security measures, support and maintenance, usually provided in-house in the first instance and thereafter by third party contractors, in the event of failure or disruption, but such procedures and measures may not anticipate, prevent or mitigate any material adverse effect of such failure or disruption on the Group's business, results of operations, financial condition, cash flows and prospects.

Furthermore, the Group may at any time be required to expend significant capital or other resources to protect against failure and disruption, including the replacement or upgrading of its existing business continuity systems, procedures and security measures. If replacements, expansions, upgrades and other maintenance are not completed efficiently or there are operational failures, the quality of service experienced by passengers or clients may decline. If, as a result, passengers or clients were to reduce or stop their use of the Group's services, this could have a material adverse effect on the Group's business, financial condition and results of operations. Additionally, if the Group is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to cyber risk and other unauthorised access of its internal and customer data.

The scale of the Group's business and nature of its operations requires the Group to receive, process and store confidential information about its customers, employees and counterparties, all of which needs to be safeguarded against loss, mismanagement or unauthorised disclosure. Despite the Group's security measures and data protection mechanisms, its information technology and infrastructure may be vulnerable to cyberattacks by hackers or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise the Group's networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could damage the Group's reputation and result in regulatory sanctions and other liability for breach of data protection laws. Such breach may, among other things, result in significant fines under applicable data protection laws (see "*—Non-compliance with the General Data Protection Regulation (GDPR), or stricter interpretation of the existing requirements or future modifications of the data protection laws, could have a negative impact on the Group's business, financial condition, results of operations, cash flows and prospects.*"). Cyber attacks could also result in the loss of internal communication or communication with the Group's customers and business partners, which may result in reduced productivity and a loss of revenues. In addition, it could cause the Group's service to be perceived as not being safe, thereby harming the Group's reputation and deterring current and potential customers from using the Group's services. Cyber attacks may also prevent the Group from discharging its contractual or regulatory obligations.

In March 2021, the cyber hackers unsuccessfully attempted to attack ČD and SŽ's computer systems. These efforts to disable these systems were resisted and did not threaten safety on the railway. Furthermore, in April 2022, the National Cyber and Information Security Agency (NÚKIB) announced that some of the government's and state organisation websites, including ČD's had been the subjected of so called "DDoS" cyber attacks. These attacks led into temporary lack of access of users to the ČD website, including the inability to use ČD's mobile application "My Train". In both of these cases, due to strong cybersecurity measures and data protection mechanisms, there were no serious consequences, nor was there any leakage of information or stealing of private data of the Group's customers.

The materialisation of any of these risks could cause the Group to incur substantial additional costs, become subject to litigation, enforcement actions or regulatory investigations, and therefore could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The success of the Group's operations depends to a large extent on highly qualified personnel and the ability to attract and retain key managers or senior executives, as well as sufficiently skilled labour force.

The Group's business requires specific knowledge of the industry and the Group's ability to maintain its competitive position and to implement its business strategy is thus largely dependent on its ability to retain key managers, such as the members of the Board of Directors (as defined in "*Management*") and other personnel with significant industry knowledge and experience, and on the ability to attract and retain additional qualified personnel. Due to a limited availability of personnel with sufficient knowledge and expertise, such as train operators, train conductors, train mechanics and IT specialists, and increased competition in the market for such employees, the hiring of new employees or replacing existing employees may require additional time and resources. Any loss of personnel or the inability to attract additional personnel with the necessary experience, for instance as a result of labour shortages or low unemployment rates, could hinder the Group's ability to recruit and retain qualified employees. This may lead the Group to increase its levels of compensation to remain competitive and increase its costs of recruiting and training personnel, which could have a material adverse effect on the Group's operating costs, market position and ability to execute strategic goals, and therefore on its business, results of operations, financial condition, cash flows and prospects.

The Group depends on good relations with its workforce and any significant disruption or industrial action triggered by the labour unions or third parties could adversely affect the Group's operations.

The majority of the Group's employees are unionised and possess certain bargaining and other rights. These employment rights may require the Group to spend substantial time and resources on altering or amending employees' terms of employment or making staff reductions. If the Group is unable to maintain good relationships with its workforce or to reduce its workforce without violating the terms of any applicable collective bargaining agreements, while also retaining qualified personnel required to effectively operate its business, the Group could experience a labour disturbance, which could have a material adverse effect on its ability to maintain its current market position or execute its strategic goals.

Further, the Group's employees may cease or suspend working in the event of industrial action and newly negotiated terms may be put in place as a result of such industrial action. This could harm the Group's operations and significantly increase its costs mainly in relation to healthcare costs and compensation. Any increase in the Group's costs, which is not accompanied by commensurate increases in efficiency and productivity, could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group may not be successful in securing certain subsidies.

The market in which the Group operates may from time to time receive subsidies provided under various policies at the EU or national level. The Group regularly aims to receive subsidies under various EU and national policies, such as subsidies for acquisition or modernisation of rolling stock, energy saving projects and equipment of rolling stock with the European Train Control System (the "**ETCS**").

In particular, during 2010 and 2021, the Group was awarded more than CZK 7.6 billion in grants under 19 subsidy project plans from the regional operating funds' subsidies provided by the EU under the Regional Operating Programmes for the acquisition of new electric and diesel multiple units for regional passenger transport and modernisation of the Group's rolling stock. In the year ended 31 December 2021, the Group received a commitment of investment subsidies from the Ministry of Transport in the amount of CZK 398 million for the electric-powered trains in the Pilsen and Karlovy Vary regions and in the amount of CZK 120 million for the units of 440 series. In the same year, the Group also reported the grant from the Ministry of Transport in the amount of CZK 510 million as a decrease in the acquisition value of fixed assets, ČD Cargo received a subsidy in the amount of CZK 19 million for the fitting of LL so called "silent" brake blocks and partially used the grant advance received for the implementation of the ETCS for equipped locomotives, in the total amount of CZK 342 million.

Such subsidies could, if awarded, benefit the Group's business, results of operations and financial condition. However, there can be no assurance that the Group will be successful in receiving any subsidy. Any such subsidy, for which the Group applies, may be granted to the Group's competitors, which may result in the Group's disadvantageous competitive position. Moreover, national authorities may be unable to implement the respective measures in order to provide the subsidies as intended by the respective EU or national policies, for example due to budgeting constraints. In order to apply for subsidies, EU or national authorities may also impose conditions that are unfair, unpredictable or otherwise disadvantageous for the relevant Group's operating subsidiary. There is also no assurance that the Group will fulfil the relevant conditions to receive any subsidy. In any of the foregoing events, it is possible that the Group's competitors will be successful in such a programme and gain a competitive advantage. A failure of the Group to obtain, or success of the Group's competitors in obtaining, subsidies may negatively affect the Group's business, results of operations, financial condition, cash flows and prospects.

The Group may fail to successfully implement its business strategy.

The financial performance and success of the Group depends in large part on its ability to successfully implement its business strategy. As of the date of this Prospectus, the Group plans to primarily focus on continued optimisation within the Group, further cost reductions and maintenance of conservative financial policy, sustainability, which includes improvement of its environmental footprint by the way of renewal and modernisation of its rolling stock and possible expansion in cross-border and near-border railway transport in neighbouring countries. However, implementation of these strategic objectives may be costly, time-consuming and, if implemented incorrectly, may jeopardise the achievement of qualitative or quantitative targets. There is no guarantee that the Group will be able to successfully implement its business strategy, realise any benefit from the same or be able to improve its results of operations. Implementation of the Group's business strategy could be affected by a number of factors beyond the Group's control, such as increased competition, consumer behaviour, legal and regulatory developments, general economic conditions or an increase in operating costs. Any failure to successfully implement the Group's business strategy could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group participates and may in the future participate in joint ventures in which the Group owns less than a majority of voting rights or which the Group does not manage or otherwise control, which entails certain risks, and the Group may enter into further such arrangements in the future.

The Group has entered into, and may in the future enter into, certain joint venture arrangements in which the Group owns less than a majority of voting rights or which the Group does not manage or otherwise control, and may from time to time enter into arrangements in which minority holders will be granted protective rights. For instance, the Issuer participates in a joint venture with the Czech investment group Penta, which owns a 66 per cent. ownership interest in Masaryk Station Development, a.s. ("**MSD**"). Similarly, the Issuer owns a 38.79 per cent. ownership interest in JLV, a.s. ("**JLV**") and a 51 per cent. ownership interest in Žižkov Station Development, a.s. ("**ŽSD**") and Smíchov Station Development, a.s. ("**SSD**"). In ŽSD and SSD, the Czech investment group Sekyra Group as the minority shareholder has been granted some protective rights. In such cases, the Group depends on the approval of joint venture partners for certain matters or may also depend of the joint venture partners to operate the relevant entities. The approval of such partners may also be required for the Group to receive distributions of funds from the projects or entities or to transfer the Group's interest in projects or entities. Any occurrence of these risks could have an adverse effect on the success of the joint venture arrangement or on the Group's interest therein and, in turn, on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group may not be successful in selling any or all of its non-core assets.

Because the Group owns significant non-core assets, the maintenance of which is costly to the Group, it intends to continue to streamline its asset base by selling some of these non-core assets to SŽ as well as to private investors, such as individuals, companies and municipalities. This process commenced in 2008 and has included the sale of non-core buildings (administration buildings, workshops, garages, warehouses) and non-core land plots predominantly surrounding railway stations. In the ongoing last phase commenced in 2015, which is expected to unfold over the following 15 years, ČD aims to sell primarily smaller buildings and land plots. The Group cannot guarantee that it will be able to sell any of the non-core assets as and when expected or at all, or that it will able to sell them under favourable conditions. This could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

If the Group fails to continue to maintain an effective system of internal controls over financial reporting, the Group may not be able to report financial results accurately or prevent fraud or other unfavourable transactions.

The Group has taken reasonable steps to maintain and further develop adequate procedures, systems and controls to enable it to comply with its legal, regulatory and contractual obligations, including with regard to financial reporting, which it evaluates periodically. Any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. The Group's integrated information systems only cover some of its subsidiaries, while the remaining subsidiaries have their own accounting platform and accounting methodologies. The Group's operating subsidiaries prepare separate financial statements under the applicable local accounting standards for statutory purposes and part of the IFRS financial statements consolidation process is manual. It involves the transformation of the statutory financial statements of the Group's subsidiaries into IFRS financial statements through accounting adjustments and a consolidation of all entities' financial statements using the Group's accounting policies. This process is complicated and time consuming and involves significant manual intervention, all of which increases the possibility of error. Any failure to maintain an adequate system of internal controls, to successfully implement any changes to such system or to be able to produce accurate financial information on a timely basis could increase the Group's operating costs and materially impair its ability to operate business, any of which could materially and adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to risks arising from attempted terrorist activities and other acts of violence.

Potential terrorist acts or similar events, war or conflict, the threat of war or conflict or the reaction of the Czech Republic to such acts or events, could significantly disrupt the Group's activities. For instance, actual or attempted terrorist acts and the public's concerns about potential attacks could adversely affect demand for the Group's services. There has been one terrorist attack in the Czech Republic, where a tree cut down by an individual fell on the railway tracks and caused the train to derail. In the recent years there have been several false reports of bomb placements in trains or train stations. Furthermore, there have been multiple acts of terrorism on public transport systems and other terrorist attacks in Europe that whilst not directly targeting public transport, have discouraged travel. As a result of actual or attempted terrorist activities or other acts of violence, governmental authorities may mandate security procedures in addition to those currently employed by the Group, thereby increasing the Group's costs. Given the Group's size and activities, the Group is considered as a strategic asset to the Czech Republic and thus the Group could be targeted during conflicts or could be used by the Czech Republic in response to such attacks. The materialisation of any of these risks could have a material adverse impact on the Group's business, results of operations, financial condition, cash flows and prospects.

Risks related to the Group's financial profile

The Group's substantial leverage and debt service obligations could adversely affect its business and prevent it from fulfilling its obligations with respect to its indebtedness and from obtaining sufficient funding for investments in its assets and their maintenance.

The Group has a substantial amount of outstanding indebtedness. As of 30 June 2022 and 31 December 2021, the Group had total loans, borrowings and lease liabilities of CZK 59,590 million and CZK 48,299 million, respectively.

The level of the Group's indebtedness could have important consequences, including, but not limited to:

(i) limiting the Group's ability to obtain sufficient funding to make crucial investments into the purchase or maintenance of essential assets, primarily rolling stock. This may result in obsolescence and deterioration of such assets, which may adversely affect the quality of service provided to customers (including an increased risk of accident or injury), the ability of the Group to compete in tenders for the provision of passenger rail transport services to the State and the Czech Regions and potential breaches of certain agreements with third parties (mainly insurance contracts and contracts with the State and the Czech Regions concerning the provision of public service passenger transport), leading to increased liabilities of the Group, and may cause members of the Group to lose their licences;

(ii) making it more expensive to service indebtedness which is subject to floating interest rates or making it more expensive to any future indebtedness bearing fixed interest rates;

(iii) making it difficult for the Group to satisfy its obligations with respect to its indebtedness;

(iv) requiring the allocation of a substantial portion of the Group's cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow for, and limiting the ability to obtain additional financing to fund, working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;

(v) restricting its operations through certain covenants in the Group's debt agreements; and

(vi) decreasing the Group's credit rating, limiting the Group's ability to borrow additional funds and increasing the cost of any such borrowing.

In addition, the Group may incur substantial additional indebtedness in the future. Any additional debt incurred by the Group could have a significant negative impact on the Group's performance indicators, and could result in higher interest expenses for the Group.

Any of the above could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects, its credit rating and on the Group's ability to satisfy its debt obligations, including under the Notes.

The Group may not be able to extend its existing credit arrangements, refinance its debt on substantially similar terms when it matures or obtain financing on financially attractive terms as and when needed.

The Group is reliant upon having financial strength and access to credit and bond markets to meet its financial requirements. If the Group's financial performance does not meet its existing contractual obligations or market expectations, it may not be able to refinance existing debt issuances or facilities on terms considered favourable. If the Group is no longer able to obtain the financing it needs as and when needed, or if it is able to do so only on onerous terms, its further development and competitiveness could be severely constrained. The Group's ability to raise additional capital could be further influenced by factors such as changing market interest rates, restrictive covenants in its debt instruments or negative changes in its credit rating. At the same time, any additional debt incurred in connection with future acquisitions, construction or development could have a significant negative impact on the Group's performance indicators, and could result in higher interest expenses for the Group. If the Group does not generate sufficient cash flows or if it is unable to obtain sufficient funds from future financings or at acceptable interest rates, the Group may not be able to pay its debts as they fall due or to fund other liquidity needs. The materialisation of any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group's ability to access credit and capital markets and its ability to raise additional financing is in part dependent on its credit ratings.

The Group's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depends in part on the credit rating of the Issuer. As of the date of this Prospectus, the Issuer has been assigned a long-term corporate credit rating of Baa2 (outlook stable) by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes. The Issuer's ability to maintain its current rating is dependent on a number of factors, some of which may be beyond its control. These factors are more fully described in the various press releases and rating reports published by Moody's from time to time, and available on its website, as well as on the website of the Issuer. In the event that the Issuer's credit rating is lowered, the Group's ability to access credit and bond markets and other forms of financing (or refinancing) could be limited. This may have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

A part of the Group's financial indebtedness is structurally senior to the financial indebtedness of the Issuer under the Notes.

As of 30 June 2022 and 31 December 2021, 25.6 per cent. and 29.4 per cent. of the Group's Total Net Debt (as defined in the "*Presentation of Financial and Other Information—Non-IFRS Information*" section below), respectively, was owed by the subsidiaries of the Issuer and, consequently, is structurally senior to the financial indebtedness of the Issuer under the Notes. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceedings in respect of the subsidiaries of the Issuer, investors in the Notes will not have access to the assets of such subsidiaries until after all of the subsidiary's creditors have been paid and the remaining assets have been distributed to the Issuer as their direct or indirect shareholder.

The Group is exposed to credit risk.

The Group is exposed to credit risk, mainly in relation to suppliers of rolling stock and financial institutions to which the Group has mark-to-market exposure. The Group monitors its exposure to the credit risk of such third parties on a regular basis. Nonetheless, such monitoring cannot guarantee that the Group will prevent all losses or liquidity constraints incurred in relation to credit issues of third parties. In addition, in the year ended 31 December 2021, the top 20 clients of ČD Cargo accounted for 69 per cent. of ČD Cargo's revenues. As such, any deterioration in the credit quality of one or more such clients or the materialisation of any of the credit issues described above could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to liquidity risks.

The Group manages its liquidity risk through planning future cash flows and provisions of short-term funding, such as through its promissory notes programme and overdraft or revolving loans. As of 30 June 2022 and 31 December 2021, the Group had financial liabilities (including both undiscounted interest and principal cash flows) with contractual maturities of less than one year in the total amount of CZK 19,110 million and CZK 15,070 million, between one and five years in the total amount of CZK 31,790 million and CZK 37,136 million and over five years in the total amount of CZK 15,293 million and CZK 12,080 million, respectively. However, there is no guarantee that the Group will always have access to short-term financing or that it will not encounter obstacles in terms of securing short-term funding when experiencing liquidity issues. For example, some financial institutions may not extend short-term credit lines or promissory note facilities to the Group. The exposure to liquidity constraints could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to interest rate risks.

The Group's operations are subject to the risk of interest rate fluctuations as it utilises external financing that bears floating or fixed interest rates, including domestic bonds, Eurobonds, bank loans, leases, and promissory notes. The length of time for which the interest rate is fixed on a financial instrument indicates to what extent it exposes the Group to interest rate risk. The Group performs stress testing using a sensitivity analysis, whereby an immediate increase or decrease in interest rates by one per cent. along the whole yield curve is applied to the interest rate positions of the portfolio. According to the latest results of these tests, of 31 December 2021, a decrease in interest rates by one per cent. would have increased the Group's profit after tax by CZK 16 million and the Group's other comprehensive income after tax by CZK 40 million, whereas an increase in interest rates by one per cent. would have decreased profit after tax by CZK 16 million and the Group's other comprehensive income after tax by CZK 37 million. This risk is further amplified by the recent actions taken by the Czech National Bank, which began raising interest rates in June 2021, raising the two-week repo rate in a series of decisions to 5.75 per cent. in May 2022 and to 7 per cent. in June 2022. Any substantial increase in floating interest rates or any significant changes in fixed interest rates of contracts to be entered into, or the Group's limited ability to enter into such contracts bearing or resulting in fixed interest rates, could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to currency fluctuation risk

The Group is exposed to the risk of fluctuations in the value of the Czech Koruna relative to the Euro and, to a lesser extent, also to other currencies. The Group's currency fluctuation risk stems mainly from ČD Cargo's operations and ČD's debt denominated in Euro. The Group performs stress testing using a sensitivity analysis, whereby an immediate increase or decrease in nominal value of Czech crown by CZK 1 is applied. According to the latest results of these tests, as of 31 December 2021, a strengthening of Czech currency by CZK 1 against EUR would result in the Group's additional profit after tax by CZK 209 million and other comprehensive income after tax by CZK 1 million, whereas a weakening of Czech currency by CZK 1 would have decreased the Group's profit after tax by CZK 209 million and other comprehensive income after tax by CZK 1 million. Therefore, any substantial loss resulting from a fluctuation in the euro or any other foreign currency exchange rate could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group's hedging strategy may not prove successful or its hedge counterparties may not perform their obligations under the relevant hedging arrangements to which the Group is a party.

The Group uses interest and currency rate swaps and other types of derivatives to reduce the amount of exposure to interest and currency rate fluctuations as well as commodity price fluctuations. However, the Group may incur losses if any of the variety of instruments and strategies used to hedge exposures are not effective or cannot be implemented. The Group's actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from time to time. Also, the risk management procedures the Group has in place may not always be followed or may not work as planned. In addition, the Group is exposed to the risk that its hedging counterparties will not perform their obligations under the relevant hedging arrangements to which the Group is a party. Hedging counterparties may default on their obligations towards the Group due to lack of liquidity, operational failure, bankruptcy or other reasons. The materialisation of any of the above risks could adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.

Risks related to the Czech Republic

The Group is exposed to the risk of poor performance of the Czech economy.

The majority of the Group's operations are located in the Czech Republic and the Group is therefore exposed to economic risks associated with the Czech Republic and, to a lesser extent, certain other European countries, including Germany, Austria, Poland and Slovakia. This is particularly relevant for the Group's Freight Transport Business and, due to its counter-cyclical nature, to a lesser extent also to the Group's Passenger Transport Business. The economy of the Czech Republic is vulnerable to external shocks, such as the global economic recession caused by the COVID-19 pandemic and its impact on the Czech Republic (see "*—The Group is exposed to risks associated with the global coronavirus pandemic and with the spread of pandemic diseases generally.*"). A significant decline in the economic growth of any of the Czech Republic's trading partners, in particular Germany, Austria, Poland and Slovakia, could in the future have an adverse effect on the Czech Republic's balance of trade and adversely affect its economic growth.

There can be no assurance that any crises, slowdown or economic volatility such as the ongoing war between Ukraine and Russia (see "*—The Group may be negatively affected by the current conflict between Ukraine and Russia*") or similar events will not negatively affect investor confidence in markets relevant for the Group's businesses. The Russian invasion of Ukraine, may, among other things, result in an increase of commodity prices and subsequently in an increase of inflation. Any such external shocks or changes in economic, regulatory, administrative or other policies of the Government, as well as political or economic developments in the Czech Republic, including potential changes in the Czech Republic's credit ratings, over which the Group has no control could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to political risks in the Czech Republic.

The most recent general elections in the Czech Republic were held in October 2021 and the government was formed by two coalitions: SPOLU coalition (ODS (*Občanská demokratická strana)*, TOP 09 and KDU-ČSL (*Křesťanská a demokratická unie – Československá strana lidová*) and the Piráti a Starostové coalition (Czech Pirate Party (*Česká pirátská strana)* and Mayors and independents (*Starostové a nezávislí*). The next general elections in the Czech Republic are scheduled to take place in 2025. The Group can give no assurance that there will be no change in the Government or its policy prior to the expiration of its current mandate or that any future Government will continue in the current economic, fiscal, and regulatory policies, nor can there be any assurance that any changes in such policies will not have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

Similarly, it cannot be ruled out that the public transport policies and priorities of the Czech Regions will change as a result of the Czech Regional elections which are currently scheduled for 2024. The newly elected regional governments may decide to prioritise other modes of public transport (in particular the bus transport) over the railway transport or to organise competitive tenders on the operation of regional passenger railway services. Since a substantial part of the revenues of the Group's Passenger Transport Business comprises payments paid to ČD by the Czech Regions, in the event of a change in a public policy, this could influence the volumes of regional passenger rail service tendered by some of the Czech Regions.

In addition, the State is the sole shareholder of ČD and the Government exercises its shareholder rights through a Steering Committee (the "**Steering Committee**"), which comprises seven members appointed for an indefinite period by the Government: three representatives of the Ministry of Transport, and one representative of each of the following four ministries: the Ministry of Finance, the Ministry of Defence, the Ministry of Industry and Trade, and the Ministry for Regional Development. Accordingly, the Group may be negatively affected by changes to key decision-makers at, or the strategy of, any of these ministries, such as a policy change in position towards state support of passenger rail transport. Any such changes could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to the risk of the poor financial condition of the State and the Czech Regions.

A significant amount of ČD's revenues is generated through payments received from budgets of the State and the Czech Regions for the provision of regional and domestic long-distance passenger transport. Any inability of the State or the Czech Regions to discharge their financial obligations when due or any austerity measures undertaken by the State or the Czech Regions, may have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects and may harm the Group's ability to meet its liabilities, including under the Notes.

The institutional history of the Czech Republic is shorter compared to Western Europe.

The institutional history of the Czech Republic is shorter when compared to some western European countries. As a result, it may not always be possible to obtain legal remedies to enforce contractual or other rights in a timely manner or at all. Shifts in government policies and regulations and fiscal measures tend to be generally less predictable in the Czech Republic than in countries with more developed institutions. A lack of legal certainty and the inability to obtain effective legal remedies in a timely manner or at all may have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

In addition, there may be fewer judges specialised and experienced in complex matters involving investments in securities when compared to judges in western European countries. Investors should therefore be aware that matters that must be brought before the relevant courts, such as insolvency matters, may be subject to delays and may not be conducted in a manner similar to more developed legal systems and may, as a result, lead to delays in proceedings or losses on the Notes.

Risks related to governmental regulations and laws

The Group is exposed to adverse changes in laws or regulations.

The Group is subject to a number of laws and regulations, in particular Czech and EU railway transport laws, tax laws, environmental protection laws, public procurement laws, antitrust laws, employment requirements, environmental procedures, insurance coverage and other operating issues. These laws are constantly subject to change. There is a risk that the transport industry will become more heavily regulated, or that local authorities with whom the Group contracts could specify levels of quality and service with which the Group must comply. The costs associated with complying with changes in interpretations of existing, or the adoption of new legislation, regulations or other laws in the jurisdictions in which the Group operates and of meeting specific levels of quality and service under contractual obligations could have a material adverse effect on the Group.

For example, since staff costs made up CZK 7,528 million and CZK 14,808 million (representing 34 per cent. and 36 per cent.) of the Groups' operating costs for the six months ended 30 June 2022 and the year ended 31 December 2021, respectively, the cost base could be adversely affected by legislative changes if these significantly alter minimum or living wage costs or provisions around paid leave. For example, the minimum wage in the Czech Republic increased from CZK 14,600 to CZK 16,200 in the period between the years 2020 to 2022. In addition, passenger transport in the Czech Republic is subject to a reduced value added tax ("**VAT**") rate and fare prices for non-commercial passenger transport, including the applicable VAT, are capped by Government regulation. Moreover, the Government has introduced subsidised fare for pupils and students up to 26 years of age and elderly over 65 on all national long-distance and regional bus and rail lines, integrated transport systems as well as urban public transport links that cross city borders. Service providers, including ČD, receive payments for the discounted fares from the state budget (see "*Description of the Issuer— Passenger Transport Business – Regional*"). The subsidised fare has led to a generally higher demand for public transport and its discontinuation could thus negatively affect demand for public transport services, including those provided by the Issuer.

Materialisation of any of the above risks, including adverse changes in employment legislation, increase of the applicable VAT or the discontinuation of or the decrease in the fare discounts, could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group's operations depend on obtaining and maintaining licences and permits necessary for the operation of its business.

The Group conducts its business operations under various licences and permits that authorise it to carry out a full range of railway-related business activities, such as a transport company licence and certification. As a result, the Group's activities are dependent upon the grant, renewal or continuance in force of these licences and permits, which in certain circumstances may be valid only for a defined period, may be subject to limitations and may provide for withdrawal in certain circumstances. There can be no assurance that such licences and permits will be granted, renewed or remain in force and, if so, on what terms. Failure to obtain necessary licences or permits or any suspension or termination thereof could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group could incur significant costs for violations of applicable environmental and occupational health and safety laws and regulations.

As a transport company, the Group's operations are subject to extensive local, national and international environmental, health and safety laws and regulations, such as laws and regulations governing emissions and the transport of products that are hazardous to the environment.

As the owner and operator of numerous sites and transport vehicles, the Group may be liable for substantial costs associated with remediating soil and groundwater contaminated by hazardous materials, regardless of whether the Group knew of or was responsible for the contamination. It cannot be guaranteed that the Group will always comply with these laws and regulations and any such violation could result in fines, sanctions or the commencement of legal proceedings against the Group, resulting in reputational as well as potentially significant monetary harm to the Group. In addition, the Group cannot exclude the risk of injury to its employees or third-party contractors, particularly when fulfilling maintenance and other duties or when working with electricity or emission generating parts of the Group's infrastructure where injury may occur even when there has been compliance with all safety regulations and professional standards. Any such injury may result in costs, lower employee morale, and negative publicity for the Group.

The regulation of health, safety and environmental protection is complex and subject to frequent changes, and regulation has become more stringent over time. The Group may be required to change its environmental policy and adopt stricter procedures and measures to comply with applicable regulation and, as a result, the Group may be required to increase its capital expenditure to ensure continued compliance. All of these liabilities and additional costs may affect the Group's business, results of operations, financial condition, cash flows and prospects.

Non-compliance with the General Data Protection Regulation (GDPR), or stricter interpretation of the existing requirements or future modifications of the data protection laws, could have a negative impact on the Group's business, financial condition, results of operations, cash flows and prospects.

With effect as of 25 May 2018, the Group's operations and services need to comply with Regulation (EU) 2016/679, General Data Protection Regulation ("**GDPR**"), which generally imposes uniform rules for all market participants operating within the EU and strict sector specific rules under the e-Privacy Directive (Directive 2002/58/EC). GDPR implements a stricter data protection compliance regime and substantially increases fines for a breach of data protection regulation. Under GDPR, data protection agencies have the right to audit the Group and impose orders and fines, up to EUR 20 million, or up to 4 per cent. of the worldwide annual revenue for the previous financial year, if they find that any member of the Group has not complied with applicable laws and adequately protected customer data. In the Czech Republic the rights and obligations arising from GDPR are further specified in Act No. 110/2019 Coll., on data processing (the "**Data Processing Act**"). Any difference in interpretation of the GDPR, Data Processing Act or any other applicable data protection rules by the data protection agencies resulting in the Group's non-compliance with GDPR or any other applicable data protection laws, or any limitations imposed by stricter interpretation of the existing requirements or by future modifications of the data protection laws, could have a significant impact on the Group's business operations and its ability to market products and services to existing or potential customers. As such, the materialisation of any of the above could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

ČD can incur limitations on procurement due to the Public Procurement Act.

As of the date of this Prospectus, ČD is subject to public procurement rules stipulated in Act No. 134/2016 Coll., on Public Procurement, as amended (the "**Public Procurement Act**") when tendering services and supplies with value in excess of the applicable thresholds set out in the Public Procurement Act. In the event of a qualified tender under the Public Procurement Act, ČD is obligated to follow the stipulated procedures, which might limit its ability to procure such tender in a timely manner. This may harm the ČD's ability to compete in tenders for both passenger and cargo services and have an adverse effect on the ČD's business, financial condition, results of operations, cash flows and prospects.

The Group could incur unforeseen taxes, tax penalties and sanctions that could adversely affect its results of operations and financial condition.

Some provisions of the tax laws in the countries in which the Group operates are ambiguous and there is often no unanimous or uniform interpretation or practice of the law by the applicable tax authorities and the courts. In certain cases, tax authorities could have a high degree of discretion, for instance in relation to transfer pricing tax legislation, and at times may exercise their powers arbitrarily and selectively enforce tax laws and regulations, which could be in a manner that is contrary to the law. The imposition of any new taxes in the countries in which the Group operates, or changing interpretations, possibly with retrospective effect, or application of tax regulations by the tax authorities, extensive time periods relating to overdue liabilities and the possible imposition of penalties and other sanctions due to unpaid tax liabilities may result in additional amounts being payable by the Group, which could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The insolvency laws of the Czech Republic may not be as favourable to Noteholders as insolvency laws of jurisdictions with which the investors may be familiar and may preclude holders of the Notes from recovering payments due on the Notes.

The Czech Courts would have jurisdiction to commence insolvency proceedings in respect of a debtor whose centre of main interests within the meaning of the Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings, as amended, is situated in the Czech Republic. Czech insolvency law might, in certain aspects, significantly differ from insolvency laws in other jurisdictions or might not apply at all. For example, a Czech Court cannot declare a debtor insolvent if the State or a Czech Region assumes or guarantees the debts of such debtors. It may be that the Czech insolvency law as applied in the practice of the Czech Courts does not protect creditors' rights as efficiently as laws of other jurisdictions or at all and thus, such lack of protection may have a material adverse effect on the rights of the Group companies upon the insolvency of their debtors as well as on the rights of the Noteholders under the Notes upon the insolvency of the Issuer.

RISKS RELATING TO THE NOTES

Risks relating to the withholding taxation regime in the Czech Republic

All capitalised terms used in the risk factors contained in this sub-section "*Risks relating to the withholding taxation regime in the Czech Republic*" and not otherwise defined are as defined in the section "*Taxation*".

Risks associated with the taxation regime in the Czech Republic

The Czech tax treatment of the Notes has been significantly affected by the 2021 ITA Amendment and the 2022 Banking Act Amendment.

Such Czech tax changes may result in a potential Withholding Tax of up to 35 per cent. in respect of interest payments on the Notes even to the Beneficial Owners who would otherwise be entitled to claim a Tax Relief unless certain administrative and technical steps, including certifications in respect of identity, residency and beneficial ownership which are to be provided by the Beneficial Owners, are complied with (for more details about these steps please refer to the Certification Procedures under "*Risks associated with evidencing the entitlement to Tax Relief of the Beneficial Owner of income from the Notes*"). Furthermore, where the Notes are issued at a price lower than its principal amount (i.e. below par), a failure to comply with these steps could trigger a withholding of Tax Security of 1 per cent. from any payment of principal on such Notes.

Even though Condition 9 stipulates that a gross-up obligation of the Issuer applies, there are extensive carve outs under which no gross-up to payments in respect of the Notes will apply, for example where: (a) the Beneficial Owner of a Note is a Czech Tax Resident individual or a Person Related Through Capital with the Issuer; or (b) where certification in respect of identity, residency and beneficial ownership to be provided by the Beneficial Owners is not delivered to the Issuer.

An individual holding the Notes (whether a Czech Tax Resident or a Czech Tax Non-Resident) is obliged to report to the Czech tax authorities any income earned in connection with the Notes if such income is exempt from taxation in the Czech Republic and exceeds, in each individual case, CZK 5,000,000. The reporting must be fulfilled within the deadline for filing a personal income tax return. A non-compliance with this reporting obligation is penalized by a sanction of up to 15 per cent. of a gross amount of the unreported income.

Holders should consult their own tax advisers regarding the tax implications of their potential purchase, holding, or sale of the Notes. Given that the new taxation regime has been applicable in the Czech Republic only from 1 January 2022, it is not yet possible to determine the exact implications that the new regime may have on the holders of the Notes. Further, the new tax regime of the Notes is currently associated with many ambiguities and may be subject to changes.

For additional information on the Czech taxation regime, please see section *Taxation*.

Risks associated with evidencing the entitlement to Tax Relief of the Beneficial Owner of income from the Notes

Under Czech tax law, the Issuer is liable for (i) any Withholding Tax and Tax Security (as the case may be) payments required to be withheld or deducted at source at the appropriate rate under any applicable law by or within the Tax Jurisdiction from any payment of interest and principal in respect of the Notes as well as (ii) the granting of any Tax Relief. The Issuer bears the related burden of proof, which necessitates, before any Tax Relief can be granted, collection of the Beneficial Ownership Information. Accordingly, for so long as this requirement is stipulated by Czech tax law, unless the Issuer receives, in accordance with, the Certification Procedures, the Beneficial Ownership Information in relation to a payment of principal and interest in respect of a Note (whether this is because the relevant Beneficial Owner fails to provide such information or because the Certification Procedures have not been duly followed or for any other reason, except where this is caused by actions or omissions of the Issuer or its agents), the Issuer will withhold (i) Withholding Tax of up to 35 per cent. from any payment of interest on such Note and (ii) if such Note was issued at a price lower than its principal amount (i.e. below par) 1 per cent. Tax Security from any payment of principal on such Note unless the Issuer has the necessary information (by virtue of other means) enabling the Issuer not to apply the Withholding Tax (or to apply it at a lower rate) or not to apply the Tax Security (as the case may be) and the Issuer will not gross up payments in respect of any such withholding.

As a result, the Beneficial Owner will be required to provide, in order to be entitled to any Tax Relief, the Beneficial Ownership Information. If the Beneficial Ownership Information is not delivered to the Issuer (by or on behalf of the Beneficial Owner) in respect of each interest payment or it is incorrect, incomplete or inaccurate, payments of interest to such Beneficial Owner will be subject to Withholding Tax of up to 35 per cent. and if the Note was issued at a price lower than its principal amount (i.e. below par), the Tax Security of 1 per cent. from any payment of principal on such Note will also apply. However, if the Beneficial Owner is otherwise entitled to any Tax Relief, it may then make use of the Quick Refund Procedure to recover any such tax withheld.

Should the Beneficial Owner, who would otherwise be entitled to any Tax Relief, fail for any reason to make use of the Quick Refund Procedure, the Beneficial Owner may make use – with respect to Withholding Tax only – of the Standard Refund Procedure. There is a risk, however, that such Beneficial Owner may not, in spite of duly providing the Beneficial Ownership Information, obtain a refund of any amounts withheld, as under the Standard Refund Procedure, it is conditional on the ability of the Issuer to, firstly, successfully obtain a corresponding refund of the amounts originally withheld and paid to the Czech tax authorities. The use of the Standard Refund Procedure is also subject to a fee in respect of the Issuer's administrative costs in following this procedure.

The Certification Procedures have not yet been tested in practice and, as such, there is a risk that the procedures may be burdensome on the Beneficial Owners or result in additional costs being incurred by the Beneficial Owners. Further, the Issuer accepts no responsibility and will not be liable for any damage or loss suffered by any Beneficial Owner who would otherwise be entitled to a Tax Relief, but payments on the Notes to whom are nonetheless paid net of any Withholding Tax or Tax Security (as the case may be) withheld by the Issuer either because the Certification Procedures have proven ineffective or because the Certification Procedures have not been duly followed or for any other reason, except where this is caused by actions or omissions of the Issuer or its agents. Furthermore, the Notes or the Agency Agreement may be amended without the consent of the holders of the Notes to reflect any changes in applicable laws, rules or procedures.

Where the Beneficial Owner does not hold Notes directly on an account in the books of an International Central Securities Depository ("**ICSD**"), it may not be able to benefit from the Certification Procedures if the intermediary through which it holds the Notes in the ICSD has not implemented the Certification Procedures.

In addition, in accordance with the terms and conditions between the ICSDs and the participants to the ICSDs, the ICSDs are not obliged to provide tax assistance and may unilaterally decide to discontinue the application of tax services, for which no liability for any consequences is accepted. Consequently, there is a risk that the Certification Procedures may be discontinued at any time.

See section "*Taxation*" in the Prospectus for a fuller description of certain tax considerations relating to the Notes and the formalities which Beneficial Owners must follow in order to claim exemption from Withholding Tax and Tax Security (as applicable) as well as the procedures and formalities for claiming a refund of amounts that have been withheld, where applicable.

Risks associated with transfer of the Notes following the Routine Certification Deadline

Pursuant to the Conditions, the record date in respect of the Notes shall be the close of business on the Clearing System Business Day immediately prior to each relevant Interest Payment Date, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January. The Routine Certification Deadline for providing the relevant certification and information, documentation or other evidence of the same is no later than close of business on the business day that is nine business days preceding each relevant Interest Payment Date. As a result, an investor who acquires the Notes after the Routine Certification Deadline but prior to the record date, shall be entitled to payments in respect of the Notes, but will not be allowed to claim any Tax Relief to which the Beneficial Owner of income from such Notes would otherwise be entitled pursuant to the Certification Procedures described in "*Risks associated with evidencing the entitlement to Tax Relief of the Beneficial Owner of income from the Notes*" above. Such Beneficial Owner may, however, make use of the refund procedures described in "*Risks associated with evidencing the entitlement to Tax Relief of the Beneficial Owner of income from the Notes*".

Risks relating to the Notes generally

The Notes may be redeemed prior to maturity.

In the event that, as a result of a change in law or regulation, the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Czech Republic or any political subdivision thereof or any authority therein or thereof having power to tax, and such obligation cannot be avoided by reasonable measures, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition the Notes are redeemable at the Issuer's option in certain other circumstances and accordingly the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes and may only be able to do so at a significantly lower rate. An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

There is no active trading market for the Notes.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. Although applications have been made for the Notes to be admitted to the official list and trading on the Luxembourg Stock Exchange's regulated market there can be no assurance that such application will be accepted or that an active trading market will develop or, if developed, that it will continue. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Credit Rating may not reflect all risks.

The Notes have been assigned a rating of "Baa2" by Moody's. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

Modifications and waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Accordingly, there is a risk that the terms and conditions of the Notes, the Deed of Covenant or the Agency Agreement may be modified, waived or amended in circumstances where a Noteholder does not agree to such modification, waiver or amendment, which may adversely impact the rights of such Noteholder.

Notes with integral multiples

As the Notes have a minimum denomination of EUR 100,000 plus a higher integral multiple of EUR 1,000 it is possible that the Notes may be traded in amounts in excess of EUR 100,000 that are not integral multiples of the EUR 100,000. Noteholders who, as a result of trading such amounts, hold a principal amount of Notes other than a multiple of EUR 100,000 will receive definitive Notes in respect of their holding (provided that the aggregate amount of Notes they hold is in excess of EUR 100,000, however, any such definitive Notes which are printed in denominations other than EUR 100,000 may be illiquid and difficult to trade. Furthermore, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than EUR 100,000 may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to EUR 100,000.

Because the Global Note Certificate is held by or on behalf of Euroclear and Clearstream, Luxembourg holders of the Notes will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Notes will be represented by the Global Note Certificate except in certain limited circumstances described in the Global Note Certificate. The Global Note Certificate will be registered in the name of Citibank Europe plc as nominee for, and will be deposited with the common safekeeper for Euroclear and Clearstream, Luxembourg. Note Certificates evidencing holdings of Notes will only be available in certain limited circumstances. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by the Global Note Certificate, holders of the Notes will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their participants.

While the Notes are represented by the Global Note Certificate, the Issuer will discharge its payment obligations under the Notes by making payments to the common service provider or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Note Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in the Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Note Certificate will not have a direct right under the Global Note Certificate to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

Interest Rate Risks

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in EUR (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency-equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Notes may not satisfy the Eurosystem eligibility criteria

The Issuer intends that the Notes will be registered on issue in the name of a nominee for, and deposited with, the common safekeeper for Euroclear and Clearstream, Luxembourg. This does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

Certain assets of the Issuer may be subject to immunity and/or the Issuer may be obliged to provide certain services and assets to the State or other persons

The Issuer carries out passenger and freight transport business and provides passenger transport services in public interest. Since such parts of the Issuer's operations might be of importance in specific situations (including, among others, any force majeure events) or for specific purposes (including, among others, military or public interest), under the applicable laws, the Issuer's assets (or a portion thereof) used to carry out such operations may be subject to immunity from execution or other legal process, and/or the Issuer may be obliged to provide certain services and assets to the State or other persons, in such situations or for such purposes. This could potentially adversely affect the pool of assets available for enforcement of any obligation of the Issuer under the Notes and/or may have a material adverse effect on the Group's business, financial condition and results of operations.

Risks related to Green Bonds

The Notes are issued as Green Bonds with a specific use of proceeds, however, they may not meet investor expectations or requirements relating to such green use of proceeds.

The Issuer's intention is to allocate an amount equivalent to the net proceeds of the Notes to projects that promote climate-friendly and other environmental purposes in accordance with its green finance framework published and available on its website http://www.ceskedrahy.cz/ (as amended or updated from time to time (the "**Issuer's Green Finance Framework**"). A prospective investor should have regard to the information set out in the section "*Use of Proceeds*" and determine for itself the relevance of such information for the purpose of an investment in such Notes together with any other investigation it deems necessary.

No assurance is given that such use of proceeds will satisfy, whether in whole or in part, any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, whether by reason of any present or future applicable law or regulation or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, the subject of or related to, the Issuer's Green Finance Framework.

Further, no assurance can be given that Eligible Projects as defined under "*Use of Proceeds*" will meet investor expectations or requirements regarding such "green" or similar labels (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called "**EU Taxonomy**") or Regulation (EU) 2020/852 as it forms part of domestic law in the UK by virtue of the EUWA) or that any adverse environmental, social and/or other impacts will not occur during the implementation of any Eligible Projects. Each prospective investor should have regard to the factors described in the Issuer's Green Finance Framework and the relevant information contained in this Prospectus and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Notes before deciding to invest.

Moody's ESG Solution has issued an independent opinion, dated 2 June 2022, on the Issuer's Green Finance Framework (the "**Second Party Opinion**"). The Second Party Opinion provides an opinion on certain environmental and related considerations and is a statement of opinion, not a statement of fact. No representation or assurance is given as to the suitability or reliability of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the Notes and in particular with respect to whether the Eligible Projects fulfils any environmental, sustainability, social and/or other criteria. The Second Party Opinion and any other such opinion or certification is not intended to address any credit, market or other aspects of any investment in the Notes, including without limitation market price, marketability, investor preference or suitability of any security or any other factors that may affect the value of the Notes. Any such opinion or certification is not, nor should be deemed to be, a recommendation to buy, sell or hold the Notes and is current only as of the date it was issued and may be subsequently withdrawn and may not address the risks that relate to any Eligible Project. As of the date of this Prospectus, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein. The Second Party Opinion and any other such opinion or certification does not form part of, nor is incorporated by reference, in this Prospectus.

No representation or assurance is given that listing or admission to trading of the Notes on a dedicated "green" or other equivalently-labelled segment of a stock exchange or securities market, whether in whole or in part, satisfies any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor is required, or intends, to comply, whether by reason of any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the Issuer's Green Finance Framework. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made that any such listing or admission to trading will be obtained in respect of the Notes, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes. For the avoidance of doubt, the loss of any such listing or admission to trading will not give rise to any redemption rights under the terms of the Notes.

While it is the intention of the Issuer to allocate the proceeds of the Notes towards Eligible Projects and to report on the use of proceeds or Eligible Projects as described in "*Use of Proceeds*" below, there is no contractual obligation to do so. There can be no assurance that any such Eligible Projects will be available or capable of being implemented in the manner anticipated and, accordingly, that the Issuer will be able to use the proceeds for such Eligible Projects as intended. In addition, there can be no assurance that Eligible Projects will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated. None of a failure by the Issuer to allocate the proceeds of the

Notes or to report on the use of proceeds or Eligible Projects as anticipated or a failure of a third party to issue (or to withdraw) an opinion or certification in connection with the Notes or the failure of the Notes to meet investors' expectations or requirements regarding any "green" or similar labels will constitute an Event of Default or breach of contract with respect to the Notes.

A failure of the Notes to meet investor expectations or requirements as to their "green" or equivalent characteristics including the failure to apply or allocate proceeds for Eligible Projects, the failure to provide, or the withdrawal of, a third party opinion or certification, or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, and/or the Notes ceasing to be listed or admitted to trading on any dedicated stock exchange or securities market as aforesaid or the failure by the Issuer to report on the use of proceeds or Eligible Projects as anticipated, may have a material adverse effect on the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets (which consequences may include the need to sell the Notes as a result of the Notes not falling within the investor's investment criteria or mandate).

The Notes are not linked to the performance of the Eligible Projects, do not benefit from any arrangements to enhance the performance of the Notes or any contractual rights derived solely from the intended use of proceeds of such Notes.

The performance of the Notes is not linked to the performance of the relevant Eligible Projects or the performance of the Issuer in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the Notes and the Eligible Projects. Consequently, neither payments of principal and/or interest on the Notes nor any rights of Noteholders shall depend on the performance of the relevant Eligible Projects or the performance of the Issuer in respect of any such environmental or similar targets. Holders of the Notes shall have no preferential rights or priority against the assets of any Eligible Project nor benefit from any arrangements to enhance the performance of the Notes.

INFORMATION INCORPORATED BY REFERENCE

The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Prospectus provided however that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Paying Agents and the Listing Agent in Luxembourg and on the website of the Issuer at *www.ceskedrahy.cz*, unless such documents have been modified or superseded. Such documents will also be available to view on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

For ease of reference, the tables below set out the relevant page references for the unaudited interim consolidated financial statements of the Group as of and for the six months ended 30 June 2022 and 2021 (including notes thereto) and audited consolidated financial statements of the Group for the years ended 31 December 2021 and 2020 and the Auditors' report on consolidated financial statements of the Group for the years ended 31 December 2021 and 2020 (including notes thereto).

Any information contained in or incorporated by reference in the document specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus and, for the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus.

České dráhy, a.s.

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Consolidated Financial Statements for the years ended 31 December 2021 and 2020 and the Auditor's report on these financial statements	**Page(*)**
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Notes:
(*) The page numbers refer to the pages of the PDF files which are referenced below in this section.

The management of the Group prepared the interim consolidated financial statements as of and for the six months ended 30 June 2022 and 2021 which are incorporated by reference into this Prospectus (the "**Interim Financial Statements**") and which are available at http://www.ceskedrahy.cz/assets/pro-investory/financni-zpravy/pololetni-zpravy/cd_group_interim_report_2022.pdf.

The management of the Group prepared the consolidated financial statements as of and for the years ended 31 December 2021 and 2020 for the purpose of raising additional debt finance and which are incorporated by reference into this Prospectus (the "**Annual Financial Statements**") and which are available at http://www.ceskedrahy.cz/images/CD-IFRS-Consolidated-Bonds-2021_2020.pdf.

There are the following differences between the Annual Financial Statements and the audited consolidated financial statements for the year ended 31 December 2021 authorised for issue on 27 April 2022 which have been published by the Issuer on 29 April 2022:

- correction of a clerical classification error in the Segment revenues (note 5.2) and the Breakdown of revenue (see note 6.1 to the Annual Financial Statements).

- change of presentation of PPE impairment charge in the Segment expenses (see note 5.2 to the Annual Financial Statements).

- more detailed presentation of unrecognised deferred tax asset and recognised deferred tax assets and liabilities (see note 14.3 to the Annual Financial Statements).

These changes are considered to be immaterial to the financial statements. However, the management of the Group believes that, while having no impact on the Group’s total assets, liability, equity or profits, the amendments mentioned above improve overall quality of disclosures for readers.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note Certificate (if issued):

The EUR 500,000,000 5.625 per cent. Green Notes due 2027 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (*Further issues*) and forming a single series therewith) of České dráhy, a.s. (the "**Issuer**") are constituted by a deed of covenant dated 12 October 2022 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of a fiscal agency agreement dated 12 October 2022 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citibank Europe plc as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes). Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**" which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The "**Noteholders**" (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form and Denomination

The Notes are serially numbered and in registered form in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof (each such denomination an "**Authorised Holding**").

The Notes are intended to be issued under the new safekeeping structure and are represented by registered certificates ("**Note Certificates**") and, save as provided in Condition 2(c) (*Transfers*), each Note Certificate shall represent the entire holding of Notes by the same holder.

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer;

provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar (such approval not to be unreasonably withheld or delayed). A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. **Status**

The Notes constitute direct, general, unconditional and, subject to Condition 4 (*Negative Pledge*) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of any Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith or (ii) providing such other arrangement (whether or not comprising a Security Interest) for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

In these Conditions:

"**Audited Statements**" means the Issuer's audited annual financial statements (consolidated, if applicable) prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**");

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for repayment of such Indebtedness;

"**Indebtedness**" means any indebtedness (other than a trade payable arising in the ordinary course of business) of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases, including, without limitation, sale and lease back transactions;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer, whose total assets attributable to the Issuer represent more than 10 per cent. (based on net book value under IFRS or in accordance with the Czech Generally Accepted Accounting Principles, in case such Subsidiary does not report under IFRS) of the total assets or revenues of the Issuer and the Subsidiaries, all as determined by reference to the most recent audited financial statements (or, as the case may be, audited consolidated financial statements) of such Subsidiary and the most recent consolidated Audited Statements, provided that a certificate of the Auditors (as defined in the Agency Agreement) of the Issuer that, in their opinion, any Subsidiary of the Issuer is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of a manifest error, be conclusive and binding on all parties;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of, or represented by, any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is capable of being listed, quoted or traded on any stock exchange or over-the-counter or other securities market;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

5. **Limitation on Asset Sales**

The Issuer shall not, and shall procure that each of its Subsidiaries does not, sell, lease, transfer or otherwise dispose of (each such action, a "**disposal**") by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets to any person, except where:

(a)

(i) for any asset with an estimated resale value of up to EUR 5,000,000: the Issuer or its relevant Subsidiary has disposed of such asset for such consideration as the Issuer or the relevant Subsidiary deems appropriate given the nature of the assets;

(ii) for any asset with an estimated resale value of EUR 5,000,000 or more: the consideration received by the Issuer or such Subsidiary is not less than the Fair Market Value of the assets or revenues disposed; and

(iii) immediately before or after giving effect to such disposal, no potential Event of Default shall have occurred and be continuing as a result of such disposal; or

(b) such disposal is made to the Issuer or another wholly owned Subsidiary of the Issuer; or

"**Fair Market Value**" means with respect to any property or asset, the fair market value of such property or asset at the time of the event requiring such determination (i) with respect to any asset or property up to EUR 15,000,000, as determined in good faith by the Issuer; (ii) with respect to any asset or property in excess of EUR 15,000,000 but less than EUR 25,000,000, as confirmed by a board resolution of the Issuer or the relevant Subsidiary; or (iii) with respect to any asset or property of EUR 25,000,000 or above, as determined by an independent appraiser (which shall be an investment banking firm, an accountancy firm, an appraiser or external audit firm, in each case which is reputable and in good standing, selected by the Issuer, provided it is not an affiliate of the Issuer or any Subsidiary).

6. **Interest**

The Notes bear interest from 12 October 2022 (the "**Issue Date**"), at the rate of 5.625 per cent. per annum, (the "**Rate of Interest**") payable in arrear on 12 October in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 8 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation of the corresponding Note Certificate, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be EUR 5,625 in respect of each Note of EUR 100,000 denomination and EUR 56.25 in respect of each integral amount of EUR 1,000 denomination thereafter. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means EUR 1,000;

"**Day Count Fraction**" means, in respect of any period, the number of days in such period, from (and including) the first day to (but excluding) the last day, divided by the number of days in the Regular Period in which such period falls; and

"**Regular Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

7. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 12 October 2027, subject as provided in Condition 8 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, if:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Czech Republic or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 10 October 2022; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this sub-paragraph, the Issuer shall deliver to the Fiscal Agent:

(A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Conditions 7(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(b).

(c) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole or in part on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the date fixed for redemption (the "**Optional Redemption Date**")) at a redemption price equal to:

(i) if the Optional Redemption Date is before 3 months prior to maturity, the Make Whole Redemption Amount; or

(ii) if the Optional Redemption Date is on or after 3 months before maturity, 100 per cent. of the principal of the Notes to be redeemed,

plus, in each case, accrued and unpaid interest on the Notes to, but excluding, the Optional Redemption Date.

For the purposes of these Conditions:

"**Calculation Agent**" means an investment bank or financial institution of international standing selected by the Issuer for the purposes of calculating the Make Whole Redemption Amount;

"**Calculation Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the cities in which the Calculation Agent and the Fiscal Agent have their specified office;

"**Make Whole Redemption Amount**" means, in respect of Notes to be redeemed, an amount equal to the higher of (i) 100 per cent. of the principal amount outstanding of such Notes and (ii) the sum of the then present values (as determined by the Calculation Agent) of the remaining scheduled payments of principal and interest on the Notes to be redeemed (but not including any portion of such payments of interest accrued to the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis at the Reference Bond Rate plus 0.25 per cent. per annum;

"**Reference Bond**" means, in relation to any Make Whole Redemption Amount calculation, the German Bundesanleihe, or if such bond is no longer in issue, the government security or securities selected by the Calculation Agent (and notified in writing to the Issuer) as having a fixed maturity most nearly equal to the remaining term of the Notes to be redeemed being euro-denominated with a principal amount approximately equal to the then outstanding principal amount of the Notes to be redeemed, provided however, that, if the period from such redemption date to maturity of the Notes to be redeemed is less than one year, a fixed maturity of one year shall be used;

"**Reference Bond Price**" means, with respect to any Reference Date, (i) the arithmetic average of the Reference Market Maker Quotations for such date of redemption, after excluding the highest and lowest such Reference Market Maker Quotations, or (ii) if fewer than four such Reference Market Maker Quotations are received, the arithmetic average of all such quotations;

"**Reference Bond Rate**" means, with respect to any Reference Date, the rate per annum equal to the equivalent yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Reference Date;

"**Reference Date**" means the fifth Calculation Business Day prior to the Optional Redemption Date;

"**Reference Market Maker**" means broker or market maker of the German Bundesanleihe (or the relevant other government securities) selected by the Calculation Agent or such other person operating in the market of the German Bundesanleihe (or the relevant other government securities) as are selected by the Calculation Agent in consultation with the Issuer; and

"**Reference Market Maker Quotations**" means, with respect to each Reference Market Maker and any Reference Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its principal amount) at 10:00 a.m. (Central European Time) on the Reference Date quoted in writing to the Calculation Agent by such Reference Market Maker.

(d) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 7(c) (*Redemption at the option of the Issuer*) each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate principal amount of outstanding Notes on such date.

(e) *Redemption at the option of the Noteholder following a put event*: If at any time while any Note remains outstanding, either of the following events occurs (each, as applicable, a "**Put Event**"):

(i) a Change of Control; or

(ii) a Restructuring Event; and

(A) (if at the start of the Put Event Period the Notes are rated by any Rating Agency with a rating within Investment Grade) a Rating Downgrade occurs below Investment Grade and the Notes are not restored by such Rating Agency within such Put Event Period to an Investment Grade rating; or

(B) (if at the start of the Put Event Period the Notes are rated by any Rating Agency with a rating below Investment Grade) a Rating Downgrade occurs and the Notes are not restored by such Rating Agency within such Put Event Period to a rating of a level equivalent to its rating at the start of the Put Event Period; or

(C) (if at the start of the Put Event Period the Notes are not rated by any Rating Agency) within 21 days thereafter a rating in respect of the Notes has not been obtained which is at least as high as a rating equivalent to the lower of: (i) Investment Grade; or (ii) a rating that is three notches below the rating assigned to the Czech Republic at such time,

then the Holder of each Note will have the option (the "**Put Option**") (unless, prior to the giving of the Put Event Notice (as defined below), the Issuer gives notice of its intention to redeem the Notes under Condition 7(b) (*Redemption for tax reasons*)) to require the Issuer to redeem that Note on the Optional Redemption Date (as defined below), at 100 per cent. of its principal amount together with (or, where purchased, together with an amount equal to) accrued interest up to but excluding the Optional Redemption Date.

For the purposes of this Condition:

"**Change of Control**" shall be deemed to have occurred if the government of the Czech Republic ceases to own, directly or indirectly (through any governmental agency or political subdivision thereof or otherwise), 75 per cent. or more of the issued ordinary share capital of the Issuer or otherwise ceases to have Control of the Issuer;

"**Control**" means the power to direct the management and policies or affairs of an entity, directly or indirectly, and whether through the ownership of voting capital, by contract or otherwise;

"**Put Event Period**" means the period: (i) commencing on the date that is the earlier of (A) the date of the first public announcement of the relevant Change of Control or Restructuring Event and (B) the date of the earliest Potential Put Event Announcement (as defined below), if any; and (ii) ending on the date which is 90 days after such date specified in (i) above;

"**Investment Grade**" means BBB-/Baa3, or their respective equivalents for the time being, or better;

"**Rating Agency**" means any of the following: (i) Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.; (ii) Moody's Investor Services, Inc.; (iii) Fitch Rating Limited or (iv) any other rating agency of equivalent international standing specified from time to time by the Issuer, and, in each case, their respective successors or affiliates;

a "**Rating Downgrade**" shall be deemed to have occurred if, within the Put Event Period, the rating assigned to the Notes by any Rating Agency is: (i) withdrawn; or (ii) lowered by one or more notches;

“**Potential Put Event Announcement**” means any formal public announcement or statement by the Issuer or a formal resolution of the government of the Czech Republic, relating to any specific or potential Change of Control or Restructuring Event to occur within 90 days of the date of such announcement or statement;

“**Relevant Cargo Assets**” means the shares in ČD Cargo, a.s.;

“Relevant Passenger Assets” means those assets relating to the operation of passenger rail services in the Czech Republic (including, for the avoidance of doubt, all regional, long-haul, high-speed and commercial passenger services), and including, *among others*, all engines, train sets, rolling stock, railtrack, real estate and communication systems, which are necessary for the provision of such passenger rail services; and

“**Restructuring Event**” means any restructuring of the business of the Issuer and its Subsidiaries following the consummation of which there is a change in:

(i) the legal or beneficial Control, and/or ownership of more than 50 per cent., of the Relevant Cargo Assets and/or its related cashflows, whether or not the Issuer or a Subsidiary of the Issuer continues to Control the operation of such Relevant Cargo Assets;

(ii) the legal or beneficial Control, and/or ownership of more than 50 per cent. of the Relevant Passenger Assets and/or its related cashflows, as determined by reference to the book value of such assets in the most recently published Audited Statements, whether or not the Issuer or a Subsidiary of the Issuer continues to Control the operation of such Relevant Passenger Assets.

Within three business days of the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a “**Put Event Notice**”) to the Noteholders in accordance with Condition 16 (*Notices*) specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the Put Option contained in this Condition.

To exercise the Put Option, the Noteholder must deposit any applicable Note Certificate to the Specified Office of any Agent for the account of the Issuer within the period (the “**Put Period**”) of 45 days after the day on which the Put Event Notice is given, together with a duly signed and completed Put Option Notice in the form (for the time being current and substantially in the form set out in the Agency Agreement) obtainable from the Specified Office of any Agent.

Subject to the deposit of any such Note Certificates to the Specified Office of an Agent for the account of the Issuer as described above, the Issuer shall redeem the Notes in respect of which the Put Option has been validly exercised as provided above on the date which is 30 business days following the end of the Put Period (the “**Optional Redemption Date**”). No Note Certificate, once so deposited with a duly completed Put Option Notice in accordance with this Condition 7(e), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date, the Notes evidenced by any such Note Certificate become immediately due and payable or, upon due presentation of any such Note Certificate on or prior to the end of the Put Period, payment of the redemption moneys is improperly withheld or refused on the relevant Optional Redemption Date, the relevant Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note Certificate at its Specified Office for collection by the depositing Noteholder. For so long as any outstanding Note Certificate is held by an Agent in accordance with this Condition 7(e), the depositor of such Note Certificate and not such Agent shall be deemed to be the holder of the Notes evidenced by such Note Certificate for all purposes.

If the rating designations employed by the Rating Agency are changed from that which is described in the definition of “Investment Grade” above, or if a rating is assigned by another Rating Agency, the Issuer shall determine, with the agreement of the relevant

Rating Agency, the rating designations which are most equivalent to the prior rating designations and this Condition 7(e) shall be construed accordingly.

(f) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in sub-paragraphs (a) (*Scheduled Redemption*) to (c) (*Redemption at the option of the Issuer*) above.

(g) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(h) *Cancellation*: All Note Certificates representing Notes so redeemed or purchased by the Issuer or any of its Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Note Certificate so surrendered for cancellation may not be reissued or resold and upon such cancellation the obligations of the Issuer in respect of any such Note shall be discharged.

8. Payments

(a) *Principal*: Payments of principal shall be made by euro cheque drawn on, or, upon application by a Noteholder to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a euro account (or other account to which euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by euro cheque drawn on, or upon application by a Noteholder to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a euro account (or other account to which euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of interest payable on redemption) upon the due date for payment.

(c) *Interpretation*:

In these Conditions:

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

and

"**TARGET System**" means the TARGET2 system.

(d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(e) *Payments on business days*: Where payment is to be made by transfer to a euro account (or other account to which euro may be credited or transferred), payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Noteholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 8 arriving after the due date for payment or being lost in the mail. In this Condition 8(e), "**business day**" means:

(i) in the case of payment by transfer to a euro account (or other account to which euro may be credited or transferred) as referred to above, any day which is a TARGET Settlement Day; and

(ii) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign exchange and foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(f) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note Certificate, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(g) *Record date:* Each payment in respect of a Note will be made to the Person shown as the holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth business day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the close of business on the relevant Record Date.

9. Taxation

As a withholding agent, the Issuer is liable for and bears a burden of proof vis-à-vis the tax authorities with respect to (i) the proper withholding of any Withholding Tax and Tax Security (as the case may be) which are required to be withheld or deducted at source under the laws of any Tax Jurisdiction from any payment of principal, interest or any other amounts payable in respect of the Notes as well as (ii) the granting of any Tax Relief. Accordingly, before any Tax Relief can be granted, the Issuer will require – unless waived by the Issuer in accordance with this Condition 9 – for the Beneficial Ownership Information to be duly collected and delivered to the Issuer in accordance with the Certification Procedures.

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the Czech Republic (or any political subdivision thereof or any authority therein or thereof having power to tax), unless the withholding or deduction of such Taxes is required by law or official interpretation thereof.

In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(i) presented for payment in the Czech Republic;

(ii) the Beneficial Owner of which is liable for Taxes in respect of such Note by reason of having some connection with the Tax Jurisdiction other than that under point (v) below;

(iii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a business day (as defined in Condition 8);

(iv) where any such withholding or deduction for or on account of Taxes in respect of such Note is required by reason of the Issuer or any person on behalf of the Issuer not having duly received a true, accurate and complete Beneficial Ownership Information or any other similar claim for exemption, where such Beneficial Ownership Information or other claim for exemption is required or imposed under the Certification Procedures, except where this is caused by actions or omissions of the Issuer or its agents;

(v) the Beneficial Owner of which is a Czech Tax Resident individual;

(vi) the Beneficial Owner of which is a Person Related Through Capital with the Issuer; or

(vii) where any such withholding or deduction for or on account of Taxes in respect of such Note, based on the Beneficial Ownership Information received by the Issuer under the Certification Procedures, is for or on account of the Tax Security.

The Issuer may, at any time, waive any condition set out in this Condition 9 to the benefit of the Beneficial Owners by giving notice to the Holders in accordance with Condition 16.

Notwithstanding anything to the contrary in this Condition 9, no additional amounts will be paid where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretation thereof or law implementing an intergovernmental approach thereto or an agreement between the United States of America and the Czech Republic to implement FATCA or any law implementing or complying with, or introduced in order to conform to, such agreement.

In the case of the Beneficial Ownership Information or other similar claim for exemption not being delivered to the Issuer on the terms and subject to the conditions set out in paragraph (iv) above, the Issuer will withhold (a) 35% Withholding Tax from any payment of interest on such Note and (b) if the Notes are issued at a price lower than its principal amount (i.e. below par), 1% Tax Security from any payment of principal on such Note unless the Issuer is satisfied, in its absolute discretion, that it has in its possession all the necessary information enabling the Issuer not to apply the Withholding Tax (or to apply it at a lower rate) or not to apply the Tax Security.

See section Taxation in this Prospectus published in connection with the issue of the Notes for a fuller description of certain tax considerations relating to the Notes and the formalities which Noteholders or Beneficial Owners must follow in order to claim exemption from Withholding Tax and Tax Security (as applicable) as well as the procedures and formalities for claiming a refund of amounts that have been withheld under this Condition 9, where applicable.

In these Conditions:

"**Beneficial Owner**" means an income recipient who is treated as the beneficial owner in respect of income paid in connection with the relevant Note and who qualifies as a beneficial owner under the Income Taxes Act, and/or (where applicable) an applicable Tax Treaty;

"**Beneficial Ownership Information**" means certain information and documentation as set forth under the Certification Procedures concerning, in particular, the identity and country of tax residence of a recipient of a payment of interest or principal in respect of a Note (together with relevant evidence thereof) which enable the Issuer to reliably establish that such recipient is a Beneficial Owner with respect to any such payment and that all conditions for the granting of a Tax Relief, if any, are met.

"**Certification Procedures**" mean the tax relief at source and refund procedures for the Czech Republic implemented by Euroclear and Clearstream, Luxembourg to facilitate collection of the Beneficial Ownership Information which are available at the website of the International Capital Market Services Association at www.icmsa.org, as amended or replaced from time to time.

"**Czech Tax Non-Resident**" means a taxpayer who is not a tax resident of the Czech Republic, either under the Income Taxes Act or under a relevant Tax Treaty (if any);

"**Czech Tax Resident**" means a taxpayer who is a tax resident of the Czech Republic under the Income Taxes Act as well as under a relevant Tax Treaty (if any);

"**Income Taxes Act**" means the Czech Act No. 586/1992 Coll., on Income Taxes, as amended;

"**Legal Entity**" means a taxpayer other than an individual (i.e. a taxpayer which is subject to corporate income tax but who may not necessarily have a legal personality).

"**OECD** means Organisation for Economic Co-operation and Development;

"**Person Related Through Capital**" means every person (whether an individual or a Legal Entity) in a situation where (i) one person directly or indirectly participates in the capital of, or voting rights in, another person, or (ii) one person directly or indirectly participates in the capital of, or voting rights in, several persons and, in each case, such participation (whether direct or indirect) constitutes at least 25% of the registered capital of, or 25% of the voting rights in, such other person/persons.

"**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Tax Jurisdiction**" means (i) the Czech Republic or any political subdivision or any authority thereof or therein having power to tax or (ii) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer of principal and interest on the Notes become generally subject;

"Tax Relief" means a relief from the Withholding Tax or the Tax Security (as the case may be), whether in the form of an exemption or application of a reduced rate.

"**Tax Security**" means a special amount collected by means of a deduction at source made by a withholding agent (for example, by an issuer of a note or by a buyer of a note) upon payment of taxable income which serves essentially as an advance with respect to tax that is to be self-assessed by the recipient of the relevant income (i.e. unlike the Withholding Tax, the amount so withheld does not generally represent a final tax liability);

"**Tax Treaty**" means a valid and effective tax treaty concluded between the Czech Republic and another country under which the Czech Tax Non-Resident is treated as a tax resident of the latter country. In the case of Taiwan, the Tax Treaty is Act No. 45/2020 Coll., on the Elimination of Double Taxation in Relation to Taiwan, as amended.

"**Withholding Tax**" means a tax collected by means of a deduction at source made by a withholding agent (for example, by an issuer of a note) upon payment of taxable income. Save in certain limited circumstances, such tax is generally considered as final.

10. **Events of Default**

If any of the following events occurs and is continuing:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof (unless its failure to pay is caused by an administrative or technical error and the payment is made within 3 business days) or fails to pay any amount of interest in respect of the Notes within 30 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 calendar days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(c) *Cross-acceleration of Issuer or Subsidiary*:

(i) any Indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

(iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds EUR 15,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more non-appealable judgment(s) or order(s) for the payment of an amount, individually or in the aggregate, exceeding EUR 15,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 calendar days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party (i) takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries or (ii) otherwise enforces any Security Interest over the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or

(f) *Insolvency, etc*: (i) the Issuer or any of its Material Subsidiaries becomes over-indebted (*předlužen*) or is unable to pay its debts as they fall due (*platebně neschopný*); (ii) any corporate action, legal proceedings or other procedure or step is taken in relation to: (1) the suspension of payments or a moratorium of any Indebtedness; (2) bankruptcy (*úpadek*) or discharge (*oddlužení*) of the Issuer or any of its Material Subsidiaries; or (3) a reorganisation (*reorganizace*) or a similar arrangement with any creditor of the Issuer or any of its Material Subsidiaries unless the petition to commence such proceedings or procedure is discharged, stayed or dismissed within 30 calendar days of such commencement; (iii) an administrator, receiver, administrative receiver, compulsory manager, liquidator or other similar officer of the Issuer or any of its Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed; (iv) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or (v) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) *Winding up, etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst the Issuer or such Material Subsidiary remains solvent); or

(h) *Analogous event*: any event occurs which under the laws of the Czech Republic has an analogous effect to any of the events referred to in sub-paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or

(i) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, or

(j) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (ii) the Issuer or any of its Subsidiaries is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues;

then Noteholders holding not less than one-quarter of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

11. Prescription

Claims against the Issuer for payment in respect of the Notes shall become void unless made within ten years (in the case of principal) or five years (in the case of interest) of the appropriate Relevant Date in respect of them.

12. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

13. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain a fiscal agent and a registrar and a paying agent in an EU member state.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 16 (*Notices*).

14. Meetings of Noteholders; Modification

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting (including by way of telephone or video conference) may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders whether present or not.

In addition, a resolution in writing shall be valid and effective as if passed at a meeting of the Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*:

(i) The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error, it is made in accordance with sub-clause 14(b)(ii) or it is, in the opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

(ii) Subject to the Issuer acting in good faith and in a commercially reasonable manner and not less than 60 days' notice being given to the Noteholders in accordance with Condition 16 (*Notices*) of any such modification or amendment, the Issuer and the Agents are entitled to, without the consent of the Noteholders, modify, amend or supplement any of the provisions of the Notes or the Agency Agreement in order to reflect:

(A) a change in applicable Czech law or regulation, or any ruling or official interpretation thereof;

(B) a requirement imposed by the Czech tax authorities or another competent authority;

(C) a change in the standard market approach in respect of the Certification Procedures; or

(D) a change in any applicable rules or procedures of any party involved in the implementation of the Certification Procedures.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders by the Issuer in accordance with Condition 16 as soon as reasonably practicable thereafter.

15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

16. **Notices**

Notices to the Noteholders shall be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and/or the Luxembourg Stock Exchange's website, www.bourse.lu, or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading.

17. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

18. **Governing Law and Jurisdiction**

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute regarding any non-contractual obligation arising out of or in connection with the Notes) and accordingly, any suit, action or proceedings arising out of or in connection therewith (together referred to as "**Proceedings**") may be brought in such courts.

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Service of Process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(e) *Consent to enforcement etc.*: The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

(f) *Waiver of immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

There will appear at the foot of the Conditions endorsed on each Note Certificate the names and Specified Offices of the Paying Agents, the Registrar and any Transfer Agents as set out at the end of this prospectus.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will be represented by a Global Note Certificate that will be registered in the name of a nominee for, and deposited with, the common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility – that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Interests in the Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See – "*Book Entry Procedures*".

Except in the limited circumstances described below, owners of interests in the Global Note Certificate will not be entitled to receive physical delivery of Note Certificates. The Notes are not issuable in bearer form.

Exchange for Note Certificates

The Global Note Certificate will become exchangeable in whole, but not in part, for Note Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so, or (b) any of the circumstances described in Condition 10 (*Events of Default*) of the "*Terms and Conditions of the Notes*" occurs.

Whenever the Global Note Certificate is to be exchanged for Note Certificates, such Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Amendment to the Terms and Conditions of the Notes

In addition, the Global Note Certificate will contain provisions which modify the "*Terms and Conditions of the Notes*" as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payments: Payments of principal and interest in respect of the Notes evidenced by the Global Note Certificate will be made against presentation for endorsement by the Fiscal Agent and, in the case of payment of principal in full with all interest accrued thereon, surrender of the Global Note Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the relevant Noteholders for such purpose and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of such Notes. A record of each payment so made will be endorsed in the appropriate schedule to the Global Note Certificate, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Notes.

Payments on business days: In the case of all payments made in respect of the Global Note Certificate, "business day" means any day on which the TARGET System is open.

Payment Record Date: Each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "Clearing System Business Day" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of Put Option: In order to exercise the option contained in Condition 7(e) (*Redemption and Purchase—Redemption at the option of the Noteholder following a put event*) of the "*Terms and Conditions of the Notes*" the holder of the Global Note Certificate must, within the period specified in the "*Terms and Conditions of the Notes*" for the deposit of the relevant Note Certificate and Put Option Notice (as defined in Condition 7(e) (*Redemption and Purchase—Redemption at the option of the Noteholder following a put event*) of the "*Terms and Conditions of the Notes*") give notice of such exercise to the Fiscal Agent, in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn. Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in the Global Note Certificate (each an "**Accountholder**") wishing to arrange for their Notes to be put must arrange for their instructions to be given in accordance with the rules and procedures of the clearing system through which they hold their interest in such Notes, which may require the transfer of such Notes, or the blocking thereof, in the relevant clearing system.

Notices: Notwithstanding Condition 16 (*Notices*) of the "*Terms and Conditions of the Notes*", so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System and, in any case, such notices shall be deemed to have been given in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other Alternative Clearing System. A Notice will also be valid if published, for so long as the Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of such exchange or of applicable law or regulations, in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Prescription: Claims against the Issuer for payment in respect of the Notes while the Notes are represented by a Global Note Certificate shall become void unless it is presented for payment within ten years (in the case of principal) or five years (in the case of interest) of the appropriate Relevant Date (as defined in Condition 9 (*Taxation*) of the "*Terms and Conditions of the Notes*"), in respect of them.

Meetings: For the purposes of any meeting of Noteholders, the holder of the Global Note Certificate shall (unless the Global Note Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of, a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Notes.

Events of Default: If principal in respect of any Note is not paid when due, the Holder of a Note represented by the Global Note Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 12 October 2022 to come into effect in respect of a principal amount of Notes up to the aggregate principal amount in respect of which such failure to pay has occurred in favour of the persons entitled to such payment as Accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion. However, no such election may be made in respect of Notes represented by the Global Note Certificate unless the transfer of the whole or a part of the holding of Notes represented by the Global Note Certificate shall have been improperly withheld or refused.

Book Entry Procedures

Custodial and depository links are to be established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See "*—Settlement and Transfer of Notes*" below.

Investors may hold their interests in the Global Note Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**", and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and Joint Bookrunners, banks, trust companies and clearing corporations.

Relationship of Participants with Clearing Systems

Each of the Accountholders must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of a Global Note Certificate and in relation to all other rights arising under a Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate the common safekeeper by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or Accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective interests in the principal amount of the Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer expects that payments by Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by a Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of a Global Note Certificate in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any other Agent (as named in the Agency Agreement), will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in a Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (for the purposes of this section "*Overview of Provisions Relating to the Notes in Global Form*" the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in a Global Note Certificate held within a clearing system are exchanged for Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Taxation

For so long as Notes are evidenced by a Global Note Certificate, the Beneficial Ownership Information is to be provided in accordance with the Certification Procedures (each as defined below in "*Taxation*").

USE OF PROCEEDS

The net proceeds from the issue of the Notes (i.e. after deduction of commissions, fees and estimated expenses) are expected to be approximately EUR 495,500,000. The Issuer will use such net proceeds to repay certain financial indebtedness of the Group, to finance capital expenditures and for general corporate purposes. The Issuer intends to allocate an amount equivalent to the net proceeds of the Notes to finance or re-finance, in whole or in part, new or existing green projects ("**Eligible Projects**") in accordance with the use of proceeds criteria and selection process described in the Issuer's Green Finance Framework (available to view on the Issuer's website at *www.ceskedrahy.cz*).

The Issuer may amend or update the Issuer's Green Finance Framework in the future. Any changes to the Issuer's Green Finance Framework will be publicly announced on the Issuer's website.

For the avoidance of doubt, information (including the Issuer's Green Finance Framework and Second-Party Opinion dated 2 June 2022 issued by Moody's ESG Solution) contained on the Issuer's website does not form part of, or be deemed to be incorporated in, this Prospectus.

See "*Risk Factors—Risks Relating to the Notes— The Notes are issued as Green Bonds with a specific use of proceeds, however, they may not meet investor expectations or requirements relating to such green use of proceeds*" for further details.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated financial information of the Group set forth herein has, unless otherwise indicated, been derived from the Group's Financial Statement**s**. See "*Information Incorporated by Reference*".

The unaudited interim consolidated financial statements of the Group as of and for the six months ended 30 June 2022 and 2021 (the "**Interim Financial Statements**") have been prepared in accordance with International Accounting Standard ("**IAS**") 34 'Interim Financial Reporting' and are unaudited. The audited consolidated financial statements of the Group for the years ended 31 December 2021 and 2020 (the "**Annual Financial Statements**" and together with the Interim Financial Statements, the "**Financial Statements**") have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted in the European Union (the "**EU**"). The Group presents its financial statements in Czech Korunas, which is the functional and presentation currency of the Group. PricewaterhouseCoopers Audit, s.r.o. has audited the Annual Financial Statements, in accordance with International Standards on Auditing ("**ISA**"), and issued an audit opinion without qualifications dated 14 June 2022.

Non-IFRS Information

Included in this Prospectus are certain measures which are not measures defined by IFRS, namely EBIT, EBITDA, EBITDA Margin, Leverage, Current Liquidity, Capital Expenditures, Total Debt, Total Debt/EBITDA, Total Net Debt, Total Net Debt/EBITDA, and which meet the definition of alternative performance measures (each an "**APM**") as described in the ESMA Guidelines on Alternative Performance Measures (the "**ESMA Guidelines**") published by the European Securities and Markets Authority on 5 October 2015. The ESMA Guidelines provide that an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The ESMA Guidelines also note that they do not apply to APMs disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures.

For the Group, measures that might be considered to be APMs in this Prospectus (and that are not defined or specified by IFRS or any other legislation applicable to the Group) include the following (such terms being used in this Prospectus as defined below):

"**EBIT**" is defined as profit/(loss) for the period from continuing operations before interest and taxes.

"**EBITDA**" is defined as profit/(loss) for the period from continuing operations before interest, taxes, depreciation and amortisation.

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

The following table provides a reconciliation of the Group's EBIT and EBITDA to profit/(loss) from continuing operations for the period for the six months ended 30 June 2022 and 2021 and the years ended 31 December 2021 and 2020:

Key Metrics	**Passenger Transport**	**Freight Transport**	**Property Management**	**Certification and Testing[(1)]**	**Total of reportable segments**	**Others[(2)]**	**Elimination[(3)]**	**Total**
Six months ended 30 June 2022				*(in CZK millions)*				
Profit/(loss) for the period from continuing operations	**(1,178)**	**126**	**(14)**	**119**	**(947)**	**440**	**(513)**	**(1,020)**
Income tax expense	-	(49)	-	(34)	(83)	(6)	4	(85)
Finance income ..	205	47	11	6	269	10	(26)	253
Finance costs	(794)	(183)	(1)	-	(978)	(27)	23	(982)
EBIT	**(589)**	**311**	**(24)**	**147**	**(155)**	**463**	**(514)**	**(206)**
Depreciation and amortisation[(4)]	(2,882)	(1,161)	(77)	(34)	(4,154)	(147)	42	(4,259)

Key Metrics	Passenger Transport	Freight Transport	Property Management	Certification and Testing[(1)]	Total of reportable segments	Others[(2)]	Elimination[(3)]	Total
EBITDA	**2,293**	**1,472**	**53**	**181**	**3,999**	**610**	**(556)**	**4,053**
Six months ended 30 June 2021				*(in CZK millions)*				
Profit/(loss) for the period from continuing operations	**(579)**	**247**	**41**	**177**	**(114)**	**201**	**(396)**	**(309)**
Income tax expense	-	(52)	-	(43)	(95)	10	(3)	(88)
Finance income ..	369	21	9	-	399	1	(11)	389
Finance costs	(516)	(132)	(2)	-	(650)	(20)	16	(654)
EBIT	**(432)**	**410**	**34**	**220**	**232**	**210**	**(398)**	**44**
Depreciation and amortisation[(4)]	(2,549)	(1,095)	(42)	(31)	(3,717)	(147)	44	(3,820)
EBITDA	**2,117**	**1,505**	**76**	**251**	**3,949**	**357**	**(442)**	**3,864**
Year ended 31 December 2021				*(in CZK millions)*				
Profit/(loss) for the period from continuing operations..........	**(2,251)**	**289**	**5**	**286**	**(1,671)**	**354**	**(521)**	**(1,838)**
Income tax expense...............	-	(99)	-	(68)	(167)	7	5	(155)
Finance income ...	676	44	22	1	743	5	(26)	722
Finance costs.......	(1,045)	(289)	(6)	-	(1,340)	(42)	33	(1,349)
EBIT..................	**(1,882)**	**633**	**(11)**	**353**	**(907)**	**384**	**(533)**	**(1,056)**
Depreciation and amortisation[(4)]	(6,395)	(2,308)	(105)	(62)	(8,870)	(309)	130	(9,049)
EBITDA............	**4,513**	**2,941**	**94**	**415**	**7,963**	**693**	**(663)**	**7,993**
Year ended 31 December 2020				*(in CZK millions)*				
Profit/(loss) for the period from continuing operations..........	**(3,967)**	**(248)**	**(186)**	**164**	**(4,237)**	**226**	**(310)**	**(4,321)**
Income tax expense...............	-	28	-	(39)	(11)	2	(6)	(15)
Finance income ...	571	71	18	1	661	14	(82)	593
Finance costs.......	(1,770)	(269)	(22)	(1)	(2,062)	(49)	67	(2,044)
EBIT..................	**(2,768)**	**(78)**	**(182)**	**203**	**(2,825)**	**259**	**(289)**	**(2,855)**
Depreciation and amortisation[(4)]	(5,283)	(2,056)	(85)	(58)	(7,482)	(348)	82	(7,748)
EBITDA............	**2,515**	**1,978**	**(97)**	**261**	**4,657**	**607**	**(371)**	**4,893**

Notes:

(1) The figures for the year ended 31 December 2020 have been restated to conform to the new presentation of the Group's reported segments. For details, see Note 5 to the Annual Financial Statements.

(2) The 'Others' column includes income and expense of all subsidiaries apart from ČD Cargo and VUZ, as well as income and expenses of the Issuer which do not belong to Passenger transport and Property management segments

(3) The 'Elimination' column includes eliminations of intragroup relations.

(4) The "Depreciation and amortisation" line includes Depreciation of property, plant and equipment, Depreciation of investment property, Depreciation of right-of-use assets, Amortisation of intangible assets and Impairment losses on property, plant and equipment, investment property and assets held for sale.

"**EBITDA Margin**" is defined as EBITDA divided by revenue.

EBITDA Margin is considered a useful indicator because it serves as a profitability ratio that measures how much in earnings a company is generating before interest, taxes, depreciation, and amortization, as a percentage of revenue.

The following table provides a reconciliation of the Group's EBITDA Margin for the six months ended 30 June 2022 and 2021 and the years ended 31 December 2021 and 2020:

	Six months ended 30 June		**Year ended 31 December**	
	2022	**2021**	**2021**	**2020**
	(in CZK millions, unless otherwise indicated)			
EBITDA	4,053	3,864	7,993	4,893
Revenue	21,277	18,188	38,534	35,915
EBITDA Margin (in *per cent.*)	**19%**	**21.2%**	**20.7%**	**13.6%**

"**Leverage**" is defined as total non-current liabilities and total current liabilities divided by total assets.

Leverage is considered a useful indicator for assessing the Group's solvency given its size and the industry in which it operates. It helps investors understand how the Group pays for its business.

The following table provides a reconciliation of the Group's Leverage as of 30 June 2022 and 31 December 2021 and 2020:

	As of 30 June	**As of 31 December**	
	2022	**2021**	**2020**
	(in CZK millions, unless otherwise indicated)		
Total non-current liabilities	43,912	46,922	45,216
Total current liabilities	30,302	19,732	13,178
Total assets	109,905	103,524	95,719
Leverage (in *per cent.*)	**67.5%**	**64.4%**	**61.0%**

"**Current Liquidity**" is defined as total current assets divided by total current liabilities.

The Group presents Current Liquidity because management uses it as a measure of the Group's ability to pay short-term obligations.

The following table provides a reconciliation of the Group's Current Liquidity as of 30 June 2022 and 31 December 2021 and 2020:

	As of 30 June	**As of 31 December**	
	2022	**2021**	**2020**
	(in CZK millions, unless otherwise indicated)		
Total current assets	12,945	13,261	13,171
Total current liabilities	30,302	19,732	13,178
Current Liquidity (in *per cent.*)	**42.7%**	**67.2%**	**99.9%**

"**Capital Expenditures**" is defined as payments for property, plant and equipment, investment properties and intangible assets, as presented in the statement of cash flows.

The Group presents Capital Expenditures because management uses it as a measure of total investments into property, plant and equipment, investment properties and intangible assets, in order to increase the scope and economic benefit of its operations.

The table below shows the Group's Capital Expenditures for the six months ended 30 June 2022 and 2021 and the years ended 31 December 2021 and 2020:

	Six months ended 30 June		Year ended 31 December	
	2022	**2021**	**2021**	**2020**
	(in CZK millions)			
Payments for Property, plant and equipment	(13,682)	(6,317)	(10,465)	(7,476)
Payments for Investment property	(47)	(0)	(3)	(5)
Payments for Intangible assets	(133)	(102)	(218)	(243)
Capital Expenditures	**(13,862)**	**(6,419)**	**(10,686)**	**(7,724)**

"**Total Debt**" is defined as the total of interest-bearing liabilities (consisting of current and non-current loans, borrowings and lease liabilities).

The Group presents Total Debt because management uses it to assess the capital structure of the Group.

"**Total Debt/EBITDA**" is defined as Total Debt divided by EBITDA.

The Group presents Total Debt/EBITDA because it is considered to be a useful metric for evaluating the Group's liquidity and facilitates a comparison to the peer companies within the same industry.

"**Total Net Debt**" is defined as the total of interest-bearing liabilities (consisting of current and non-current loans, borrowings and lease liabilities), net of cash and cash equivalents.

The Group presents Total Net Debt because it is a measure of the Group's indebtedness which is not covered by the amount of available cash and cash equivalents.

"**Total Net Debt/EBITDA**" is defined as Total Net Debt divided by EBITDA.

The Group presents Total Net Debt/EBITDA because it is considered to be useful information on the Group's ability to repay its debt, based on the income it generates on a consistent basis as its business grows.

The following table provides a reconciliation of the Group's Total Debt, Total Debt/EBITDA, Total Net Debt and Total Net Debt/EBITDA as of and for the six months ended 30 June 2022 and 2021 and the years ended 31 December 2021 and 2020:

	As of and for the six months ended 30 June		As of and for the years ended 31 December	
	2022	**2021**	**2021**	**2020**
	(in CZK millions)			
Current loans, borrowings and lease liabilities	17,947	4,407	3,664	2,698
Non-current loans, borrowings and lease liabilities	41,643	42,346	44,635	42,850
Total Debt	**59,590**	**46,753**	**48,299**	**45,548**
Cash and cash equivalents	2,110	1,913	3,434	5,751
Total Net Debt	**57,480**	**44,840**	**44,865**	**39,797**
EBITDA	4,053	3 864	7,993	4,893
Total Debt/EBITDA	**14.7**	**12.1**	**6.0**	**9.3**
Total Net Debt/EBITDA	**14.2**	**11.6**	**5.6**	**8.1**

The Group has presented these APMs (1) as they are used by its management to monitor its financial position for outstanding debt and available operating liquidity and (2) to represent similar measures that are widely used by certain investors, securities analysts and other interested parties as supplemental measures of financial position, financial performance and liquidity. The Group believes these measures enhance the investor's understanding of the Group's performance and indebtedness and current ability of the Group to fund its ongoing operations.

However, the APMs mentioned in this Prospectus are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing EBIT, EBITDA, EBITDA Margin, Leverage, Current Liquidity, Capital Expenditures, Total Debt, Total Debt/EBITDA, Total Net Debt, Total Net Debt/EBITDA, to similar measures used by other companies.

Further, none of these APMs is a measurement of performance under IFRS, and investors should not consider EBIT, EBITDA, EBITDA Margin, Leverage, Current Liquidity, Capital Expenditures, Total Debt, Total Debt/EBITDA, Total Net Debt, Total Net Debt/EBITDA as equivalent to Profit/(Loss) for the period, Profit/(Loss) from operating activities, Profit/(Loss) before tax, Net cash flows from operating activities, investment activities or financing activities or other measures determined in accordance with IFRS. These APMs have limitations as analytical tools, and investors should not consider them in isolation. Some of these limitations include:

- that they do not reflect changes in, or cash requirements for, working capital needs;
- that they do not reflect the interest expense, or the cash requirements necessary, to service interest or principal payments on debt;
- that although depreciation and amortisation are non-monetary charges, the assets being depreciated and amortised will often need to be replaced in the future and EBIT and EBITDA do not reflect any cash requirements that would be required for such replacements;
- that some of the items eliminated in calculating EBIT and EBITDA reflect cash payments that were made, or will be made in the future; and
- the fact that other companies in the same industry may calculate EBIT and EBITDA and the other APMs mentioned in this Prospectus differently than those mentioned in this Prospectus, which limits their usefulness as comparative measures.

Change in Presentation of the Segment Information

In 2021, the Group's management introduced certain changes in the presentation of the segmental information with respect to the new reported segment of "Certification and Testing". The figures for the period ending 31 December 2020 thus have been revised with respect to the new reported segment and reporting of discontinued operations in 2021.

As a result of establishing new reportable segment "Certification and Testing", the Group must comply with the terms of the accounting standards IFRS 8 "Operating Segments", which has caused changes in the adopted accounting policies and the presentation of the Group's financial statements for the year ended 31 December 2021. IFRS 8 requires an entity whose debt or equity securities are publicly traded to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the different business activities in which it engages and the different economic environments in which it operates. It specifies how an entity should report information about its operating segments in annual financial statements and in interim financial reports. It also sets out requirements for related disclosures about products and services, geographical areas and major customers.

For details see Note 5.2 and Note 15 to the Annual Financial Statements.

Use of Certain Terms

The terms EBITDA, financial indebtedness, total net debt, and leverage of the Group included in this Prospectus do not represent the terms of the same or similar names as may be defined by any documentation for any financial liabilities of the Group.

Exchange Rate Information

Where the text of this Prospectus mentions EUR equivalents next to the original CZK amounts, the amounts have been converted using the exchange rate as of 31 December 2021 at CZK 24.860 = EUR 1.00.

Foreign Language Terms

This Prospectus is drawn up in English. Certain legislative references and technical terms in the English version have been cited in their original Czech language such that the correct technical meaning may be ascribed to them under applicable law.

SELECTED HISTORICAL FINANCIAL AND OPERATING INFORMATION

The following tables present selected historical consolidated financial information of the Group as of and for the six months ended 30 June 2022 and 2021 and the years ended 31 December 2021 and 2020 which has been derived from the Financial Statements incorporated by reference into this Prospectus. The information below should be read in conjunction with the information contained in "Presentation of Financial and Other Information" and the Financial Statements incorporated by reference into this Prospectus.

Consolidated statements of profit or loss

	Six months ended 30 June		Year ended 31 December	
	2022	**2021**	**2021**	**2020**[(1)] (revised)
CONTINUED OPERATIONS		*(CZK million)*		
Revenue	21,277	18,188	38,534	35,915
Other operating income	682	640	1,822	1,279
Cost of services, raw materials and energy	(9,922)	(7,546)	(15,708)	(15,458)
Employee benefit costs	(7,528)	(7,028)	(14,808)	(14,902)
Depreciation and amortisation	(4,259)	(3,820)	(9,049)	(7,748)
Other operating costs	(456)	(390)	(1,847)	(1,941)
Profit/(Loss) from operating activities	**(206)**	**44**	**(1,056)**	**(2,855)**
Finance costs	(982)	(654)	(1,349)	(2,044)
Finance income	244	382	705	586
Share of the profit of associates and joint ventures	9	7	17	7
Loss before tax	**(935)**	**(221)**	**(1,683)**	**(4,306)**
Income tax expense	(85)	(88)	(155)	(15)
Loss for the period from continuing operations	**(1,020)**	**(309)**	**(1,838)**	**(4,321)**
DISCONTINUED OPERATIONS				
Profit from discontinued operations	**89**	**92**	**202**	**186**
Profit/(Loss) for the period	**(931)**	**(217)**	**(1,636)**	**(4,135)**
Attributable to the owners of the Company	(934)	(237)	(1,655)	(4,154)
Attributable to the non-controlling interests	3	20	19	19

Notes:
(1) The period has been revised with respect to the new reported segment of Certification and testing and reporting of discontinued operations in 2021.

Consolidated statements of comprehensive income

	Six months ended 30 June		Year ended 31 December	
	2022	**2021**	**2021**	**2020**
		(CZK million)		
Loss for the period	**(931)**	**(217)**	**(1,636)**	**(4,135)**
Actuarial remeasurements of employee defined benefit obligations	12	(1)	49	17
Revaluation of investments in equity instruments at fair value through other comprehensive income	15	(12)	1	(14)
Other comprehensive income for the period (items that are not subsequently reclassified to profit or loss)	**27**	**(13)**	**50**	**3**
Foreign exchange gains less losses from translation of foreign operations	(15)	(15)	(40)	(17)
Change in cash flow hedge reserve	(231)	580	2,091	(487)
Change in cost of hedging reserve	(29)	127	35	21
Relating income tax credit/(expense)	-	(32)	(42)	13
Other comprehensive income/(loss) for the period (items that may be reclassified to profit or loss in subsequent periods)	**(275)**	**660**	**2,044**	**(470)**
Other comprehensive income /(loss) for the period after tax	**(248)**	**647**	**2,094**	**(467)**
Total comprehensive income/(loss) for the period	**(1,179)**	**430**	**458**	**(4,602)**
Attributable to the owners of the Company	(1,182)	410	439	(4,621)
Attributable to the non-controlling interests	3	20	19	19

Consolidated statement of financial position

	As of 30 June	As of 31 December	
	2022	2021	2020
	(CZK million)		
Property, plant and equipment	88,237	81,029	74,775
Investment property	459	475	621
Goodwill	141	141	141
Intangible assets	1,049	1,109	1,100
Right-of-use assets	5,105	4,957	4,480
Investments in joint ventures and associates	192	209	200
Deferred tax asset	15	14	12
Other financial assets	1,755	2,301	1,211
Other assets	7	28	8
Total non-current assets	**96,960**	**90,263**	**82,548**
Inventories	2,265	2,231	2,221
Trade receivables	4,389	4,004	3,167
Prepaid income tax	72	69	15
Other financial assets	889	439	222
Other assets	2,929	2,746	1,795
Cash and cash equivalents	2,110	3,434	5,751
Non-current assets and disposal groups held for sale	291	338	-
Total current assets	**12,945**	**13,261**	**13,171**
TOTAL ASSETS	**109,905**	**103,524**	**95,719**
Share capital	20,000	20,000	20,000
Other capital reserves	19,279	19,506	17,454
Accumulated deficit	(3,642)	(2,687)	(757)
Equity attributable to the owners of the Company	**35,637**	**36,819**	**36,697**
Non-controlling interests	54	51	628
Total equity	**35,691**	**36,870**	**37,325**
Loans, borrowings and lease liabilities	41,643	44,635	42,850
Deferred tax liability	1,752	1,746	1,688
Current income tax payable	206	211	255
Other financial liabilities	194	213	192
Other liabilities	117	117	231
Total non-current liabilities	**43,912**	**46,922**	**45,216**
Trade payables	6,248	9,498	4,761
Loans, borrowings and lease liabilities	17,947	3,664	2,698
Income tax liabilities	41	48	49
Provisions	2,675	2,716	2,134
Current income tax payable	578	675	410
Other liabilities and contract liabilities	2,701	3,033	3,126
Liabilities related to non-current assets and disposal groups held for sale	112	98	-
Total current liabilities	**30,302**	**19,732**	**13,178**
TOTAL LIABILITIES	**109,905**	**103,524**	**95,719**

Selected unaudited key indicators

The following table show the APMs as of the dates and for the periods indicated.

	As of and for the six months ended 30 June		As of and for the year ended 31 December	
	2022	2021	2021	2020
	(CZK million, unless indicated otherwise)			
EBIT[(1)]	(206)	44	(1,056)	(2,855)
EBITDA[(2)]	4,053	3,864	7,993	4,893
Leverage (in *per cent.*)[(3)]	67.5%	N/A	64.4%	61.0%
Current Liquidity (in *per cent.*)[(4)]	42.7%	N/A	67.2%	99.9%
Capital Expenditures[(5)]	(13,862)	(6,419)	(10,686)	(7,724)
Total Debt[(6)]	59,590	46,753	48,299	45,548
Total Debt/EBITDA[(7)]	14.7	12.1	6.0	9.3
Total Net Debt[(8)]	57,480	44,840	44,865	39,797
Total Net Debt/EBITDA[(9)]	14.2	11.6	5.6	8.1
EBITDA Margin (in *per cent.*)[(10)]	19%	21.2%	20.7%	13.6%
Average full-time equivalent employees	21,695	22,419	22,037	23,138

Notes:

(1) Defined as profit/(loss) for the period from continuing operations before interest and taxes.
(2) Defined as profit/(loss) for the period from continuing operations before interest, taxes, depreciation and amortisation.
(3) Defined as total non-current liabilities and total current liabilities divided by total assets.
(4) Defined as total current assets divided by total current liabilities.
(5) Defined as payments for property, plant and equipment, investment properties and intangible assets.
(6) Defined as the total of interest-bearing liabilities (consisting of current and non-current loans, borrowings and lease liabilities).
(7) Defined as Total Debt divided by EBITDA.
(8) Defined as the total of interest-bearing liabilities (consisting of current and non-current loans, borrowings and lease liabilities), net of cash and cash equivalents.
(9) Defined as Total Net Debt divided by EBITDA.
(10) Defined as EBITDA divided by revenue.

Operating information

	Year ended 31 December	
	2021	**2020**
Passenger Transportation Business		
Number of passengers (millions)	120,7	117,7
Traffic performance (million person-kilometres)[1]	5,407	5,127
Transport performance (million train-kilometres)[2]	113.5	113,9
Average traffic distance (kilometres)	45	44
Occupancy ratio (%)	22	21
Freight Transportation Business		
Traffic volume (millions tonnes)	62,8	61
Traffic performance (million tariff ton-kilometres)[3]	11,180	10,545
Transport performance (billion gross train kilometres)[2]	22.8	20,7
Average traffic distance (kilometres)	178	173

Notes:
(1) In terms of the transport of one rail passenger by rail over a distance of one kilometre.
(2) In terms of kilometres travelled by trains.
(3) In terms of the transport of one tonne of freight by rail over a distance of one kilometre.

DESCRIPTION OF THE ISSUER

Overview

The Group is a major rail transport carrier in the Czech Republic, with ČD providing regional passenger transport pursuant to long-term contracts entered into with the Czech Regions, long-distance passenger rail transport pursuant to long-term contracts entered into between ČD and the State and commercial passenger transport purely on economic grounds and without any payments from the State or the Czech Regions. The Group had a market share of 56.4 per cent. and 58.6 per cent. of all freight railway transport in the Czech Republic in terms of gross tonne-kilometres (i.e., the measurement of transport of one tonne of goods over a distance of one kilometre) in 2021 and 2020, according to data from ČD and the Ministry of Transport. The Group is also one of the largest employers in the Czech Republic, with an average number of full-time employees of 22,037 for the year ended 31 December 2021.

The Group operates through four principal business segments:

- **Passenger Transport Business**, which includes regional, domestic and international long-distance and commercial transport operated through ČD;

- **Freight Transport Business**, which includes the provision of comprehensive freight transport across Europe operated through ČD Cargo and its subsidiaries;

- **Property Management Business**, which includes the management, leasing and operation of certain Group assets, primarily real estate, and is operated, among others, through ČD, SSD, ŽSD and MSD;

- **Certification and Testing Business**, which includes testing services, railway transport research and development operated through VUZ; and

- **Other Business**, which includes the provision of telecommunication services, predominantly to railway transport companies and railway infrastructure administrators, operated through ČD – Telematika a.s. ("**ČD Telematika**"), rolling stock repair services operated through DPOV, a.s. ("**DPOV**"), railway accommodation and catering services operated through JLV and bus transport operated through VYDOS BUS a.s. ("**Vydos**"), and since 1 September 2022 through successor company ČD Bus a.s., for the purposes of provision of substitute transport during planned closures or emergencies.

Revenues of the Group's Passenger Transport Business represented 56.4 per cent. and 53.8 per cent. of its total revenues (in each case before eliminations) for the six months ended 30 June 2022 and 2021, respectively. For the years ended 31 December 2021 and 2020, the revenues of the Group's Passenger Transport Business represented 55.4 per cent. and 55.2 per cent. of its total revenues (in each case before eliminations), respectively. In 2021, the Group had an overall passenger turnover of 5,407 million passenger-kilometres, a 5.5 per cent. increase compared to 5,127 million passenger-kilometres in 2020.

Revenues of the Group's Freight Transport Business represented 30.5 per cent. and 32.4 per cent. of its total revenues (in each case before eliminations) for the six months ended 30 June 2022 and 2021, respectively. For the years ended 31 December 2021 and 2020 the revenues of the Group's Freight Transport Business represented 30.4 per cent. and 31.1 per cent. of its total revenues (in each case before eliminations), respectively. In 2021, the Group had an overall freight turnover of 11,180 billion tonne-kilometres, a 6 per cent. increase compared to an overall freight turnover of 10,545 billion tonne-kilometres in 2020.

The Group's Property Management Business revenues represented 0.8 per cent. and 0.8 per cent. of its total revenues (in each case before eliminations) for the six months ended 30 June 2022 and 2021, respectively. For the years ended 31 December 2021 and 2020, the Group's Property Management Business revenues represented 1.0 per cent. and 0.9 per cent. of its total revenues (in each case before eliminations), respectively. The Group's Certification and Testing Business revenues represented 1.4 per cent. and 1.9 per cent. of its total revenues (in each case before eliminations) for the six months ended 30 June 2022 and 2021, respectively. For the years ended 31 December 2021 and 2020, the Group's Certification and Testing

Business revenues represented 1.7 per cent. and 1.4 per cent. of its total revenues (in each case before eliminations), respectively.

The Group's other revenues represented 11 per cent. and 11.1 per cent. of its total revenues (in each case before eliminations) for the six months ended 30 June 2022 and 2021, respectively. For the years ended 31 December 2021 and 2020 the Group's other revenues represented 11.5 per cent. and 11.4 per cent. of its total revenues (in each case before eliminations), respectively.

The Group's overall economic performance for the six months ended 30 June 2022 resulted in a loss for the period of CZK 931 million. This result was mainly due to major increase of costs for services, energies and supplies caused by sharp growth in prices of the Group's cost inputs in connection with the ongoing energy market crisis, the Russian invasion of Ukraine and other inflation factors. Cost of services, raw materials and energy of the Group amounted to CZK 9,922 million as of 30 June 2022, as compared to CZK 7,546 million as of 30 June 2021. The Group was able to pass the increased costs onto its customers in its Freight Transport Business, however, in its Passenger Transport Business the Group was not able to offset the increased costs by a corresponding increase in the payments for the provision of passenger transport services pursuant to long-term contracts currently in place with the State and the Czech Regions. As a result, the Group had to enter into other financial arrangements increasing its current loans, borrowings and lease liabilities in total to CZK 17,947 million as of 30 June 2022, as compared to CZK 4,407 million as of 30 June 2021. For the year ended 31 December 2021 the Group's overall economic performance resulted in a loss for the period of CZK 1.636 billion. This result was mainly due to an increase in the transportation volumes in both the Passenger Transport Business and the Freight Transport Business, higher payments received from the Ministry of Transportation and the Czech regions and lower employee benefit costs.

The Group primarily conducts its operations on the State-owned railway network. According to data compiled by SŽ as of 31 December 2021, the railway network in the Czech Republic had a total length of lines of 9,358 km, out of which 3,215 km was electrified. According to UIC statistics for the year 2020, it was the ninth largest railway network in the EU in terms of the length of operated lines. The Group provides a transport link between Eastern and Western Europe and, according to UIC's statistics for the year 2020, is the eighth largest railway transport operator in the EU in terms of the number of passengers carried. The Group provides freight transport through its 100 per cent. owned subsidiary ČD Cargo, which, according to UIC's statistics for the year 2020, is the fourth largest railway transporter in the EU in terms of tonnes of freight carried.

General Information about ČD

ČD is a joint stock company (*akciová společnost*) incorporated and operating under Czech law. Its registered office is at Nábřeží L. Svobody 1222, 110 15 Prague 1, Czech Republic, and its telephone number is +420 972 111 111. The identification number of ČD is 709 94 226 and it is registered in the Commercial Register maintained by the Municipal Court in Prague under Section B, Insert 8039. The registered share capital of ČD is CZK 20 billion divided into 20 shares with a nominal value of CZK 1 billion each. All shares have been issued and are fully paid up. The website of the Issuer is www.ceskedrahy.cz.

The founder and sole shareholder of ČD is the State, which exercises its shareholder rights through the Steering Committee. ČD was incorporated and registered in the Commercial Register on 1 January 2003 (the "**Date of Incorporation**") after the passing of Act No. 77/2002 Coll., on the Joint Stock Company Czech Railways, as amended (the "**Act on Czech Railways**").

No dividends have been declared or paid since ČD's incorporation. The Articles of Association of ČD do not allow for the issuance of preferred stock. ČD may benefit from dividends paid by its subsidiaries. The dividends received by ČD (on a consolidated basis) amounted to CZK 7 million in 2021 and CZK 8 million in 2020.

Relationship with the State

The Government exercises its rights as the sole shareholder of ČD through the Steering Committee. The members of the Steering Committee are appointed by the Government (see "*Management – Steering Committee*"). In the past, the Government supported ČD's purchases of rail vehicles through subsidies and by guaranteeing loans in the total amount of EUR 165 million provided to ČD between the years 2003 and 2007 through the European Company for the Financing of Railroad Rolling Stock ("**EUROFIMA**"), a supranational body supporting the development of rail transport in Europe. As of the date of this Prospectus, all of these loans have been repaid. In 2021, the Group started negotiating new loan documentation with EUROFIMA to secure credit facilities totalling EUR 639 million. During April and May 2022, the pledge and guarantee conditions for utilisation of the credit line were defined and the Group is currently taking the necessary final steps to finalise the loan documentation.

In the six months ended 30 June 2022 and in the years ended 31 December 2021 and 2020, the Group received payments from the State pursuant to contracts for the provision of regional and domestic long-distance passenger rail transport to the Czech Regions and the State (see *"—Pricing, Payments and Tariff Regulation"* below for more information).

In the year ended 31 December 2020, ČD also received state support in the amount of CZK 96 million under the "Antivirus" employment protection programme and state support in the amount of CZK 24 million for purchase of personal protective equipment and disinfection. In the same year, ČD Cargo received state support under the "Antivirus" employment protection programme in the amount of CZK 77 million as well as the a support in Austria in the form of a reduction of the changes paid by railway companies for the use of rail infrastructure in the amount of CZK 28 million. In the same year, the Group also received a discount on charges for the use of rail infrastructure in the Czech Republic in the amount of CZK 51 million.

In the year ended 31 December 2021, ČD received payments for long-distance revenue shortfalls due to the Covid-19 pandemic in the amount of CZK 558 million and support under the "Antivirus" employment protection programme in the amount of CZK 71 million. In the same year, ČD Cargo received a subsidy in the amount of CZK 124 million in order to compensate it for the renewable energy surcharges paid in 2020, a subsidy in the amount of CZK 8 million under the "Antivirus" employment protection programme and subsidies under the Austrian and German schemes in the form of a reduction of the charges for the use of rail infrastructure in the amount of CZK 92 million. In the same year, the Group also received state support in the form of a reduction of excise duty on diesel in the amount of CZK 68 million and in the form of payments for mandatory Covid-19 testing in the amount of CZK 12 million. Furthermore, the Group also received a grant from the Ministry of Transport under the "Covid-Uncovered Costs" programme in the amount of CZK 40 million.

In the year ended 31 December 2021, the Group also received a commitment of investment subsidies from the Ministry of Transport in the amount of CZK 398 million for the electric-powered trains in the Pilsen and Karlovy Vary regions and in the amount of CZK 120 million for the units of 440 series and ČD Cargo received a subsidy in the amount of CZK 19 million for the fitting of LL so called "silent" brake blocks.

In addition, the State had committed to provide the Group with financial support in the form of "remission of energy charges" for renewable energy for the carriers using electricity in the amount of approximately CZK 1 billion per year. This exemption from the regulated payment is considered as public aid and its granting is subject to the approval of the European Commission, which declares its compatibility with the EU internal market. As of the date of this Prospectus, the proceedings before the European Commission are still pending.

Relationship with SŽ

Under the current legislation, the owner of the majority of railway routes in the Czech Republic is the State represented by the state organisation SŽ. SŽ is responsible for the operation of the Czech railway infrastructure, both national and regional, and for ensuring its operation, maintenance, modernisation, development and repair as well as preparation of railway timetables. Further, SŽ is responsible for the preparation and execution of public service contracts with railway transport providers and for controlling the use of railway infrastructure and rail operations. All railway transport providers need to have a contract with SŽ and be allocated route capacity, which is provided at a price set for each year pursuant to a decree of the Ministry of Finance and a declaration issued by SŽ pursuant to Act No. 266/1994 Coll., on Railways, as amended (the "**Railway Act**") and published in the Transport and Tariff Bulletin.

SŽ was incorporated together with ČD on 1 January 2003, as part of the restructuring of the former state organisation České dráhy. As a result of the initial restructuring, ČD took possession of the assets used for the provision of railway transport services and for the servicing of railway routes. At the same time, SŽ, representing the State as the owner of the railway infrastructure, took over the management of the railway infrastructure, i.e., railway construction and modernisation. The remaining assets relating to railway operation services, mainly consisting of railway operation buildings, were transferred from ČD to SŽ in multiple stages in 2008, 2011 and 2016.

In July 2008, ČD formally transferred the role of servicing the railway infrastructure to SŽ by transferring approximately 10,000 employees and the related assets for a purchase price of approximately CZK 12 billion. In September 2011, ČD transferred to SŽ its railway operation services, i.e., traffic control and train operations services, which included approximately 9,300 of ČD's employees, for a purchase price of CZK 389.9 million. As a result, since 1 September 2011, ČD no longer performs any railway operation services, besides the operation of several minor railways, primarily spur tracks, branch line and side tracks in railway stations, which continue to be owned and operated by the Group. The final part of ČD's assets necessary for the functioning of railway operation was transferred to SŽ on 1 July 2016 for a purchase price of CZK 3.30 billion. The assets mainly consisted of 1,569 buildings, including the Prague Main Railway Station, related plots of land, and 316 employees. Excluded from this transfer were 87 assets, including the Prague Masaryk Station (see *"—Property— Sale of Prague Masaryk Station Property to Penta"* below for more information) and the Brno Main Station, due to third parties rights or due to the loss of their original function in relation to railway operations. Since 1 July 2016, all railway infrastructure with the above-described exception has been owned, maintained and operated by SŽ and the Group continues to focus on passenger and freight transport services.

In 2019, ČD and Penta Real Estate, a developer of the Churchill Square Project located in the area of the main railway station in Prague, concluded a framework implementation agreement allowing for the future phased sale of land. In this context, a memorandum was then signed between ČD, SŽ and Penta Real Estate in order to coordinate SŽ's upcoming construction with the activities of the other signatories.

As of the date of this Prospectus, ČD is in talks with SŽ over a sale of up to 40 million square metres of land plots surrounding railway stations, railway platforms and railway tracks (see *"—Property— Expected Sale of Property to SŽ"* below for more information) and over a sale of a part of business of ČD Telematika which relates to the management, maintenance or servicing of railway telecommunications assets of SŽ.

Key Strengths

The Group believes that it benefits from the following key strengths:

- strong market share and a leading position in the Czech rail transport market;
- diversified operations with ČD Cargo's Freight Transport Business correlating to the industrial activity of the Czech economy, and the Group's Passenger Transport Business tending to be less dependent on the performance of the overall economy;
- long-term experience in managing regulated concessions;
- advantageous geographical position: the location of the Czech Republic in the centre of Europe facilitates pan-European transport, serving as a link between Eastern and Western Europe;
- the railway network on which the Group operates is one of the densest in Europe, enabling the Group to compete effectively with road transport;
- know-how and assets: ČD possesses important know-how for the provision of complex rail transport services as well as staff experienced in the industry enabling the Group to efficiently use the train depots, maintenance facilities and other infrastructure necessary for the operation of rail transport; and
- long-term contracts: ČD has strong recurring revenue streams from long-term contracts for the operation of passenger rail transport (see *"—Material Contracts"* for more information).

Passenger Rail Transport

ČD's provision of passenger rail transport benefits from the long-term operating contracts entered into with the State and the Czech Regions (see *"—Material Contracts"* below for more information).

In 2021, ČD dispatched on average 6,764 daily trains, out of which 6,308 were long-distance trains and 456 were regional trains. Since, according to the split of transport volume provided by IDOS, ČD transported

83.88 per cent. of all train-kilometres in the Czech Republic in the year ended 31 December 2021, it had a leading position in passenger rail transport services in the Czech Republic.

Freight Rail Transport

ČD Cargo operates in a fully competitive freight transport market and faces strong competition in all of its segments, especially export, import and transit. Nevertheless, the Group believes that ČD Cargo enjoys a leading position in the Czech freight rail transport market mainly due to the following advantages:

- it benefits from strong long-term relationships with its customers; and
- its end-markets are well-diversified, thus mitigating the risks associated with reliance on a limited number of product categories.

ČD Cargo's market share in the year ended 31 December 2021 was as follows:

Tonne km (without empty rolling stock of carriers)	Freight rail transport (without empty rolling stock of carriers) *Share of ČD Cargo (per cent.)*
Local	82
Import	29
Transit	18
Export	49
Total	**60**

Source: Ministry of Transport

Business Strategy

The Group aims to maintain its leading position in both its Passenger Transport Business and Freight Transport Business. In addition to specific steps being implemented by the passenger and freight units as outlined below, the management also continues to focus on the following strategic priorities:

- Modernisation and innovations

  The Group plans to continue with the modernisation of its rolling stock with the aim of enhancing its quality, implementing modern technologies that would enhance customer experience, reducing the average age of its vehicles by the means of unification of its vehicle fleet through acquisition of new vehicles in larger series and improving the interoperability of its locomotives. The Group also continues the adaptation of the railway freight car fleet to meet standards of the transportation market with the aim of increasing the operability of wagons in international traffic. Further, the Group plans to commence construction of standardised halls with a uniformed arrangement of workplaces, warehouses, workshops and social facilities and intends to increase investments into modernisation of its buildings for the purposes of their modernisation for suitable use within the Group's capacities or for commercial use. The Group also plans to use 3D printing technology within its own repair facilities to produce smaller parts and components in order to minimise costs and reliance on external suppliers and intends to introduce automated data collection, processing and evaluation system that would increase its operational capabilities and to implement "Use of Internet of Things" (IOT) technology which enables to automatically transmit data on operating status of its locomotives and wagons to the maintenance centres and thus increase effectivity of maintenance and repair of its fleet.

  In September 2021, the Group commenced preliminary market consultations with manufacturers of rolling stock in order to assess their capability to design and manufacture hybrid and hydrogen-powered rail vehicles. For instance, the Group cooperates on the international research activity on the project RegioHyt – Regional hydrogen trains on Czech railways which aims to select railway lines suitable for operation of hydrogen-powered rail vehicles.

- Customer orientation

  The Group intends to increase passengers comfort, satisfaction and safety. In order to enhance the customers experience, the Group plans to expand the scope of its service offerings, improve coverage of ČD Wi-Fi to cover most services and apply new technological trends for easier calling and wireless mobile devices charging. The Group also intends to improve and accelerate the online sales channel environment to ensure that up to half of its customers is checked-in.

The Group is maintaining and continuously upgrading its "My Train" application which allows customers to purchase tickets, search for train connections and access travel information and intends to simplify the purchase of travel documents for various modes of public transport. As of 30 April 2022, the application had more than 1.1 million users. The Group also plans to expand the scope of other public transport and mobility services (urban transport, bus, parking near the railway stations, taxi, bike or scooter sharing, etc.) in its own online sales channels, mainly in the case of "My Train" application. The main aim is to provide customers with door-to-door mobility solutions with the advantage of accessibility in their own application and also with the advantage of discounted rates for selected services.

- Conservative financial policy

The Group has maintained a conservative financing policy, which is based on the use of diverse funding resources, such as bonds, bank loans, leases, a promissory note programme, leasing and supplier credit. The Group puts emphasis on maintaining a balance between long-term financing, short-term overdraft loans and the promissory notes programme in order to manage its operational liquidity. The Group relies on a diversified portfolio of bank institutions on both the local and international markets and it seeks additional sources of financing in order to minimise its funding costs. Under the loan facilities provided, the Group draws the necessary volumes of funding and leaves a sufficient reserve of undrawn committed credit lines. The Group's funding policy requires that sufficient liquidity is maintained to cover expenditures expected in the next 12 – 18 months and that a sufficient headroom under any financial covenants related to its indebtedness is maintained.

- Sustainability

The Group's sustainability strategy stands on five pillars, the aim of which is to make the Group:

(i) A safe and reliable carrier, focused on providing increasing operational and railway safety and security standards, thus increasing service quality and customer satisfaction;

(ii) An environmentally responsible carrier reducing its carbon footprint, waste production and noise emissions;

(iii) A responsible employer aiming to increase satisfaction, development and engagement of the Group's employees in its business, with the aim to provide diversity and equal opportunities and enhance safety and promoting health of its employees;

(iv) A socially responsible carrier developing assistance to the railway staff members and their families, promoting barrier-free mobility and corporate philanthropy, thus increasing the Group's employees engagement; and

(v) A modern and socially responsible company adhering to corporate governance standards, which enforces rules of ethical behaviour and conduct of its employees, establishes sustainability management practices and increases its overall transparency.

In order to improve its environmental footprint, the Group continuously modernises its rolling stock. For example, in 2020 the Group entered into an agreement on the delivery of 60 new electric-powered Vectron locomotives that are expected to serve international long-distance routes and in 2021 the Group put into operation 15 RegioPanter electric-powered trains on top of its existing fleet, which as of the date of this Prospectus, comprised 709 electric locomotives. 2021, the Group also placed orders for 31 RegioPanter trains of 640.2 series. In addition, in the regional transport segment, 90 electric units of EMU160 series will be delivered progressively between 2021 and 2024 and a framework order of 60 units of EMU240 series is expected to be delivered between 2023 and 2024.

According to its current investment plan, the Group plans to invest more than CZK 88 billion (EUR 3.5 billion) in renewal and modernisation of its fleet during the period of 2022-2026.

- Provision of high-end working environment with a valuable social responsibility programme

  The Group aims to be one of the best employers in the Czech Republic with a valuable social responsibility programme and continues to build on the accolades it has received as the second and third best employer for 2020 and 2021, respectively, in the Sodexo Employer of the Year Award, organised by the Employers' Club. In the same competition, ČD's Endowment fund was ranked among the top five in the Czech Republic.

  The Group intends to further focus on development and education of its employees through modern teaching methods and resources in order to support higher efficiency and customer orientation. The Group's also plans to strengthen the role, abilities and skills of the middle management through development programs and acquire perspective candidates on the labour market with a modern approach and by improvement of its HR processes.

  ČD actively cooperates with the trade unions representing the majority of the Group's employees and customarily enters into a collective agreement with the major trade unions, usually for the period of one calendar year. The collective agreement for 2022 was entered into on 2 December 2021 and the collective agreement for 2023 was entered into on 3 August 2022. The Group also provides its employees with various benefits in the field of education, employees care and financial support provided by the Endowment fund. (see *"—Employees"* for more information).

- Optimisation of the Group

  The Group aims to effectively optimise its organisational structure to reflect liberalisation of the market and consolidate performance and services under unified control to increase effectivity of the Group's management performance.

  Further, The Group intends to focus on further reorganisation of its repairs and maintenance business. In particular, the Group plans to investment in its facilities with aim to obtain cheaper and more effective service for its vehicles, expand its existing capacities and scope of operations and, as a result, offer its services both internally and to other carriers and owners in the Czech Republic and within Central Eastern Europe ("**CEE**").

  The Group also continues to streamline its asset base by selling some of its non-core assets (see *"—Property— Recent and Expected Sale of Property"* below for more information). In addition, ČD's management is also evaluating future strategy with regards to ČD's subsidiaries. In line with the overall optimisation strategy, the management may from time to time decide to dispose of companies that no longer benefit the Group's core business and its long-term strategic priorities.

- Acquisitions and expansion

  As of the date of this Prospectus, the Group is considering exploring further opportunities in cross-border and near-border railway transport in neighbouring countries, either through cooperation with international or local operators in order to expand offer of the international railway connections or through strategic acquisitions. The Group intends to further support and introduce new night connections and thereto related services and expand its portfolio with ČD's new bus transport division to enhance customers experience in case of first and last mile transport or traffic closures on the railway.

Passenger Transport Business

In the upcoming years, ČD's strategy in the Passenger Transport Business is to:

- maintain existing and acquire new passengers on key domestic regional and long-distance lines and generally improve performance in view of the increasing pressure of competing carriers, whether in rail or bus transport;

- increase the quality of travel by improving the quality of ČD's railway vehicles, adapting the portfolio of both on- and off-board complementary services to customers' needs and by creating a digital customer experience;

- continue with the acquisition and modernisation of the rolling stock;

- operate ČD's bus division in order to reduce costs related to the agreements with external suppliers in case of the substitute bus services due to closures on its lines; and
- continue to implement long-term contracts with foreign partners and focus on growth of international transport on key backbone lines.

Freight Transport Business

ČD Cargo's strategy in the Freight Transport Business is to maintain its leading position in the Czech freight rail transport market and to grow its European operations. In the upcoming years, ČD Cargo intends to concentrate on the following fields of activity:

- expansion to foreign transport markets in cooperation with subsidiaries;
- investment in modern rolling stock and interoperable locomotives;
- optimisation of internal processes with the goal of increasing the productivity, competitiveness and to achieve sustainable results of single wagon shipments of ČD Cargo on the freight rail transport market;
- promotion of a customer friendly approach and strong sales support;
- increasing usage of the combined transportation to ensure efficient and environmentally friendly first or last mile of transportation as a competitive advantage; and
- increasing environmentally friendly transport by using electricity generated from renewable sources and reducing the energy intensity of ČD Cargo's operations.

Investment Plan

In connection with the ongoing liberalisation of the railway market, the Group is seeking to increase the competitiveness of the services it offers (see "*Risk Factors – Risks related to the Group's business and industries generally – Industry risks — "The Group is exposed to competition from other providers of rail transport"* for more information). In response to that, the Group is enhancing the quality of its trains and rolling stock and implementing modern technologies that aim to enhance customer comfort and experience. These include, among other things, a new infotainment system, audio-visual information system and improved Wi-Fi coverage that are available on some of ČD's refurbished trains.

The priority of the Group's investment plan for the period between 2019 and 2023 is to enhance the quality of service provided on the key lines and of rolling stock for tenders to operate rail passenger services. The investment plan anticipates that some of the acquisitions of the new rolling stock between 2022 and 2023 will be co-financed from the EU's structural and investment funds, which were drawn down by the Group during the second programming period between 2014 and 2020. The investment plan also anticipates that EU funds will be used for the installation of European Train Control System (the "**ETCS**") equipment to rail vehicles (retrofitting of up to approximately 500 locomotives, electric and diesel train units and driving cars), which is required pursuant to the European Rail Traffic Management System National Implementation Plan. In addition to EU funds, these projects are expected to also be financed through a mixture of internal and external funds including, among other things, the proceeds of the issue of the Notes and the proceeds, if any, from the sale of the Group's non-core assets (see *"— Property — Recent and Expected Sale of Property"* below). In relation to the installation of the ETCS, the Group received contributions for fitting of the ETCS in new electric multiple units and diesel multiple units. As of the date of this Prospectus, the Group is testing the ETCS system on the route Olomouc – Přerov – Břeclav and organises related training for its personnel with an aim to commence operations of the ETCS system on Olomouc **–** Šumperk route as from 1 January 2023 and on other main rail routes as from 1 January 2025.

In addition, the Group also implements smaller projects with the support of EU grants for energy savings, conversion of vehicles for operation on an AC power supply system and other projects. In connection with the liberalisation of the railway market, the investment plan for the period 2023 - 2026 envisages the ongoing renewal of rolling stock and the related further investments.

Passenger Transport Business

According to the current investment plan approved by the Board of Directors and the Supervisory Board, ČD has budgeted to invest approximately CZK 58 billion by 2026 not taking into account subsidies, the majority of which has been allocated to the purchase of new rolling stock, such as that described below in more detail. ČD plans to modernise its rolling stock with the aim of meeting the legislative requirements set by the applicable EU regulation and reducing the average age of its vehicles to below 21 years by 2023. The actual amount invested may materially differ from the budgeted amount.

Regional

During the period between 2018 until the date of this Prospectus, ČD put into operation 29 new electric multiple units and passenger vehicles with control cars in the total amount of CZK 3.75 billion for regional passenger transport. Some of these trains were co-financed by the Cohesion Fund and subsidies provided by the EU under the Operational Programme for Transport 2014 - 2020. The total expected amount of subsidies to be granted to ČD during the period indicated should reach more than CZK 1.8 billion in 3 subsidy project plans with the total project costs of CZK 2.46 billion.

In 2019, the Group ordered 31 new electric three-car sets units of the RegioPanter series for regional transport. In 2020, the Group completed a major modernisation of four railcars of the 811 series and their carriages. The modernisation also included the replacement of the internal combustion engine with a more powerful engine with comparatively reduced emissions. In addition, a minor modernisation of more than 30 regional vehicles of the 471, 810, 814 and 854 series was carried out. At the end of the year, ČD's fleet was expanded by the acquisition of 22 used Stadler RegioShuttle RS1 841.2 series engine units. In 2020, the Group entered into an agreement for the modernisation of twelve 646 series diesel units for a price of CZK 270 million and into an agreement on the modernisation of 52 Bdmtee series vehicles for a price of CZK 700 million. In the same year, the Group also entered into an agreement on delivery of up to 60 new electric-powered units for CZK 9.6 billion. In 2020, the Group also placed an order for 19 two-car sets and 29 three-car sets of RegioPanter class units.

In 2021, the Group completed a major modernisation of 10 diesel vehicles of 811 series and their carriages at DPOV. Further, more than 60 regional vehicles of 471, 810, 814, 854, Bdmtee and Bdtn series underwent minor upgrades. In the same year, the Group put into operation five locomotives of 750.7 series and five non-traction Push-Pull units on the line Bohumín – Ostrava main station – Frenštát nad Radhoštěm. In the same year, two modernised Stadler 646 units were put into operation in the Olomouc Region. In 2021, the Group also placed orders for 66 new DMU120 diesel units for approximately CZK 5.6 billion, an order for 31 new two-car sets of RegioPanter units with electric drive and entered into an agreement for a modernisation of 22 diesel units of 841.2 series for CZK 228 million.

In 2022, 10 new RegioPanter units were delivered to the Group for operation in the South Bohemian Region, and 4 units will be delivered in December 2022 for the Moravian-Silesian Region.

Long-distance

In 2017, ČD signed a contract with a consortium Siemens-Škoda for the delivery of 50 modern passenger coaches for approximately CZK 3 billion with final deliveries taking place in 2022. These units are expected to be deployed on ČD's long-distance international lines, such as the Prague – Ústí nad Labem – Cheb and Prague – Plzeň – Cheb routes.

In 2021 and 2022 the Group further expanded its fleet by the delivery and gradual deployment of 10 new five-car InterJet non-traction units from Siemens-Škoda consortium on the R15 and Ex6 lines. In the year ended 2021, the Group also concluded a contract for a delivery of 20 nine-car Push-Pull non-traction units for speeds of up to 230 km/h with deployment expected on the Prague – Ústí nad Labem – Dresden – Berlin – Hamburg and Prague – Brno – Bratislava – Budapest route with expected delivery in 2024 – 2026. In the same year, the Group completed modernisation of Bcmz 834 series cars in DPOV or conversion of WLABmee 823 series sleeping cars.

In 2022, the Group entered into an agreement for delivery of 50 electric-powered Vectron locomotives which are expected to serve international long-distance routes. In addition, 50 passenger coaches with a maximum for speeds up to 200 km/h were delivered to the Group and the Group placed an order for the delivery of 180 passenger coaches for speeds up to 230 km/h.

Freight Transport Business

According to the current investment plan, ČD Cargo has budgeted to invest up to CZK 4 billion (EUR 160,901 million equivalent) annually. To increase the competitiveness of its services, ČD Cargo plans to invest in the acquisition of new railway vehicles, such as multi-system engines, freight carriages for the transport of a wide range of commodities and other modern technology for international freight rail transport. In addition, ČD Cargo's plans to continue in the renewal and modernisation of its rolling stock, such as the 742-series diesel engines, improvement of the technical equipment of its repair shops and in general working conditions. The actual amount invested may materially differ from the budgeted amount.

Within the period from 2019 to 2021, the Group has expanded its fleet by acquiring 27 locomotives, in the total amount of CZK 1.848 billion and invested CZK 1.545 billion into the modernisation and renovation. Further, in the period indicated, 934 carriages, in the total amount of CZK 2.144 billion, were added to ČD Cargo's freight vehicle fleet for the purpose of transporting different types of cargo and CZK 82 million were invested in the modernisation and renovation of its freight wagons.

In 2021, ČD Cargo's payments for property, plant and equipment (on a consolidated basis) were in the total value of CZK 3.129 billion representing year-on-year increase of approximately CZK 48 million and its investment activity continued to primarily focus on the renovation and modernisation of its rolling stock. In 2021, the largest additions to freight transport fleet were 18 modernised locomotives of the 742.71x series, five locomotives of the 744 series for light line service and 10 interoperable Traxx MS3 locomotives. In the same year, ČD Cargo also extended its fleet by acquiring 108 new Eanos series high-wall freight wagons and 100 new freight cars of the Sgnss series in order to adapt ČD Cargo's fleet to the needs of the market and ensure greater operability of the wagons in international transport. ČD Cargo also placed order for a delivery of 10 additional Traxx MS3 locomotives with expected delivery in autumn 2022. Further, in 2021, repairs of R and D type (components) of traction vehicles in the amount of CZK 575 million and overhaul repairs (components) of freight wagons in the amount of CZK 526 million were realised.

By the end of 2021, ČD Cargo had operated 14,426 wagons in compliance with European legislation on the use of so called "silent wagons" (fitted with composite restraints), of which 11,593 were owned by ČD Cargo. In the same year, ČD Cargo used part of the received subsidy advance for the implementation of the ETCS on the locomotives of the 742, 363 and 163 series, which totalled CZK 342 million and continued on the implementation of ETCS on locomotives of 130 and 753.7 series. Furthermore, the ČD Cargo also received a subsidy of CZK 19 million for the fitting of the LL brake shoes (silent brake shoes) to the cars.

Other Business

As of the date of this Prospectus, ČD plans to further invest in rolling stock repair and maintenance services operated either directly by ČD, or through DPOV.

History

The following timeline provides an overview of the evolution of the Group:

- 1 January 2003: ČD was incorporated and registered in the Commercial Register with the State as its sole shareholder.
- December 2007: ČD Cargo was formed as an independent joint-stock company and wholly-owned subsidiary of ČD as part of the restructuring of ČD. Since then, ČD has focused on operating passenger rail transport and ČD Cargo has taken over the operation of the railway freight transport business.
- July 2008: ČD transferred the role of servicing the railway infrastructure to SŽ by transferring approximately 10,000 employees and the related assets for a purchase price of approximately CZK 12 billion.
- August 2011: ČD transferred the railway operation services to SŽ by transferring approximately 9,300 ČD employees and related assets for a purchase price of CZK 389.9 million. As a result, ČD no longer performs any railway operation services as of 1 September 2011.
- June 2015, July 2015 and April 2018: ČD increased its ownership interest in ČD Telematika from 59.31 per cent. to 66.70 per cent., 69.18 per cent. and 70.96 per cent., respectively.

- July 2016: ČD transferred to SŽ approximately 1,500 railway stations and other buildings and related assets, including 316 employees, for a purchase price of CZK 3.30 billion.

- October 2017: ČD – Informační Systémy, a.s. ("**ČD Informační systémy**"), a 100 per cent. subsidiary of ČD, acquired CHAPS, spol. s r. o. ("**CHAPS**"), a key provider of ICT services, mainly related to IT systems in passenger transport.

- December 2017: ČD disposed of its 51 per cent. stake in RAILREKLAM, spol. s r. o.

- January 2019: ČD Informační systémy established its subsidiary company Smart Ticketing s.r.o.

- December 2019: ČD Informační systémy acquired 100 per cent. share in UniControls-Tramex s.r.o.

- May 2020: ČD Cargo Slovakia, s.r.o. acquired 100 per cent. share in CD Cargo Hungary, Kft.

- May 2021: ČD Cargo established its subsidiary ČD Cargo Adria d.o.o., which commenced its business activities in October 2021.

- July 2021: ČD increased its ownership interest in ČD Telematika from 71 per cent. to 100 per cent. by the virtue of the share purchase agreement concluded with PPF Group.

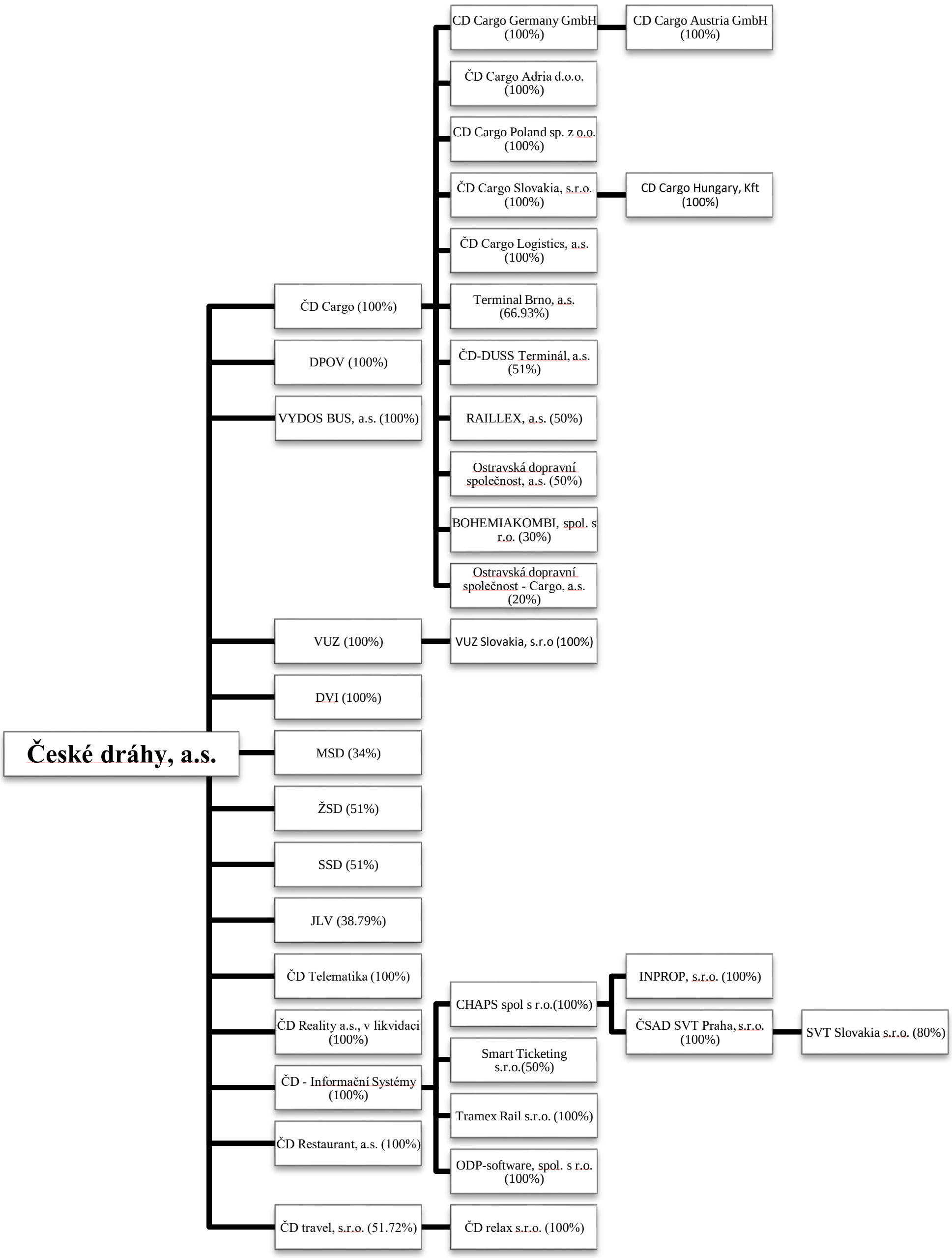
- November 2021: VUZ commenced its activities on the territory of Slovak Republic through its subsidiary VUZ Slovakia, s.r.o.

- April 2022: ČD acquired 100 per cent. share in Vydos, a bus transport operator with intention to provide substitute transport in case of planned closures or emergencies.

- August 2022: ČD Reality a.s. and Vydos were merged. As a result ČD Reality a.s. and Vydos were dissolved and their assets were transferred to the successor company ČD Bus a.s. established on 1 September 2022.

Group Structure

The Group comprises ČD and 36 subsidiaries. ČD holds majority interest in 29 of these subsidiaries. The following chart provides an overview of the simplified Group structure of companies that are consolidated in the Annual Financial Statements:



The other subsidiaries are not consolidated in the Financial Statements as they were determined by ČD not to be of material importance to the Group given the amount of their total assets, revenues and equity. No shares of any of the companies within the Group are publicly traded on any regulated market.

For further details and a complete overview of the Group structure as of 31 December 2021, please refer to Note 1.3 of the Annual Financial Statements.

The following table provides an overview of the key direct and indirect subsidiaries of ČD as of 30 June 2022:

Subsidiary	Description
ČD Cargo	ČD has a 100.0 per cent. ownership interest. ČD Cargo provides freight transport services with main deliveries comprising of industrial and agricultural products, raw materials, fuels, goods, containers and oversized loads. It also rents freight cars, railway sidings and provides other transport services.
DPOV	ČD has a 100.0 per cent. ownership interest. DPOV is one of the leading companies in the Czech Republic providing rolling stock repair services. The principal role of DPOV in the Group is to provide periodic medium and high-grade repairs, modernisations, renovations and other various types of common maintenance of railway vehicles. Besides the Group companies, the customers of DPOV include foreign railway companies, predominantly from Germany and Poland.
VÚŽ	ČD has a 100.0 per cent. ownership interest. VÚŽ provides special testing services with the main activities being certification and compliance-assessment of products and quality systems with a special focus on products and sub-systems for the interoperability of the railway system. VÚŽ assesses conformity of defined products, including rolling stock, infrastructure, control command, signalling and energy, with European technical requirements.
ČD Telematika	ČD has a 100 per cent. ownership interest. ČD Telematika provides telecommunications services, including internet, data, voice and other supplementary services. It also operates the second largest telecommunication infrastructure in the Czech Republic enabling ČD Telematika to offer services in relation to data access points, central data storage and server farms. ČD Telematika's customers mainly include large businesses or major telecommunications providers.
JLV	ČD has a 38.79 per cent. ownership interest. JLV provides railway accommodation and catering services and the development of railway accommodation and catering services. Other services provided by JLV also include operation of restaurants, bars, coffee shops and food stores.
SSD	ČD has a 51.0 per cent. ownership interest. The articles of association require a unanimous consent of all shareholders for all resolutions falling within the scope of the general meeting. SSD was established to develop and service the Prague-Smíchov train station.
ŽSD	ČD has a 51.0 per cent. ownership interest. The articles of association require a unanimous consent of all shareholders for all resolutions falling within the scope of the general meeting ŽSD was established to develop and service the Prague-Žižkov freight station.
ČD Travel, s.r.o. ("**ČD Travel**") and its wholly-owned subsidiary ČD Relax s.r.o. ("**ČD Relax**")	ČD has a 51.72 per cent. ownership interest in ČD Travel. ČD Travel and ČD Relax organise wellness/spa trips and holidays both in the Czech Republic and abroad, predominantly for employees of ČD. As part of ČD's employee benefit package, ČD subsidises such trips for its employees. Holidays abroad include transport service either by plane or bus, or, less often,

by train. Most clients travel to Croatia, Greece and Turkey. The number of clients in 2021 amounted to 9,930, which ranks it among mid-sized travel agencies on the Czech market.

ČD Informační systémy — ČD has a 100 per cent. ownership interest.

ČD Informační systémy provides IT services (including applications for passenger and freight rail transport and administration of railway infrastructure, SAP and other ERP (Enterprise Resource Planning) applications). It also operates central data storage and server farms.

MSD — ČD has a 34.0 per cent. ownership interest.

MSD develops and services the Prague – Masaryk Station.

Dopravní vzdělávací institut, a.s. ("**DVI**") — ČD has a 100 per cent. ownership interest.

DVI provides training and education for workers in the railway sector.

Business Overview

The table below outlines key financial data for the Group's operational segments for the six months ended 30 June 2022 and 2021 and years ended 31 December 2021 and 2020:

	Six months ended 30 June		Year ended 31 December	
	2022	**2021**	**2021**	**2020** (revised)
	(in CZK millions)			
Passenger Transport Business				
Revenues	13,080	10,702	23,505	21,805
Purchased consumables and services	(6,181)	(4,331)	(9,524)	(9,300)
Employee benefit costs	(4,631)	(4,376)	(9,191)	(9,343)
EBITDA	2,293	2,117	4,513	2,515
Depreciation and amortisation	(2,882)	(2,549)	(6,395)	(5,283)
EBIT	(589)	(432)	(1,882)	(2,768)
Profit/(Loss) for the period	(1,178)	(579)	(2,251)	(3,967)
Freight Transport Business				
Revenues	7,072	6,437	12,899	12,266
Purchased consumables and services	(3,349)	(2,847)	(5,547)	(5,558)
Employee benefit costs	(2,251)	(2,112)	(4,524)	(4,517)
EBITDA	1,472	1,505	2,941	1,978
Depreciation and amortisation	(1,161)	(1,095)	(2,308)	(2,056)
EBIT	311	410	633	(78)
Profit/(Loss) for the period	126	247	289	(248)
Property Management Business				
Revenues	191	169	421	356
Purchased consumables and services	(211)	(95)	(325)	(341)
Employee benefit costs	(120)	(92)	(214)	(179)
EBITDA	53	76	94	(97)
Depreciation and amortisation	(77)	(42)	(105)	(85)
EBIT	(24)	34	(11)	(182)
Profit/(Loss) for the period	(14)	41	5	(186)
Certification and Testing Business				
Revenues	315	376	713	565
Purchased consumables and services	(61)	(60)	(161)	(192)
Employee benefit costs	(72)	(63)	(131)	(114)
EBITDA	181	251	415	261
Depreciation and amortisation	(34)	(31)	(62)	(58)
EBIT	147	220	353	203
Profit/(Loss) for the period	119	177	286	164
Other Business				
Revenues	2,547	2,201	4,901	4,484
Purchased consumables and services	(1,813)	(1,588)	(3,455)	(3,113)
Employee benefit costs	(605)	(558)	(1,181)	(1,146)
EBITDA	610	357	693	607
Depreciation and amortisation	(147)	(147)	(309)	(348)
EBIT	463	210	384	259
Profit/(Loss) for the period	529	293	556	412
Elimination and reconciliation[(1)]				
Revenues	(1,928)	(1,697)	(3,905)	(3,561)

Purchased consumables and services	1,693	1,375	3,304	3,046
Employee benefit costs	151	173	433	397
EBITDA	(556)	(442)	(663)	(371)
Depreciation and amortisation	42	44	130	82
EBIT	(514)	(398)	(533)	(289)
Profit/(Loss) for the period	(513)	(396)	(521)	(310)
Total				
Revenues	21,277	18,188	38,534	35,915
Purchased consumables and services	(9,922)	(7,546)	(15,708)	(15,458)
Employee benefit costs	(7,528)	(7,028)	(14,808)	(14,902)
EBITDA	4,053	3,864	7,993	4,893
Depreciation and amortisation	(4,259)	(3,820)	(9,049)	(7,748)
EBIT	(206)	44	(1,056)	(2,855)
Profit/(Loss) for the period	(931)	(217)	(1,636)	(4,135)

Notes:
(1) The "Elimination and reconciliation" section provides an overview of eliminations of inter-group relations.

The table below outlines key operating data of the Group's Passenger Transport Business and Freight Transport Business for the years ended 31 December 2021 and 2020:

	Year ended 31 December	
	2021	**2020**
Passenger Transport Business(1)		
Number of passengers (in millions)	120.7	117.7
Traffic performance (in mil. Person-kilometres)(2)	5,407	5,127
Transport performance (in mil. Train-kilometres)(3)	113.5	113.9
Average traffic distance (in kilometres)	45	44
Occupancy ratio (in %)	22	21
Freight Transport Business(1)		
Traffic volume (in millions tonnes)	62.8	61
Traffic performance (in mil. Tariff ton-kilometres)(4)	11,180	10,545
Transport performance (in bn. Gross ton-kilometres)(3)	22.8	20.7
Average traffic distance (in kilometres)	178	173

Notes:
(1) Only data for the Group's core transport operational segments included.
(2) In terms of the transport of one rail passenger by rail over a distance of one kilometre.
(3) In terms of kilometres travelled by trains.
(4) In terms of the transport of one tonne of freight by rail over a distance of one kilometre.

Passenger Transport Business

The Group provides passenger transport services through ČD. The Passenger Transport Business consists of three divisions:

- **regional passenger transport**, which comprises transport of passengers over short distances on daily regional train routes and the main purpose of which is to serve local communities at regulated prices affordable for the passengers;

- **long-distance passenger transport**, which comprises (i) domestic long-distance transport that includes all long-distance train routes in the Czech Republic except for the Prague – Ostrava route (due to its non-regulated nature, this service is included in Commercial Passenger Transport section below), and (ii) international long-distance transport that offers services to various countries in Europe, including a daily service from the Czech Republic to Germany, Poland, Slovakia, Hungary and Austria (described in more detail below); and

- **commercial passenger transport**, which includes mainly operation on the non-regulated Prague – Ostrava line.

Each of these activities varies in revenues and profitability and is therefore described separately in more detail below.

The Group's Passenger Transport Business generated total revenue of CZK 13.080 billion and CZK 10.702 billion and EBITDA of CZK 2.293 billion and CZK 2.117 billion, which represented 56.4 per cent. and 53.8 per cent. of its total revenues (in each case before eliminations) in the six months ended 30 June 2022 and 2021, respectively. In the years ended 31 December 2021 and 2020, the Group's Passenger Transport Business generated total revenue of CZK 23.505 billion and CZK 21.805 billion and EBITDA of CZK

4.513 billion and CZK 2.515 billion, which represented 55.4 per cent. and 55.2 per cent. of its total revenues (in each case before eliminations), respectively.

With the exception of commercial passenger transport and not taking into account payments from the Czech Regions and the Ministry of Transport, the Group's Passenger Transport Business would have been otherwise unprofitable. The tariffs are set below economically reasonable levels to keep prices at a level affordable to end users, which does not cover the cost of the service to the Group. Revenues are generated from tickets sales and from payments received from the Czech Regions and the Ministry of Transport for the provision of public services. Payments from the State budget totalled CZK 4.499 billion and CZK 2.246 billion in the six months ended 30 June 2022 and 2021, respectively, and payments from budgets of the 14 Czech Regions amounted to CZK 12.191 billion and CZK 6.110 billion in the six months ended 30 June 2022 and 2021, respectively. In 2021 and 2020, payments from the State budget totalled CZK 4.362 billion and CZK 4.272 billion, respectively, and payments from budgets of the 14 Czech Regions amounted to CZK 12.167 billion and CZK 11.177 billion in 2021 and 2020, respectively. In aggregate, the payments from the State and the Czech Regions represented 64 per cent. of the Group's revenues from its Passenger Transport Business for the six months ended 30 June 2022 (before eliminations) and 70.3 per cent. for 2021 (before eliminations). Revenues from passenger transport fares generated CZK 4.514 billion in the six months ended 30 June 2022, which represented 34.5 per cent. of the Group's revenues from its Passenger Transport Business (before eliminations). In 2021, revenues from passenger transport fares generated CZK 6.593 billion, which represented 28.0 per cent. of the Group's revenues from its Passenger Transport Business (before eliminations).

Regional Passenger Transport

In 2021, ČD's transport performance in the regional transport was approximately 1.889 billion passenger-kilometres. This translated into approximately 35 per cent. of total passenger-kilometres services provided by ČD in 2021 and generated approximately 37.5 per cent. of total revenues of the Group's Passenger Transport Business (excluding any payments received from the State and Czech Regions and revenues from operations of ČD's coaches abroad). Based on the contracts as of the date of this Prospectus, ČD's total expected transport performance in the regional transport for 2022 is 81.8 million train-kilometres, which is an decrease by 0.8 million train-kilometres compared to 82.6 million train-kilometres performed in 2021. Due to the high density of the network and low occupancy rates, regional rail transport is, to a large extent, dependent on the payments received from the Czech Regions.

Regional passenger transport is provided by ČD on the basis of long-term contracts concluded with the Czech Regions. These contracts specify the remuneration to be provided for the public service obligation carried out by ČD. From 2020 onwards, the Czech Regions have entered into new contracts governing passenger transport (see *"– Pricing, Payments and Tariff Regulation – Passenger Transport Business – Regional – Overview"* and *"– Material Contracts"* for more information). The majority of the new contracts concluded with the Czech Regions were implemented under the so-called market consultation and subsequent direct award. The exceptions are the contract with the South Moravian Region and one contract with Liberec region, which were concluded under the standard tender procedure, and one contract with the Pilsen Region for the operation of a set of lines, which is effective from December 2021.

As of the date of this Prospectus, ČD is the incumbent operator on the passenger rail transport market. As of the date of this Prospectus other providers of regional passenger transport with public service obligation include:

- a privately owned company GW Train Regio operates six routes in the Karlovarský and Královehradecký regions, including the Karlovy Vary - Mariánské Lázně route and the Sokolov – Kraslice route. In the Moravskoslezský region it operates the Vrbno – Milotice route, in the Plzeň region it operates the Most – Plzeň route and in the South Bohemian region it operates the České Budějovice – Volary route; Länderbahn GmbH, a subsidiary of Regentalbahn AG, operates the Liberec – Zittau route;

- a privately owned company Jindřichohradecká místní dráha operates two routes – Jindřichův Hradec – Nová Bystřice and Jindřichův Hradec – Obrataň;

- the German company Arriva, a subsidiary of Deutsche Bahn, operates routes Praha Hostivař – Roztoky u Prahy, Liberec – Jaroměř, Železný Brod – Tanvald and several routes in the Zlín region, including the Valašské Meziříčí – Rožnov pod Radhoštěm route and the Uherské Hradiště – Veselí nad Moravou route;

- a privately owned company KŽC Doprava operates one route in the Ústecký Region – Česká Kamenice – Kamenický Šenov;

- a privately owned company Railway Capital operates routes in the Ústecký and Moravian-Silesion Region – Kadaň-Prunéřov – Podbořany, Opava – Svobodné Heřmanice, Moravské Budějovice – Jemnice and Kroměříž – Kojetín – Tovačov.

- a privately owned company RegioJet operates the Ústí nad Labem Střekov – Dečín, Ústí nad Labem – Štětí, Ústí nad Labem – Bílina, Most – Žatec and partially Most – Bílina and Teplice – Litvínov routes; and

- a privately owned company Leo Express operates the Ústí nad Orlicí – Mlýnský Dvůr/Hanušovice and the Dolní Lipka – Hanušovice route.

ČD can strengthen its business mainly by modernising its rolling stock and by increasing the quality of its services. To that end, ČD continues to adapt the portfolio of both its on- and off-board complementary services and enhancing a digital customer experience with the aim of creating a complex transport product. Over the past several years, ČD has focused on the successful implementation of e-applications, e-shop platform and on the introduction of dynamic tariffs and revenue management principles.

Long-Distance Passenger Transport (domestic and international)

In 2021, ČD's transportation volume in the long-distance transport was approximately 2.977 billion passenger-kilometres. This translates into 55 per cent. of total passenger-kilometres services provided by ČD and generated approximately 52.8 per cent. of total revenues of the Group's Passenger Transport Business (excluding any payments provided by the Czech Regions and the State and revenues from operations of ČD's coaches abroad). The long-distance transport is provided pursuant to agreements entered into with the State acting through the Ministry of Transport, pursuant to which ČD secures both domestic and international routes on the basis of the public service obligation from December 2019 for up to ten years. Revenues are generated from tickets sales and from payments received from the Ministry of Transport as a remuneration for the provision of the public services (see also "*Pricing, Payments and Tariff Regulation – Passenger Transport Business - Long-Distance (domestic and international)*" and "*Material Contracts – Passenger Transport Business*" below).

The below table provides an overview of the market share of individual providers of long-distance passenger rail transport in terms of train kilometres travelled in the year ended 31 December 2021:

	Train kilometres[(1)] travelled
	2021
Carrier	*(per cent.)*
ČD	81.59
RegioJet a.s.	5.66
GW Train Regio a.s.	2.04
Arriva vlaky, s.r.o.	10.71

Source: Issuer data
Notes:
(1) Train kilometres represent the distance travelled by trains in kilometres.

ČD's key international operations are based on the following long-term contracts:

- In December 2014, ČD deployed its Railjet units to service the Prague – Wien – Graz route under a ten-year contact entered into with its strategic partner Österreichische Bundesbahnen ("**ÖBB**"). Recently some improvements, such as catering, have been implemented to increase customer satisfaction on this line. Both cooperating partners are planning further improvements based mostly on additional capacity and further cuts of travel times. The contract for the operation of this line runs until 2029. According to the Issuer's data for 2021, this line has enjoyed a 4 per cent. decrease in the number of journeys in the international segment of this route compared to 2020.

- In May 2014, ČD entered into contract with DB to service the Prague – Berlin – Hamburg route as from December 2015. As of the date of this Prospectus, the contract for the operation of this line runs until 2029. According to the Issuer's data for 2021, this line has enjoyed a 29 per cent. growth in the number of journeys in the international segment of this route compared to 2020.

- In June 2015, ČD entered into a contract with Železničná spoločnosť Slovensko, a.s. ("**ZSSK**") for the international daily service between the Czech Republic, Slovakia and Hungary on the Prague – Bratislava – Budapest route. The contract for the operation of this line runs until 2025. According to the Issuer's data for 2021, this line has enjoyed a 12 per cent. growth in the number of journeys in the international segment of this route compared to 2020.

- A new express segment on the Prague – Linz route commenced operation in 2017. As of the date of this Prospectus, the express segment covers four train pairs in a four-hour cycle of services. Once the modernisation works on the railway corridor Praha – České Budějovice are finished, ČD aims to further extend its service on the express segment and improve quality of its rolling-stock deployed on this route The contract for the operation of this line runs until 2023. According to the Issuer's data for 2021, this line has enjoyed a 27 per cent. growth in the number of journeys in the international segment of this route compared to 2020.

- Long-term cooperation with a German partner on the Prague – Munich route commenced operation in 2018 and as of the date of this Prospectus covers services based on two-hour intervals. The contract for the operation of this line runs until 2024. According to the Issuer's data for 2021, this line has enjoyed a 46 per cent. growth in the number of journeys in the international segment of this route compared to 2020.

The cooperation is regulated by the Convention concerning International Carriage by Rail ("**COTIF**") between national passenger rail transport operators. Although proceeds from ticket sales are collected by the carrier in the country where the passenger embarks on the journey, revenues are shared between national carriers according to the distance travelled in the respective countries. Settlement of the revenues is undertaken by a clearing house once a month.

Commercial Passenger Transport

In 2021, ČD's transportation volume in the commercial passenger transport was approximately 541 million passenger-kilometres. This translated into approximately 10 per cent. of total passenger-kilometres services provided by ČD in 2021.

In the non-regulated commercial passenger transport market, the Praha-Ostrava-Košice (SK) line is subject to the highest competition. ČD's two main local competitors, LEO Express and RegioJet, have significantly increased the level of service provided to customers on this line since the commencement of their operations in 2012 and 2011, respectively. As a reaction to this market change, ČD has undergone several cost optimisation and customer oriented reforms in 2015 (mainly focused on differentiating its products Ex and SC Pendolino, improving the service in SC Pendolino's first class, improving catering services, and providing a broader variety of services in the second class and new services for children, increasing the number of coaches with Wi-Fi, new on-board portal (infotainment), new on-board minibars, a new loyalty programme, dynamic tariff and the general modernisation of Ex coaches). After the implementation of these cost-optimisation and customer-oriented reforms, the decrease in revenues on this line has been offset by a decrease in expenses resulting from these cost-optimisation reforms. In 2017 and 2018, ČD followed by commissioning modernisation and refurbishment of the interior of the SC Pendolino coaches.

In cooperation with other international operators, ČD operates several direct overnight connections from the Czech Republic to Slovakia, Austria, Hungary, Poland and Switzerland.

Freight Transport Business

The Group provides freight transport services through ČD Cargo and its subsidiaries.

The Group's Freight Transport Business generated total revenue of CZK 7.072 billion and CZK 6.437 billion and EBITDA of CZK 1.472 billion and CZK 1.505 billion, which represented 30.5 per cent. and 32.4 per cent. of its total revenues (in each case before eliminations) in the six months ended 30 June 2022 and 2021, respectively. In the years ended 31 December 2021 and 2020, the Group's Freight Transport Business generated total revenue of CZK 12.899 billion and CZK 12.266 billion and EBITDA of CZK 2.941 billion and CZK 1.978 billion, which represented 30.4 per cent. and 31.1 per cent. of its total revenues (in each case before eliminations), respectively.

ČD Cargo is one of the largest providers of freight rail transport in Europe in terms of in terms of tons carried and the only provider to service the entire area of the Czech Republic. ČD Cargo offers comprehensive transport of a wide range of products across Europe, from raw materials to consumer products and products with high added value (such as automotive and machinery products), as well as containers and non-standard consignments (such as military equipment or large construction components). The Group's Freight Transport Business is carried in the form of: transport of whole trains and transport of individual wagon loads (i.e. single-wagon business). The Group's Freight Transport Business further offers certain ancillary services, such as renting of wagons and locomotives, forwarding services, storage and delivery of goods, operations of railway sidings, customs services, storage or maintenance and repairs of traction vehicles.

Transport of Whole Trains

The total volume transported by whole trains was 43.2 and 42.3 million tonnes in 2021 and 2020, respectively, which constituted approximately 68.8 and 69.3 per cent. of ČD Cargo's transport volume in 2021 and 2020, respectively, and approximately 60 per cent. of its transport revenues in 2021 and 2020.

The most important commodities moved by whole trains are solid and liquid fuels, iron ore, containers and automotive. ČD Cargo's major competitors in this area are large domestic carriers Metrans Rail, IDS Cargo, Unipetrol doprava) and former national carriers from neighbouring countries (PKP Cargo, Deutsche Bahn a RCA). To maintain its current market position, ČD Cargo continues to invest in new, universal freight wagons and to modernise its rolling stock. Together with improved transport management, new interoperable locomotives are expected to support ČD Cargo's aim to lengthen the distance of its existing international transportations and gain new transportation volumes abroad. Further, ČD Cargo intends to focus mainly on wagons for transportation of commodities, to capture anticipated increase in demand based on the current market trends in the transportation market(intermodal transport, fuel etc.).

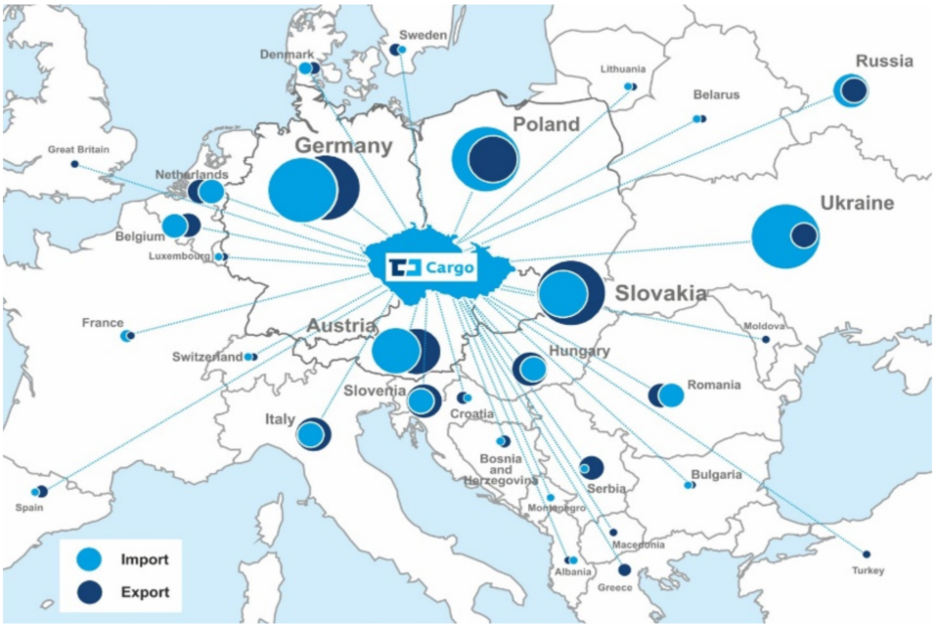
Transport of Individual Wagon Loads (i.e. Single-Wagon Business)

The total volume transported by individual-wagon loads was 19,6 and 18,7 million tonnes in 2021 and 2020, respectively, which constituted approximately 31.2 and 30.7 per cent. of ČD Cargo's transport volume in 2021 and 2020, respectively, and approximately 40 per cent. of its transport revenues in 2021 and 2020.

In the single-wagon business, ČD Cargo faces increased competition from road freight transport, mainly with regards to the transportation of wood, scrap iron and other individual deliveries. As a result, ČD Cargo is in the process of implementing a number of measures to improve the performance of its single-wagon business, such as, a simplified ordering process and a system for efficient planning and use of its capacities.

In 2021, ČD Cargo received a financial support in a form of a subsidy under the "Antivirus" and ROCET 2021 programmes amounting to CZK 8 million and CZK 124 million, respectively. As of the date of this Prospectus, ČD Cargo is not a beneficiary of any direct payments from the State as its services are provided solely on a commercial basis. However, ČD Cargo benefits from lower fees charged by the State for the use of railway infrastructure by single-wagon business as a way to promote environmentally sustainable means of transport.

The following map shows the import and export freight transport routes, including ports, operated by the Group's Freight Transport Business in the year 2021:



One of ČD Cargo's strategic priorities is to continue in its international expansion, either directly or through its local subsidiaries:

- **Poland:** ČD Cargo is present on the Polish market via its subsidiary CD Cargo Poland. The subsidiary continued to increase its transportation volumes (in 2021, CD Cargo Poland ranked eighth largest freight operator on the Polish market, in terms of transportation volume according to ČD Cargo's data).

- **Austria:** ČD Cargo obtained a license to operate in Austria in June 2017 and realised its first carriage with its own license for the ÖBB Infrastructure network in February 2018. In order to further strengthen its position on the Austrian market, a new branch was established and commenced operations in Austria in 2019 (ČD Cargo Niederlassung Wien). Services offered on the Austrian market include block train transport in Austria, transit through Austria from Hungary or Slovakia to Germany and back.

- **Slovakia and Hungary:** ČD Cargo owns a license for the Slovak and Hungarian network through its equity investments from 2020 and uses them for transportation from the Czech Republic to the Balkans and Romania (e.g. containers).

- **Germany:** ČD Cargo obtained a licence and all necessary documents required to operate in Germany in February 2020. On the German market, ČD Cargo's strategy includes expanding under the same business model as already implemented on the Austrian market.

- **Romania:** ČD Cargo plans to obtain a license for the Romanian network. Goods from Slovakia and Hungary are directed to Romania directly or in transit to Greek ports and Turkey.

- **Slovenia:** ČD Cargo plans to acquire licenses for the Slovenian territory. In particular, ČD Cargo intends to focus on access to the Slovenian port of Koper, which is an important transit point for transporting goods from Asia to Central Europe.

- **Croatia and Serbia:** ČD Cargo established a subsidiary in Croatia and commenced its business operations in Croatia and Serbia in 2021. In the future, ČD Cargo also intends to expand through its subsidiary ČD Cargo Adria d.o.o. to the Balkans region.

The table below outlines a geographic breakdown of ČD Cargo's revenues from foreign freight operations in the six months ended 30 June 2022 and years ended 31 December 2021 and 2020:

	Six months ended 30 June	Year ended 31 December	
	2022	2021	2020
	(in CZK millions)		
Poland	953	1,184	724
Slovakia	532	990	858
Germany	1,111	2,190	2,338
Austria	512	1,063	1,018
Russia	16	231	142
Ukraine	9	367	331
Other countries	795	1,464	1,633
Total	**3,928**	**7,489**	**7,044**

Source: ČD Cargo data

The table below sets forth the composition of freight transported by the Group's Freight Transport Business for the years ended 31 December 2021 and 2020:

	Year ended 31 December	
	2021	2020
	(in millions of tonnes)	
Solid fuels	13,7	12,2
Metal and mining	13,1	11,6
Large containers	6,4	7,2
Timber and paper products	5,2	5,3
Chemicals	4,2	4,2
Building materials	5,7	5,2
Automotive	1,2	1,3
Other	13,4	13,8
Total	62,8	61,0

Source: ČD Cargo data

In 2021, the Group had an overall freight turnover (including empty runs) of 11,180 million tonne-kilometres (i.e., the measurement of transport of one tonne of goods over a distance of one kilometre), a 6 per cent. increase as compared to an overall freight turnover of 10,545 million tonne-kilometres in 2020. This change was primarily due to ongoing expansion to foreign transport markets.

The freight market can be divided into local, transit, export and import. Combined freight volumes of transit, export and import represented together approximately 62 per cent. of ČD Cargo's freight volumes in 2021 and 2020. The remaining part of the freight market is the local market (38 per cent. of total volumes in 2021) where ČD Cargo is the market leader and operates the largest railcar fleet.

The table below sets forth the composition of freight transported by the Group's Freight Transport Business for the years ended 31 December 2021 and 2020:

	Year ended 31 December			
	2021		2020	
	(in million tonnes)	*(%)*	*(in million tonnes)*	*(%)*
Domestic market	60.3	96	59	97
Outside of the Czech Republic	2.5	4	2	3
Total	**62.8**	**100**	**61**	**100**

Source: ČD Cargo data

As of the date of this Prospectus, the major customers of the Group's Freight Transport Business, with most of which the Group has long-term contracts, are MORAVIA STEEL a.s., CARBOSPED, spol. s r.o., NH TRANS SE, Maersk Line A/S, Rail Cargo Group, ČEZ, a. s., METRANS, a.s., DB Cargo Group, Železničná spoločnosť Cargo Slovakia, a.s., Energetický a průmyslový holding, a.s., STVA S.A., BLG AutoRail GmbH and VTG AG.

As of 31 December 2021, 47 per cent. of ČD Cargo's customers were direct customers, 40 per cent. were forwarding companies and 12 per cent. were other operators, in each case calculated as a percentage of ČD

Cargo's total revenues. As of 31 December 2021, 60 per cent. of ČD Cargo's contracts with customers have their expiration in 2022, 20 per cent. in 2023 and 20 per cent. have their expiration beyond 2023, in each case calculated as a percentage of ČD Cargo's total revenues.

Property Management Business

The Group's Property Management Business includes the management, leasing and operation of certain assets of the Group, mainly real estate. As of 31 December 2021, ČD administered 3,462 buildings, including the Prague Masaryk Station and the Brno Main Station.

The Group's Property Management Business generated total revenue of CZK 191 million and CZK 169 million and EBITDA of CZK 53 million and CZK 76 million, which represented 0.8 per cent. and 0.8 per cent. of its total revenues (in each case before eliminations) for the six months ended 30 June 2022 and 2021, respectively. In the years ended 31 December 2021 and 2020, the Group's Property Management Business generated total revenue of CZK 421 million and CZK 356 million and EBITDA of CZK 94 million and CZK 97 million (negative), which represented 1.0 per cent. and 0.9 per cent. of its total revenues (in each case before eliminations), respectively.

On 19 January 2016, ČD entered into a set of agreements with the Czech investment group Penta (the majority owner of MSD), regarding the restoration of the Prague Masaryk Station and the development of the surrounding land plots. The restoration of the main building started in 2016 and is expected to be completed by 2023 along with the development of the surrounding Prague Central Business District project. Penta undertook to invest through the MSD up to CZK 136 million in the restoration. The initial part of the restoration included the renovation of the roofs and floors of the arrival hall, adjacent facades and toilets. The subsequent stages will introduce new retail space and a food court in the arrival hall, ticket desks, waiting room and information centre in a new location thereby increasing passenger comfort and the amount of commercial space at the station.

Following a public tender in 2008, ČD as lessor and a privately owned company Brno new station development a.s. ("**BNSD**") as lessee entered into a lease agreement regarding the Brno Main Station and the adjacent land plots (the "**BNSD Lease Agreement**"). The lease agreement is to expire in 2048. Pursuant to the agreement, BNSD undertook to invest at least CZK 130 million in the renovation of the main building. In 2018, ČD cooperated with BNSD to change the zoning plan on the land plots and entered into an amendment to the BNSD Lease Agreement. The amendment aims to clarify certain obligations and undertakings of BNSD under the BNSD Lease Agreement and sets a new binding schedule for the renovation of the main building and contractual penalties for BNSD's failure to adhere to it. In 2019 the reconstruction phases, including the first platform and the main hall of the Brno's Main Station with new points of sale were completed.

In 2021, repairs and investments to improve the working environment continued both in the premises where ČD employees are based and in premises that are leased to external entities. Investment costs were spent on the reconstruction and adaptation of the administrative buildings in Olomouc and Přerov, and reconstructions of administrative buildings in Olomouc and Bohumín have started. Ongoing reconstruction of the building "B" at Prague Masaryk Station, is scheduled to be completed in 2022. Within the real estate management segment, ČD is involved in several development projects, most often through specially founded subsidiaries and affiliates. (see *"Property–Recent and Expected Sale of Property"* for more information).

Certification and Testing Business

The Group's Certification and Testing Business includes activities of VUZ, the Group's subsidiary providing professional services and complex solutions in the field of assessment, certification and testing with a special focus on rolling stock, railway systems, railway transport and other industrial sectors. It works closely with leading manufacturers, academic institutions and industry organisations within and outside the European Union. VUZ provides specialised services through authorised and accredited activities and testing in the field of railway vehicles and their components, using its own railway test circuits at the Velim Test Centre.

The Group's Certification and Testing Business generated total revenue of CZK 315 million and CZK 376 million and EBITDA of CZK 181 million and CZK 251 million, which represented 1.4 per cent. and 1.9 per cent. of its total revenues (in each case before eliminations) for the six months ended 30 June 2022 and 2021, respectively. In the years ended 31 December 2021 and 2020, the Group's Certification and Testing

Business generated total revenue of CZK 713 million and CZK 565 million and EBITDA of CZK 415 million and CZK 261 million, which represented 1.7 per cent. and 1.4 per cent. of its total revenues (in each case before eliminations), respectively.

Other Business

Other activities the Group undertakes include provision of information and communication services ("**ICT**") to railway transport companies and railway infrastructure administrators through ČD Telematika, rolling stock repair services operated through DPOV, certain IT services operated through ČD Informační systémy, educational services operated through DVI, testing services, travel services operated through ČD Travel, and railway accommodation and catering services operated through JLV.

The Group's Other Business generated total revenue of CZK 2.547 billion and CZK 2.201 billion and EBITDA of CZK 610 million and CZK 357 million, which represented 11 per cent. and 11.1 per cent. of its total revenues (in each case before eliminations) for the six months ended 30 June 2022 and 2021, respectively. In the years ended 31 December 2021 and 2020, the Group's Other Business generated total revenue of CZK 4.901 billion and CZK 4.484 billion and EBITDA of CZK 693 million and CZK 607 million, which represented 11.5 per cent. and 11.4 per cent. of its total revenues (in each case before eliminations), respectively.

ČD Informační systémy

ČD Informační systémy provides the Group with comprehensive ICT services to expand professional competencies in the modern technology field both in the development and operation of complex information systems and to expand its competencies in the security field. An additional goal is to minimise the dependence of the Group on external suppliers.

ČD Informační systémy provides the Group with services, such as modernisation and maintenance of information systems for passenger clearance and check-in, development and optimisation of the search engine and systems for commercial and operational activities in the railway freight sector or implementation of security and data protection elements ensuring protection of the Group's assets, personal data and equipment.

For instance, in 2020 ČD – Informační systémy successfully completed the delivery of the reservation system for Austrian Railways (ÖBB) and continued in the development of this system and preparations for the next stage, the main goal of which will be to prepare the reservation system for cloud operation. Due to a pandemic situation in Europe, in the following years, all related works have been postponed. In the same year, ČD – Informační systémy launched the second stage of the project -Modernisation of information System for passenger clearance . In 2021, a substantial part of the third stage of the project was completed and the fourth stage was launched and is planned continue throughout 2022, with some parts extending into 2023.

In 2021, ČD – Informační systémy successfully implemented the single tariff system (so called One Ticket) into all existing sales and handling systems of the Group. In the same year, it implemented a set of security elements, ensuring increased protection of the Group's assets, personal data and equipment. This project is key for future development as security and data protection is essential element for all systems and activities provided by ČD Informační systemy and Group as such. It will be integrated as a vital part of security operation center. ČD – Informační systémy also assisted with the implementation of changes related to new technical and business parameters of public service obligation contracts.

In the same year, it implemented automated processing of supplier invoices (vendors invoice management), including also system of the electronic document approval (all incorporated into ERP SAP system). Further, ČD – Informační systémy actively developed the modernisation of the railway passenger check-in system, further development and optimisation of the search engine and development of the Group's systems for commercial and operational activities in the railway freight sector. ČD Informační systémy also worked on the various projects in the field of railroad management and check-in of bus passengers, including cooperation with Integrated Transport System on municipalities and districts level (IDS), including also transport companies and other clients.

As part of the acquisition activities of ČD Informační systémy, the portfolio of services provided in the area of vehicle systems and specialised transport software & hardware has been completed. In 2021, it managed the installation of WiFi and various communication technologies in selected vehicles operated by the

Group. The key tasks for ČD – Informační systémy in 2021 also included further development of the search engine and optimisation of transport connections, development of systems for commercial and operational activities in the area of rail freight transport and further development projects in the area of rail route management and passenger handling in bus transport, including cooperation with the integrated transport system and individual transport companies.

ČD Telematika

The Group also operates on the external market of ICT services through its subsidiary ČD Telematika, which focuses on the administration, maintenance and construction of telecommunication infrastructure. ČD Telematika owns and operates one of the largest optical infrastructure in the Czech Republic, which is a part of the critical infrastructure of the State, and provides housing services in highly secured data centres. ČD Telematika provides its services to clients from state administration, the railway transport segment, large corporations and local internet connectivity providers.

For instance, in 2019, ČD Telematika successfully completed the construction of its GSM-R system on the České Budějovice – Plzeň railway line. Further, ČD Telematika continued to fulfil the contact for system integration of the new technological infrastructure passport (TPI) and the supply of new telephone exchanges to SŽ and continued to work on the integration bus project for the Ministry of Labour and Social Affairs. In the first half of the year, ČD Telematika signed contracts for the delivery of the mobile part of the ETCS for ČD and ČD Cargo. Both contracts are to be completed by the end of 2022.

In 2020 and 2021, ČD Telematika continued in construction of its GSM-R projects, engagement in the system integration of a new technological infrastructure passport (TPI) and the supply of new telephone exchanges for SŽ. The core project and competence area of ČD Telematika was the delivery of the ETCS for ČD for the 362, 362 WTB and 162 WTB series vehicles and ČD Cargo for the 163 and 363 series vehicles. In 2020, both prototypes of traction vehicles were successfully completed for ČD Cargo and the installation of series for ČD gradually began. Completion of both orders is planned for 2023. During 2021, ČD Telematika also won a new contract for the delivery of the ETCS for 34 vehicles of the 961 series.

ČD Telematika plans to participate in tenders for ETCS equipment for the next series of railway rolling stock and to provide new products and services to SŽ. At the same time, ČD Telematika seeks to grow its revenues outside the railway infrastructure and transport sector.

The Group is considering disposing of part of ČD Telematika's business in 2023, which relates to the management, maintenance and servicing of railway telecommunications assets of SŽ. In April 2021, SŽ has submitted a joint application for the authorisation of a merger between competitors to the Czech Office for the Protection of Competition (the "**Czech Office for the Protection of Competition**") which had been subsequently approved by the Czech Office for the Protection of Competition in July 2021.

DVI

DVI is the Group's subsidiary providing services in the field of railway education. DVI was the first in the Czech Republic to obtain accreditation for train driver training. It is an authorised company by the Ministry of Transport of the Czech Republic for professional qualifications and for the third time in a row successfully obtained the certificate of the quality management system according to the international standard ČSN EN ISO 9001. In 2018, DVI received the Recognition of Assessment Body (according to Article 7 of EU Regulation 402/2013) from the Railway Authority. DVI provides the Group's employees with a wide network of classrooms, a team of experts in the subjects fields of education, language courses and training of softs skills aiming to continuously deepening the Group's employees qualification.

Vydos

Vydos is the Group's subsidiary providing replacement transport during planned closures or emergencies. The Group acquired Vydos, including its equipment and employees, in April 2022 in order to reduce the cost of replacement transport and its dependence on external suppliers. In August 2022 ČD Reality a.s. and Vydos were merged. As a result ČD Reality a.s. and Vydos were dissolved and their assets were transferred to the successor company ČD Bus a.s. established on 1 September 2022. During the year 2022, the Group intends to gradually provide public bus transport for the performance of ČD by using its fleet of more than 80 buses.

Pricing, Payments and Tariff Regulation

Passenger Transport Business – Regional

Overview

Regional passenger transport is governed by long-term contracts between individual railway carriers and individual regions of the Czech Republic.

In 2009, the Government signed a Memorandum, which allocates funds from the State budget in the amount of CZK 2.65 billion per year, which will be provided to the regions of the Czech Republic in the form of payments to cover the provision of railway transport services in the Czech Regions in a given year (see *"– Business Overview – Passenger Transport Business – Regional Passenger Transport"* for more information.). The funds are allocated to individual regions of the Czech Republic according to the volume of transport and the allocated amount is indexed annually according to the average annual consumer price index.

The payments shall be equal to the estimated eligible costs (which include, among other things, depreciation of fixed assets, such as the rolling stock used to operate the lines concerned) including a margin allowing for a reasonable profit to be provided for the provision of passenger transport. Payments are annually agreed in advance on the basis of projections and paid to ČD monthly on a *pro rata* basis (thus not limiting ČD in terms of liquidity). At the end of the year, the difference between the estimated costs and the actual values is settled. The pre-agreed payments may be adjusted in the event of higher energy costs by the energy price index, or in the event of an increase in the railway infrastructure charge above the inflation rate, or in the event of changes in the tax system. These costs are indexed annually according to the consumer price index and in most contracts payments for energy and wages are increased according to special price growth indices.

In its Resolution No. 191 dated 9 March 2016, the Government approved the participation of the State in the financing of regional passenger rail transport in the years 2020 and 2034. Subsequently, the Government concluded an agreement with 13 Czech Regions, the capital city of Prague and the Association of Regions of the Czech Republic on the stable financing of regional transport in the years indicated. Based on this agreement, the Government allocated CZK 2.859 billion, which is shall be increased year-on-year by general inflation. According to the agreement, the total amount of funds provided by the State in 2022 will amount to CZK 3.264 billion.

In its Resolution No. 206 dated 27 March 2018, the Government approved the introduction of a subsidised fare tariff on trains and buses for the seniors, children, pupils and students. Based on this resolution, pupils and students up to 26 years of age and seniors over 65 were provided with a 75 per cent. discount on the standard fare. The subsidised fares covered all national long-distance and regional bus and rail lines, integrated transport systems and public transport links that cross city limits. On trains, the subsidy applied only in second-class cars (Economy class). Service providers, including ČD, received payments for the discounted fares from the state budget up to the amount of the commercial ticket price (the "**Subsidised Fare Tariff**").

At the end of 2018, the Czech Parliament approved Act No. 6/2019 Coll., amending the VAT Act, which as of 1 February 2019, reduced the VAT for public passenger transport fares from the original 15 per cent. to ten per cent. According to the legislative proposal, lower VAT is intended to reduce fares for the customers or provide transport service providers with more money for development of public transport.

In its Resolution No. 62 dated 26 January 2022, the Government approved that the State's participation in the in financing of the Subsidised Fare Tariff would be reduced from a 75 per cent. discount as of 1 April 2022, to a 50 per cent. discount on standard fare.

Liberalisation of the regulated regional passenger transport in the Czech Republic

Due to the fact that most long-term contracts governing regional passenger transport expired on 14 December 2019, the Czech Regions concluded new contracts as of 15 December 2019. In accordance with applicable EU legislation (see "*The Regulatory Framework — Railway transport laws in the EU*" for more information), some Czech Regions selected new passenger transport providers in a public tender, whereas some have awarded the relevant contract directly to a selected operator. As of the date of this

Prospectus, ČD is a party to 36 agreements with the Czech Regions, the vast majority of which were implemented under the so-called market consultation and subsequent direct assignment.

Based on the agreements with the Czech Regions, which are valid as of the date of this Prospectus, ČD assumes that in 2022 it will ensure a total output of 81,8 million train-kilometres. This would represent a decrease by approximately 1.01 per cent. compared to ČD's total regional transport performance in 2021 (see *"Risk Factors – Risks related to the Group's business and industries generally – Industry risks — "The Group is exposed to competition from other providers of rail transport."* for more information).

ČD's main competitors for the long-term contracts with the Czech Regions are the privately held companies currently operating in the Czech Republic, especially RegioJet, GW Train and LEO Express, as well as significant passenger rail operators from neighbouring countries, such as Arriva, a subsidiary of DB (see *"Risk Factors – Risks related to the Group's business and industries generally – Industry risks — "The Group is exposed to competition from other providers of rail transport."* and *"— Business Overview — Regional Passenger Transport"* for more information). As of the date of this Prospectus, 21 contracts for a total transportation volume of 10 million train-kilometres have been concluded between the Czech Regions and the other operators.

Passenger Transport Business - Long-Distance (domestic and international)

Overview

Long-distance passenger transport is provided pursuant to an agreement with the State that has similar terms and conditions as the contracts governing regional passenger transport (see *"— Business Overview – Passenger Transport Business – Regional Passenger Transport"* for more information).

The payments provided by the State shall be equal to the estimated amount of eligible costs (which include, among other things, depreciation of long-term assets, such as the rolling stock used for operation of the relevant lines) less sales, including fair profit and can be adjusted in case of higher energy costs of more than ten per cent., higher profit of more than five per cent., changes in transport volume or changes in taxation. Unless mutually agreed upon, changes to volumes of transport for the purposes of calculations do not deviate by more than five per cent. from the actual volumes from the previous year.

Liberalisation of the regulated long-distance passenger transport in the Czech Republic

From 2020 onwards, the Ministry of Transport has to conclude new contracts with railway transport operators on a competitive basis. Since private operators showed an interest in taking part in long-distance passenger transport even before regular tenders were launched after 2020, in 2018 the Ministry of Transport announced a modified form of "tendering" based on direct award principles.

ČD's main competitors in these public tenders may include Czech low-cost passenger rail operators, as well as significant passenger rail operators from neighbouring countries (see *"— Business Overview — Passenger Transport Business — Regional Passenger Transport"* for more information).

The below table provides an overview of individual long-distance lines operated by ČD as of the date of this Prospectus and of the expiry dates:

Route	Year of expiration
Ex1: Ostrava – Polish state border / Slovak state border;	2029
Ex2: Praha – Olomouc – Vsetín – Slovakia;	2028
Ex3: Praha – Pardubice – Brno – Austrian state border / Slovak state border;	2029
Ex4: Austrian state border / Slovak state border – Břeclav – Otrokovice – Ostrava – Polish state border;	2029
Ex5: Praha – Ústí nad Labem – German state border;	2029
Ex6: Praha – Plzeň – Cheb / German state border;	2024
Ex7: Praha – České Budějovice – Český Krumlov / Austrian state border;	2025
R9: Praha – Havlíčkův Brod – Brno/Jihlava;	2024
R10: Praha – Hradec Králové – Trutnov;	2028
R11A (R31): České Budějovice – Plzeň;	2025
R11B (R11): Brno – Jihlava – České Budějovice;	2026
R12: Brno – Olomouc – Šumperk;	2027
R13: Brno – Břeclav – Olomouc;	2025
R15: Praha – Ústí nad Labem – Karlovy Vary – Cheb;	2029
R16: Praha – Plzeň – Klatovy;	2024
R17: Praha – Tábor – Veselí nad Lužnicí – České Budějovice / České Velenice;	2025

R18: Praha – Olomouc – Staré Město – Luhačovice;	2028
R19: Praha – Pardubice – Česká Třebová – Brno;	2029
R20: Praha – Roudnice nad Labem – Ústí nad Labem – Děčín;	2029
R27: Ostrava – Opava – Krnov – Olomouc;	2027
R29: Cheb – Germany.	2023

The above long-distance lines combined represent 31.8 out of the total 39.3 million train kilometres, i.e. 80.9 per cent. of the total transport volume expected for the period 2022 onwards. Contracts for 19.1 per cent. of the transport volume expected have been assigned to other railway transport operators, such as Arriva, RegioJet and GW Train.

Passenger Transport Business - Commercial

Commercial passenger transport is undertaken by ČD and other carriers. ČD and other carriers base their decision to conduct business on commercial routes purely on economic grounds and set prices according to the desired profitability. Revenues are generated from ticket sales. Neither State payments nor payments received from the Czech Regions are provided.

Freight Transport Business

ČD Cargo's revenues are 99 per cent. attributable to individual contracts where pricing is set in each individual case and is based purely on commercial grounds. Although ČD Cargo's tariffs can be taken into consideration, the prices charged by competitors, costs of service or a long-term potential relationship benefit for ČD Cargo are recognised as the main factors driving the prices of ČD Cargo's services. In certain cases set forth in the internal policies, the Commercial Council consisting of a Director of Economics, a Director of Operations and a Director of Commerce must approve the terms and conditions of a price proposal.

The remaining ČD Cargo customers are charged in accordance with ČD Cargo's standard tariffs, which also set out the standard terms and conditions. Domestic freight, which is not stipulated by individual contracts, is governed by the Tariff for Transport of Complete Wagon Loads ("**TVZ**"). International union tariffs are agreed with the respective foreign freight operators.

Domestic and International Freights

ČD Cargo provides freight transport to destinations both within and outside the Czech Republic. Domestic freight transport is undertaken by ČD Cargo whereas international freight is provided by ČD Cargo or its subsidiaries in cooperation with foreign freight operators. ČD Cargo enters into such cooperation if it does not fulfil the prerequisite conditions for operating in the respective country or if such cooperation is more beneficial for ČD Cargo due to, for example, the low utilisation of inbound vehicles returning from abroad or other factors affecting profitability.

Alternatively, ČD Cargo can provide freight transport to final destination, subject to obtaining licences for operating rail transport in the respective country. As of the date of this Prospectus, ČD Cargo or its subsidiaries are licensed to provide freight transport in Poland, Slovakia, Hungary, Austria, Germany and Croatia.

The Railway Network

According to UIC, the Czech railway network is currently among the densest railway networks in the EU in terms of surface area of the country per kilometre of railway route, exceeding that of both Germany and France. According to data compiled by SŽ as of 31 December 2021, the Czech railway network consisted of 9,358 kilometres of railway routes, of which 3,215 kilometres were electrified, and the related infrastructure included 1,096 railway stations and 7,734 railway crossings. SŽ operates the national and regional railway network in the Czech Republic and is responsible for its operation, modernisation and development. A total of 126 transport providers operated on the Czech railway network in 2021, according to data provided by SŽ.

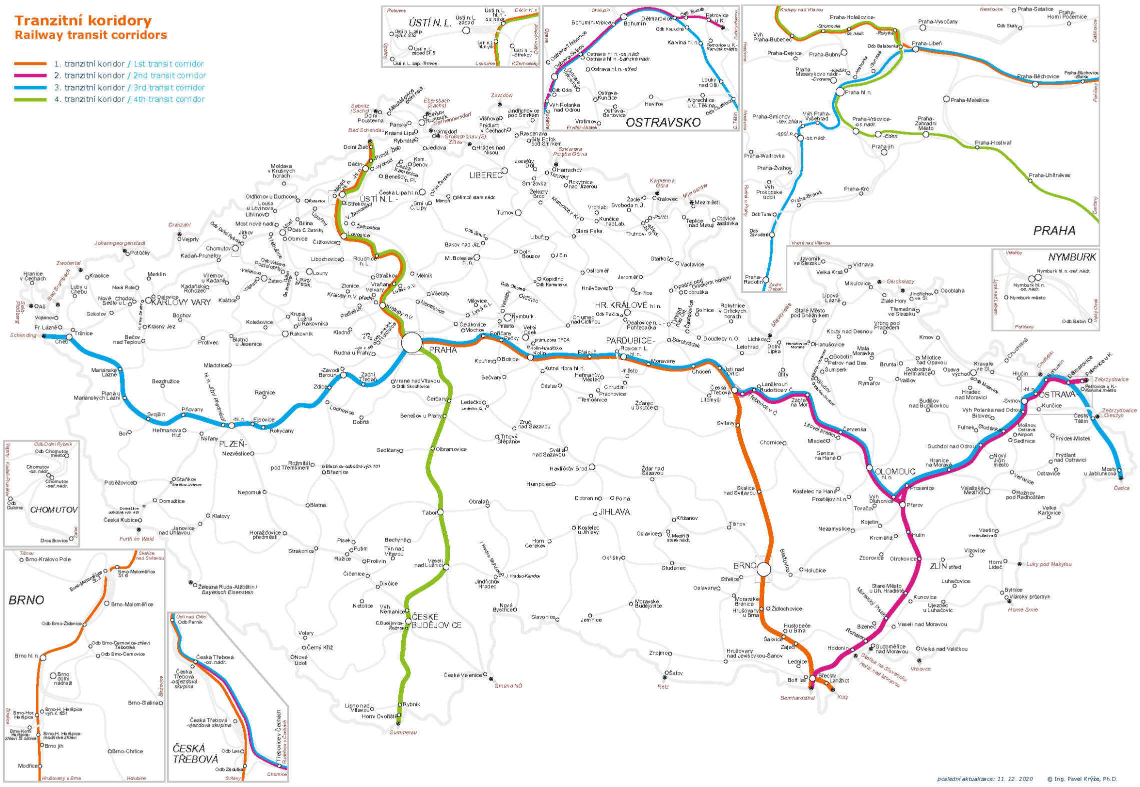
The Group originally also operated and serviced the national railway network, but it gradually transferred these activities to SŽ (see *"—Relationship with SŽ"* above). The Group now only operates the railway tracks it owns. These are primarily minor railway spur tracks, branch lines and side tracks at railway stations. The railway system is currently connected to the railway network of four neighbouring countries (Germany, Austria, Poland and Slovakia) via 36 international railway junctions.

As of the date of this Prospectus, there are no new railway tracks under construction in the Czech Republic. However, SŽ is investing in the modernisation of the existing railway system and plans to build various high-speed railway lines connecting the largest cities in the Czech Republic and ensuring a quality connection to the rail network in the Central Europe. The whole Czech railway system uses the same gauge (1,435 millimetres), except for 79 kilometres of tracks operated by a privately-owned company Jindřichohradecké místní dráhy, a.s. Four different systems are being used to power the electrified railway routes.

Pursuant to the Railway Act and the Network Statement on National and Regional Rail issued by SŽ, SŽ allows carriers to access and use the railway network, subject to the fulfilment of certain conditions. SŽ allocates the route capacity for a regulated price, which is set pursuant to the decree of the Ministry of Finance for a particular year and a declaration issued by SŽ pursuant to the Railway Act and published in the Transport and Tariff Bulletin.

The Group's Passenger Transport Business and Freight Transport Business operate on the majority of the existing railway routes in the Czech Republic.

The map below provides an overview of the current and planned railway routes as of 31 December 2021:



Source: SŽ, as of 31 December 2021.

Property

Overview of ČD's Property

As of 31 December 2021, ČD owned 3,462 buildings, including the Prague Masaryk Station and the Brno Main Station, multiple rolling stock depot buildings, and, among others, blocks of flats, stores, buildings for employees, garages and hostels.

Recent and Expected Sale of Property

Because the Group owns significant non-core assets, the maintenance of which requires substantial amounts, it intends to continue to streamline its asset base by selling some of these non-core assets to SŽ as well as to private investors.

Sale of the Prague Masaryk Station Property to Penta

On 19 January 2016, ČD entered into a set of agreements with the Czech investment group Penta (the majority owner of MSD), regarding the restoration of the Prague Masaryk Station and the development of the surrounding land plots. Pursuant to these agreements, Penta acquired 10,300 square metres of land at Na Florenci Street in the centre of Prague, where it has started construction of a shopping and office centre. In addition, the agreements allow for future development of other land plots surrounding the Prague Masaryk Station that are to be leased by ČD to MSD in part until 2036 and in part until 2056. In 2016, Penta acquired a land plot at Na Florenci Street, followed by the acquisition of a land plot at Hybernská Street in 2018. The next set of purchases is expected to happen in the next few years.

The total purchase price under the agreement was CZK 600 million (subject to adjustments based on the size of commercial space in the new development), of which CZK 235 million in respect of the land plot at Na Florenci Street was due by the end of June 2016. CZK 103 million in respect of the land plot at Hybernská Street was due by the end of January 2018. The agreement was the result of negotiations between the shareholders of MSD, i.e. ČD and Penta, and of Penta exercising its pre-emptive purchase right to the property based on an agreement entered into between ČD and Penta in 2004. The railway station building itself is to remain in the ownership of ČD and may be transferred to SŽ in the future.

Sale of Žižkov Freight Station and Smíchov Railway Station to Sekyra Group

In 2019, ČD initiated negotiations with the Prague Municipality and the Ministry of Culture of the Czech Republic about the form of sale of a listed building and related lands at Žižkov Freight Station. In the same year, ČD entered into a memorandum of mutual cooperation for the conversion of the Prague – Žižkov Freight Station with representatives of Prague 3 and Sekyra Group (as defined below), subject to which was coordination of plans for the future redevelopment of the whole area, including the creation of a residential development, a school or new headquarters for the Czech National Film Archive. As of the date of this Prospectus the negotiations are still ongoing.

Furthermore, in 2019, ČD entered into a framework project agreement with a Czech development companies Sekyra Group and SSD (together as "**Sekyra Group**"), based on ČD's board of directors' resolution on a tender for establishment of a joint venture for preparation, implementation and development of Prague – Smíchov Railway Station, regarding the development project in the Smíchov railway station area. Pursuant to this agreement, Sekyra Group undertook to acquire the respective land plots from ČD in phased stages. As of the date of this Prospectus, Sekyra Group owns a quarter of the land plots in the Prague – Smíchov Railway Station and commenced additional negotiations with ČD with the intention to acquire the remaining land plots to complete the entire development of the "Smíchov City" project.

In 2021 ČD continued to provide all necessary assistance to Sekyra Group in preparation for the next stages of the Smíchov City project whereas these activities will continue in 2022.

Sale of land plots in the area of the railway station in Prague to Penta

In 2019, ČD and Penta Real Estate, a developer of the Churchill Square Project, located in the area of the main railway station in Prague, concluded a framework implementation agreement allowing for the future phased sale of land. In this context, a memorandum was then signed between ČD, SŽ and Penta Real Estate in order to coordinate SŽ's upcoming construction with the activities of the other signatories.

Expected Sale of Property to Private Investors

ČD continues to be in the process of selling its other non-core assets to private investors. This process commenced in 2008 and has included the sale of non-core buildings (administration buildings, workshops, garages, warehouses) and non-core land plots predominantly surrounding railway stations. In the ongoing last phase commenced in 2015, which is expected to unfold over the next 15 years, ČD primarily aims to sell smaller buildings and land plots to individuals, companies and municipalities.

In 2021 and 2020, ČD has realised gain from sales of non-core assets amounting to CZK 204 million and CZK 167 million, respectively. In 2021, the most significant property sales took place in the Prague, as well as in Česká Lípa, Kralupy nad Vltavou, Kladno and Bohumín.

As of the date of this Prospectus, ČD is negotiating further sales of its non-core assets. The Group cannot guarantee that any of the sales will take place in 2022, at all or for the estimated market value (see "*Risk* *factors – Risks related to the Group's business and industries generally – Business risks – The Group may not be successful in selling any or all of its non-core assets"* for more information).

The sale process has been hindered by the varying quality and attractiveness of the assets and by the various factors affecting the real estate market.

Expected Sale of Property to SŽ

ČD is in talks with SŽ over the sale of up to 40 million square metres of land plots in about 1,000 locations surrounding railway stations, railway platforms and railway tracks. This transaction would continue the transfer of railway infrastructure and the related assets from ČD to SŽ in several subsequent stages concluded in 2008, 2011 and 2016. In the course of 2020, methodologies were prepared for the expert valuation of the subject of the transaction and its possible interest. In 2021, the underlying agreements of the proposed transaction had been, at the request of the Ministry of Transport, forwarded to the European Commission via the Czech Office for the Protection of Competition, with a request for a consultation on the final price contingent whether it shall be considered as an unlawful state aid and the pre-notification procedure had been initiated. In the same year, ČD claimed for compensation from SŽ for the use of land in its ownership under the tracks and related infrastructure managed by SŽ. ČD determined the compensation for 2017-2021 at the amount of CZK 2,834 million based on the expert's opinion. However, the Group cannot guarantee that this sale will take place in the anticipated timeframe or at all. (see "*Risk factors – Risks related to the Group's business and industries generally – Business risks – The Group may not be successful in selling any or all of its non-core assets"* for more information).

Rolling Stock

Passenger Transport Business

As of 31 December 2021, ČD owned 2,369 traction vehicles with the average age of the traction vehicles being 43.25 years since the date of production and 39.18 years since the date of last modernisation.

ČD's key suppliers of rolling stock include: ŠKODA VAGONKA a.s., Pars nova a.s., PESA Bydgoszcz SA, Siemens, ŠKODA TRANSPORTATION, ŽOS Trnava a.s., Krnovské opravny a strojírny s.r.o., DPOV and ŽOS Vrútky a.s.

The below table provides an overview of the traction vehicles owned by the Group and their age as of 31 December 2021:

	Number of traction vehicles for passenger transport				
		Inventory count by age			
Traction vehicles	**Total**	**0-10 years**	**11-20 years**	**21-30 years**	**older**
Electric and diesel units(1)	610	202	70	5	314
Electric locomotives	321	22	27	13	259
Electric train units(1)	223	88	77	5	53
Diesel locomotives	102	0	0	14	188
Diesel railcars	740	50	15	99	576
Control units(1)	292	9	70	4	209
Total traction vehicles	2,369	371	259	140	1599

Note:
(1) Unit is reported as a single piece.

As of 31 December 2021, ČD owned 2,077 passenger train units with the average age of 31.87 years since the date of production and 26.67 years since the date of last modernisation.

The below table provides an overview of the passenger train units owned by the Group and their age as of 31 December 2021:

	Number of passenger train units				
	Inventory count by age				
Passenger train units	**Total**	**0-10 years**	**11-20 years**	**21-30 years**	**Older**
Sleeping and restaurant coaches	82	0	12	10	60
International transport coaches	614	72	36	59	447
Four-axle local coaches	92	0	0	11	81
Four-axle coaches for diesel coaches	102	0	25	51	26
Two-axle coaches for diesel coaches	50	0	0	0	50
Driving coaches	73	10	0	0	63
Other coaches[(1)]	1064	215	354	385	110
Total passenger units	2,077	297	427	516	837

Note:
(1) Other passenger units include military, baggage, parlour and other.

In the year ended 31 December 2021, the cost of maintenance of the passenger rolling stock was CZK 331 million.

Freight Transport Business

As of 31 December 2021, ČD Cargo's fleet consisted of 783 traction vehicles. The average age of ČD Cargo's fleet was 33 years (39 years for electric locomotives and 29 years for diesel locomotives). In the year ended 31 December 2021, ČD Cargo's cost of maintenance of the rolling stock was CZK 227 million.

The table below provides an overview age of traction vehicles owned by ČD Cargo as of 31 December 2021:

	Number of traction vehicles for freight transport				
	Inventory count by age				
Traction vehicles	**Total**	**0-10 years**	**11-20 years**	**21-30 years**	**older**
Electric locomotives	394	56	6	27	305
Diesel locomotives	389	46	36	73	234
Total traction vehicles	783	102	42	100	539

As of 31 December 2021, ČD Cargo possessed 20,418 freight train units. The average age of ČD Cargo's freight train units was 35 years. On top of the cost of maintenance of the rolling stock, in the year ended 31 December 2021, the cost of maintenance of the freight train units was CZK 160 million (excluding components).

The table below provides and overview of the age of towed freight train units owned by ČD Cargo as of 31 December 2021:

	Number of cargo train units				
	Inventory count by age				
Cargo train units	**Total**	**0-10 years**	**11-20 years**	**21-30 years**	**Older**
Cargo train units	20,418	700	832	3,014	15,872

Other Financial Indebtedness of the Group

This section provides an overview of the financial indebtedness of the Group comprised of bonds issues, other debt instruments, bank debt and a promissory note programme (representing principal amount and disregarding, among other things, unamortised fees, discounts and accrued interest).

As of 30 June 2022, the Total Net Debt of the Group was CZK 57.480 billion, of which CZK 42.833 billion, or 74.5 per cent., was the Total Net Debt of the Issuer. As of 31 December 2021, the Total Net Debt of the Group was CZK 44.865 billion, of which CZK 31.671 billion, or 70.6 per cent., was the Total Net Debt of the Issuer. As of 30 June 2022 and 31 December 2021, 25.5 per cent. and 29.4 per cent. of the Total Net Debt of the Group, respectively, is owed by the subsidiaries of the Issuer and, consequently, is structurally senior to the financial indebtedness of the Issuer under the Notes (see "*Risk Factors – Risks related to the*

Group's financial profile — "A part of the Group's financial indebtedness is structurally senior to the financial indebtedness of the Issuer under the Notes." for more information).

Overview

The following table provides a basic overview of outstanding bonds and other debt instruments (other than promissory notes) issued by the Group as of the date of this Prospectus.

Group Member	Publicly traded	Nominal value	Maturity	Coupon
		(in millions)		*(in per cent.)*
Issuer	No	EUR 30	5 November 2024	2.875
Issuer	No	EUR 150	5 November 2029	3.50
Issuer	No	EUR 77,5	3 June 2035	3.00
Issuer	Yes	EUR 400	25 May 2023	1.875
Issuer	Yes	EUR 500	23 May 2026	1.50
ČD Cargo(1)	Yes	CZK 500	29 December 2023	1.26
ČD Cargo(1)	Yes	CZK 1,000	20 July 2025	2.55
ČD Cargo(1)	No	CZK 1,000	17 July 2026	2.17
ČD Cargo(1)	No	EUR 40	31 December 2028	1.92
ČD Cargo(1)	No	CZK 770	18 November 2026	2.09
ČD Cargo(1)	No	CZK 1,000	31 July 2027	1.65
Total		**CZK 33,933**(2)		

Notes:
(1) The bonds are structurally senior to the indebtedness of the Issuer under the Notes.
(2) Converted using the CZK/EUR exchange rate as of 30 June 2022 at CZK 24.740 = EUR 1.00.

The following table provides a basic overview of the Group's promissory notes programme and revolving loan facilities as of 30 June 2022.

Group Member	Counterparty	Type	Amount available	Unused amount
			(in CZK millions)	*(in CZK millions)*
Issuer	ČSOB	Promissory Note Programme	2,000	1,250
Issuer	ING bank	Promissory Note Programme	1,500	1,000
Issuer	Komerční banka	Promissory Note Programme	500	500
Issuer	Česká spořitelna	Promissory Note Programme	2,000	1,250
ČD Cargo(1)	ČSOB	Promissory Note Programme	500	500
ČD Cargo(1)	Komerční banka	Promissory Note Programme	1,500	1,500
Issuer	Citibank	Committed revolving credit facility	1,500	0
Total			**9,500**	**6,000**

Notes:
(1) The indebtedness under the promissory note programme is structurally senior to the indebtedness of the Issuer under the Notes.

The following table provides a basic overview of the Group's principal overdraft loan facilities as of 30 June 2022.

Group Member	Counterparty	Type	Amount available	Unused amount
			(in CZK millions)	*(in CZK millions)*
Issuer	Komerční banka	Overdraft	1,500	1,500
Issuer	ČSOB	Overdraft	700	700
ČD Cargo (1)	ČSOB	Overdraft	400	400
ČD Cargo Logistics(1)	ČSOB	Overdraft	10	10
ČD Cargo(1)	VUB	Overdraft	700	700
ČD Cargo(1)	Citibank	Overdraft	200	200
ČD Cargo(1)	ING Bank	Overdraft	200	200
ČD Cargo(1)	Raiffeisenbank	Overdraft	300	179
ČD Cargo Hungary(1)	Raiffeisenbank	Overdraft	6	6
ČD Cargo Poland(1)	Millienium Bank	Overdraft	187	119
ČD Cargo Slovakia(1)	Tatrabanka	Overdraft	13	13
ČD Cargo Slovakia(1)	SLPL	Overdraft	13	2
Total			**4,229**	**4,029**

Notes:
(1) The indebtedness under the loan is structurally senior to the indebtedness of the Issuer under the Notes.

The following table provides a basic overview of the Group's principal investment loan facilities as of 30 June 2022.

Group Member	Counterparty	Type	Amount available	Unused amount
			(in CZK millions)	*(in CZK millions)*
Issuer................	Raiffeisenbank	Investment loan	2,600	0
Issuer................	UniCredit Bank	Investment loan	4,000	0
Issuer................	VUB	Investment loan	1,900	0
Issuer	Eurofima	Investment loan	15,808	15,808
ČD Cargo(1)	Raiffeisenbank	Investment loan	1,000	0
ČD Cargo(1)	UniCredit Bank	Investment loan	2,000	0
ČD Cargo(1)	ING Bank	Investment loan	1,500	0
ČD Cargo(1).......	EIB	Investment loan	3,216	2,716
ČD Cargo Slovakia(1)	Tatrabanka	Investment loan	94	25
ČD Cargo(1)	Raiffeisenbank	Investment loan	990	0
Total			**33,108**	**18,549**

Notes:
(1) The indebtedness under the loan is structurally senior to the indebtedness of the Issuer under the Notes.

The terms of certain of the Group's financial indebtedness contain change of control and other restrictive provisions that, among other things, limit the ability of the Issuer, and in certain matters also its subsidiaries, to consolidate, merge or engage in certain other similar transactions; create security or quasi-security on assets; transfer, lease or sell assets; pay any dividend, charge, fee or other distribution; be a creditor in respect of financial indebtedness; and incur financial indebtedness, guarantees or indemnities. These undertakings are subject to a number of important limitations and exceptions.

In addition, the terms of certain of the Group's financial indebtedness contain customary events of default, such as, non-payment, breach of other obligations, misrepresentation, cross default, insolvency, and material adverse change.

Material Contracts

Certain contracts with a value exceeding the applicable thresholds set out in the Public Procurement Act, are subject to the Public Procurement Act and ČD must comply with the applicable procedures before awarding such contracts. It is usually necessary to hold a public tender to which any entity fulfilling the qualification criteria may apply and submit its bid. Such tenders are, for instance, held to select suppliers of new rolling stock, electricity or diesel or providers of maintenance services. In exceptional cases, it is possible to award a contract directly to an entity selected by ČD. This can be done, for instance, in cases when a damaged rolling stock can be repaired only by its producer, because other entities are not capable of doing so (see "*Risk factors – Risks related to governmental regulations and laws – The Group can incur limitations on procurement due to the Public Procurement Act*" and "*Regulatory Framework – Public Procurement Laws*" for more information).

When awarding a contract for the provision of passenger transport in the public interest, the Czech Regions and the Ministry of Transport, respectively, must proceed in accordance with Act. No. 194/2010 Coll., on public services in passenger transport and on the amendment of other laws (the "**Public Services Transport Act**"). Under the Public Services Transport Act, the Czech Regions and the Ministry of Transport are authorised to award a passenger transport contract directly to a provider selected without holding a public tender. However, as a result of the gradual liberalisation of the railway market driven mostly by applicable EU regulation, by December 2023, all public railway transport contracts will have to be awarded in a public tender (see "*The Regulatory Framework – Railway transport laws in the EU" and "Risk factors – Risks Related to the Group's Business and Industries Generally – Industry risks – The Group is exposed to competition from other providers of rail transport*" for more information).

Passenger Transport Business

The Group considers the following agreements as the most material for its passenger rail transport activities:

- Regional passenger services – As of the date of this Prospectus, ČD is a party to several long-term contracts for the provision of regional passenger transport under the public service obligation with certain Czech Regions effective as from 15 December 2019, such as a 10 – year contract with the city of Prague and a 10 -year contract with the Central Bohemian region. In 2019, ČD concluded agreement with the Pilsen Region for the operation of a set of lines, which is effective from December 2021. Furthermore, in 2021, ČD also concluded agreements on provision of regional passenger services with the Pilsen Region, Olomouc Region and the Hradec Králové region.

- Long-distance passenger services – In December 2019, ČD concluded two new contracts with the Ministry of Transport pursuant to which it ensured to provide performance of the public service obligation for a total of 20 long-distance transport lines for up to ten years. Further in 2020, ČD concluded one additional contract with the Ministry of Transport for the provision of public services for the R27 Ostrava – Krnov – Olomouc route with performance from December 2020 for a period of two years whose term was further extended until 2027. In December 2020, the operation of the Pardubice – Liberec and Liberec – Ústí nad Labem routes were merged into one route and assigned by the Ministry of Transport to a competing carrier on the basis of a direct assignment. In December 2021, the contracts for operating of the R9 Prague - Havlíčkův Brod - Brno, R10 Prague - Hradec Králové - Trutnov / Letohrad and R23 Kolín - Ústí nad Labem routes expired. ČD managed to prolong the contracts for R9 and R10 routes for a period of three and seven years, expiring in 2024 and 2028, respectively. The contract for R23 route were awarded to RegioJet. Together with the previously concluded contracts, as of the date of this Prospectus, ČD operates a total of 21 long-distance transport lines based on seven public service contracts.

- Agreement on the operation of railway transportation services on the state-owned and regional railways, entered into between ČD and SŽ on 18 December 2018 for an indefinite period. The agreement governs the capacity allotment, usage of railway infrastructure and other services, such as rail schedules.

- Electricity supply agreement – On 3 December 2018, ČD and SŽ entered into a contract for the provision of traction electricity by SŽ to ČD and is currently valid until the end of the year 2022. The contract specifies the conditions of traction electricity delivery.

- Sourcing of diesel – ČD is a party to a contract for the supply of diesel fuel with Čepro, a.s, entered into on 1 June 2020. This contract was awarded following a public tender which ČD carried out in accordance with the Public Procurement Act. At the same time, ČD is a party as the lessor to an agreement, entered into on the same day, for the rent of diesel fuel storage facilities to 30 June 2023. Both contracts expire on 30 June 2023.

- Supply of rolling stock – ČD is a party to a number of contracts concerning the supply of new or modernised train units and train coaches to ČD, which were awarded by ČD in multiple tenders. The most material of these contracts have been entered into with Škoda Transportation, ŠKODA VAGONKA a.s., Pars nova a.s., Stadler Pankow GmbH, ŽOS Vrútky a.s., ŽOS Trnava, a.s., Krnovské opravny a strojírny s.r.o., CZ LOKO a.s., PESA Bydgoszcz, SA and Siemens s.r.o. as suppliers.

- Heavy maintenance and rolling stock repair services – ČD is a party to a contract with DPOV, a wholly-owned subsidiary of ČD, dated 22 December 2016, as amended, pursuant to which DPOV provides ČD with rolling stock repair services. In addition, ČD is also a party to contracts with Pars nova a.s., CZ LOKO, a.s. and ŽOS Vrútky a.s., pursuant to which the suppliers provide ČD with heavy maintenance and rolling stock repair services. Other new external contractors have been selected following a public tender, which ČD carried out in accordance with the Public Procurement Act.

Freight Transport Business

The Group considers the following agreements the most material agreements for its freight rail transport activities:

- Capacity allocation agreement (the "**Capacity Allocation Agreement**") - this agreement was entered into between ČD Cargo and SŽ on 31 December 2009 for an indefinite period. The agreement stipulates a maximum price set by a decree of the Ministry of Finance and terms under which SŽ can renegotiate the price once a year. Each party has a right to terminate the agreement with a three-month termination period.

- Electricity supply agreement – ČD Cargo and SŽ entered into a contract for the provision of traction electricity by SŽ to ČD Cargo for the year 2022. The contract specifies the conditions of traction electricity delivery. The agreement will terminate in case and at the same time as the Capacity Allocation Agreement.

- Diesel engine oil supply agreement - this agreement between ČD Cargo and ČD was entered into in 2018 for an indefinite period. The agreement stipulates the conditions of diesel engine oil supplies. Each party has a right to terminate the agreement with a three-month termination period.

- Framework agreement on the supply of material – this agreement between ČD Cargo and ČD was entered into in 2018 for an indefinite period. The framework agreement stipulates the conditions of supply of replacement parts.

Related Party Transactions

ČD conducts related party transactions with other Group companies, and other entities owned by the State. Except for contracts concluded with the State and the Czech Regions (described in more detail in sections "*Liberalisation of the regulated regional passenger transport in the Czech Republic*" and "*—Liberalisation of the regulated long-distance passenger transport in the Czech Republic"* above*)* out of these, SŽ and ČEZ Group are the most significant. The Group follows arm's length principles for all related party transactions.

SŽ

The relationship of the Group with SŽ is based on the evolution of the railway industry as outlined in *"Industry Overview"* below. SŽ, as the current owner and operator of the railway network in the Czech Republic, is responsible for the operation, modernisation and development of the railway system in the Czech Republic, which is essential for the Group's business (see "*—Railway Network*").

Pursuant to capacity allocation agreements, the Group uses the railway network infrastructure operated by SŽ for carrying out its business activities (see *"—Material Contracts"*). The relationship with SŽ has been formed by Government policies in respect of the railway industry in the Czech Republic in general and the restructuring of the Group in particular (see "*—Relationship with SŽ*" and "*—Property — Expected Sale of Property*").

For transactions with SŽ and other related party transactions, please refer to Note 18 to the Interim Financial Statements and Note 32 to the Annual Financial Statements.

Disputes

From time to time, the Group is involved in litigation and arbitration in the ordinary course of its business activities regarding, among other things, damages, contractual relationships and real estate ownership. The Interim Financial Statements include provisions created in relation to certain proceedings in the amount of CZK 1.708 billion, and a provision for a damage caused by a fire in Bohumín in the amount of CZK 500 million. As of 30 June 2022 , the Group was involved in seven material actions as defendant. An action is considered material when the amount in dispute exceeds CZK 50 million. The most relevant pending or potential material disputes and actions against the Group or related to the Group's business activities are as follows:

Alleged unlawful state aid claim

In April 2015, RegioJet filed a legal action demanding that ČD return state aid of approximately CZK 7 billion and default interest due to the alleged breach of the standstill clause (Article 108(3) of the Treaty on the Functioning of the EU) and unfair competition. The alleged unlawful state aid was in the form of allegedly excessive purchase price of CZK 12 billion for the assets required for the maintenance of the railway, which were transferred from ČD to SŽ in 2008 (see *"– Relationship with SŽ"* for more information). Student Agency k.s., RegioJet's parent company, later joined the legal action as a second claimant. On 6 February 2019 the court of first instance dismissed RegioJet's and Student Agency's claim in its entirety. In 2019, RegioJet and Student Agency have appealed to the appellate court against the decision of the court of first instance. The appeal was dismissed by the Supreme Court and the judgment in favour of ČD became final on 30 November 2020. Within the statutory limit for filing an extraordinary appeal, RegioJet filed an appeal to the Supreme Administrative Court. As of the date of this Prospectus, the court has not decided yet on the merits.

Alleged abuse of Dominant Position on the Prague-Ostrava Route

In January 2012, based on a complaint filed by RegioJet, the Czech Competition Office commenced administrative proceedings against ČD regarding the alleged abuse of ČD's dominant position on the Prague – Ostrava line by alleged setting of low (predatory) temporary prices for the passenger rail transport services in an attempt to eliminate competition. In April 2016, the officials of the Czech Competition Office and the European Commission carried out an unannounced inspection at the premises of ČD and seized certain documents relating to the operations of ČD at the Prague – Ostrava line. ČD has filed a legal action with the Court of Justice of the EU against the inspection at the seat of ČD. The action was partially upheld and ČD appealed against this decision. In November 2016, a formal investigation was initiated by the European Commission, in response to which the Czech Competition Office suspended its investigation. In 2020, the European Commission issued a statement of objections significantly to disadvantage of ČD, with a further possible impact on the resolution of disputes with RegioJet and LEO Express concerning damages in connection with the operation of the Prague - Ostrava route. The statement of objections is a procedural step in ongoing proceedings, which does not prejudge the final conclusions and the EC's decision in the case. As of the date of this Prospectus, the matter has not been decided yet. While ČD believes that the complaint is unfounded and will vigorously defend itself in this matter, it can give no assurance that the Czech Competition Office or the European Commission will not impose on ČD any sanctions or penalties in these proceedings. As of 30 June 2022 the provision of CZK 700 million was recognized by the Group in relation to the proceedings.

Claim for damages by RegioJet

On 1 June 2015, RegioJet commenced proceedings against ČD for damages in the amount of CZK 717.0 million with accessories. The claimed damages were allegedly caused to RegioJet by ČD's alleged predatory pricing practices on the Prague – Ostrava route. During the course of a judicial proceeding in the first instance, the trial was interrupted until the European Commission's decision on the alleged abuse of a dominant position on the Prague-Ostrava route (see "*Alleged abuse of Dominant Position on the Prague-Ostrava Route*" above). As of the date of this Prospectus, the case has been suspended until the European Commission renders its decision in the above-mentioned case of alleged predatory pricing on the Prague-Ostrava line.

Claims for damages by LEO Express

On 10 July 2014, LEO Express commenced proceedings against ČD for damages in the amount of CZK 419 million plus accessories. LEO Express claimed that it incurred these damages due to ČD's alleged predatory pricing practices. On 10 December 2015, the Municipal Court in Prague dismissed LEO Express's claim for lack of evidence. LEO Express partially withdrew its legal action while filing an appeal against the Municipal Court in Prague's dismissal of the application to the extent of which there had been no withdrawal. In December 2016, LEO Express filed a new legal action against ČD for the amount of approximately CZK 434 million plus accessories for similar reasons. The second legal action mostly overlaps with the part of the legal action that had been withdrawn by LEO Express after its failure in the court of first instance. In March 2018, the High Court in Prague accepted the appeal from LEO Express for procedural reasons, set aside the first instance decision and returned the case to the Municipal Court in Prague. As of the date of this Prospectus in the first action, LEO Express seeks, after partial withdrawal, payment of approximately CZK 34 million and payment of approximately CZK 434 million in the second action.[3] The proceedings were suspended pending a decision of the European Commission the alleged abuse of a dominant position on the Prague-Ostrava route (see "*Alleged abuse of Dominant Position on the Prague-Ostrava Route*" above).

Alleged cartel agreement between ČD, ZSSK and OBB for the sale of disposed railway vehicles

In June 2016, the European Commission carried out a local inspection at the headquarters of ČD. The inspection was part of the European Commission's investigation into whether ČD, ZSSK and OBB concluded a cartel agreement with regards to the sale and purchase of railway vehicles for the purpose of restricting the entrance of new train operators to the market. ČD filed a complaint against the local inspection with the Court of Justice of the EU, which had been dismissed. ČD denies that it had entered into the alleged cartel agreement. In July 2021, official proceedings have been initiated by the European Commission against ČD. In June 2022, the European Commission issued a statement of objections

[3] In 2021, LEO Express also alleged that it suffered additional damages of CZK 1,202 million and CZK 491 million, but it has not officially commenced proceedings in relation to such claims.

significantly to disadvantage of ČD, arguing that according to its preliminary view that they have breached EU antitrust rules by colluding in the market for used passenger railway wagons with the aim to distort competition in the rail passenger transport market. The statement of objections is a procedural step in ongoing proceedings, which does not prejudge the final conclusions and the EC's decision in the case. As of the date of this Prospectus, the matter has not been decided yet. While ČD believes that the complaint is unfounded and will vigorously defend itself in this matter, it can give no assurance that the European Commission will not impose on ČD any sanctions or penalties in this proceeding. As of 30 June 2022 the provision of CZK 1,000 million was recognized by the Group in relation to the proceedings.

Legal action by CB Station Development, a.s. and EZ Holding against ČD

In 2018, a set of three legal actions were brought by CB Station Development a.s., a contractual partner of ČD, and EZ Holding, aiming to determine ČD's obligation to conclude a sales contract on the basis of a previous agreement on a future contract. As of the date of this Prospectus, the proceedings are still pending before the court of first instance. It cannot be ruled out that the plaintiffs raise further claims for other damages related to alleged the breach of ČD's obligation.[4]

Legal action by SŽ in relation to a fire in Bohumín

In 2021, SŽ brought a legal action against ČD, for damages in the amount of CZK 458 million, alleging that ČD was liable for a major fire that damaged the facilities of SŽ in the city of Bohumín in 2016. While ČD believes that the claim is unfounded, ČD has created a provision for compensation of damage caused by a fire in the amount of the estimated damage. In connection with this provision, the Group recognised the expected compensation from the insurance company in the amount of CZK 300 million as of 30 June 2022. As of the date of this Prospectus, the proceedings are still pending before the court of first instance.

Licences and Insurance

Licences

Pursuant to the Railway Act, a valid national licence must be obtained for the provision of railway transport. To obtain this licence, certain prerequisite conditions must be met including, among others, professional capability, integrity and the operability of rail cars for conducting the railway business.

Passenger Transport Business

As of the date of this Prospectus, ČD holds all required licences for the provision of passenger transport in the Czech Republic, including a licence and a certification of the transport company (pursuant to the Railway Act) that is awarded based on compliance of the operation and safety management systems with the Ministry of Transport regulation no. 376/2006 Coll. The licence has been awarded for an indefinite period of time and the certification is valid for five years. The current certification is to expire on 27 February 2023.

ČD also holds a European licence that, subject to compliance with other conditions set by the legislation of the respective member state of the EU, allows for the provision of passenger rail transport within the EU. The licence was granted by the Railway Office of the Czech Republic on 1 November 2003 for an indefinite term. The licence is to be amended upon any change of circumstances under which the licence was granted and which are stated in that licence. The licence can be revoked, among others, by the decision of the Railway Office of the Czech Republic.

Freight Transport Business

As of the date of this Prospectus, ČD Cargo holds all required licences for the provision of freight transport in the Czech Republic, including a licence and a certification of the transport company (pursuant to the Railway Act) that is awarded depending on compliance of the operation and safety management systems with the Ministry of Transport regulation no. 376/2006 Coll. The licence has been awarded for an indefinite period of time as is the current certification.

To be eligible to provide freight transport outside of the Czech Republic, ČD Cargo needs to be awarded all licences and certifications as requested by the respective countries. These may include, among other

[4] These may include a claim for a contractual penalty of CZK 100 million, in relation which the plaintiffs have not officially commenced proceedings.

things, the requirement that ČD Cargo's drivers have passed all prerequisite exams. As of the date of this Prospectus, ČD Cargo can provide freight transport, based either on its own license or through its subsidiaries, in Poland, Germany, Slovakia, Austria, Hungary and Croatia. ČD Cargo is planning to expand into further foreign countries.

Insurance

The Group maintains a comprehensive set of insurance policies to cover those risks that it believes to be common in the area of its key activities.

As of the date of this Prospectus, the Group does not maintain insurance in relation to damages to train units due to lower benefits of such insurance (insurance premiums demanded by insurance companies are relatively high). ČD believes that this is a common business practise among other European rail transport operators.

ČD maintains the following insurance cover:

- third party liability insurance for long-distance and regional transport (environmental damage insurance included) for claims up to CZK 300 million for an individual incident, and an aggregate total of CZK 600 million in one year (this insurance carries an excess of CZK 3 million per event);
- third party liability insurance for its fleet of cars for claims up to CZK 70 million for each incident (there is no excess);
- car insurance coverage (CASCO insurance) for its fleet of cars with an age of up to three years. The total amount that may be claimed varies depending on the value of the car (there is an excess of 2 per cent. of the value of the claim, with a minimum excess of CZK 2,000);
- directors' and officers' liability insurance (D&O) up to a total amount of CZK 1 billion;
- statutory insurance for damage during occupational accident or disease; and
- minor insurance policies, such as property insurance with respect to booking offices and stores.

ČD Cargo maintains the following insurance cover:

- third party liability insurance arising from rail vehicle operations on national and regional routes and a third party liability insurance of a holder of railway vehicles in Europe (except for Germany) (up to a liability cap of CZK 250 million);
- third party liability insurance of a holder of railway vehicles in Germany (up to a liability cap of EUR 20 million);
- third party liability insurance arising from the operation of railway transport in Austria;
- third party liability insurance arising from the operation of railway transport in Germany;
- directors' and officers' liability insurance (D&O) up to a total amount of CZK 1 billion;
- third party liability insurance arising from provider/ lessor/ lessee traction vehicles or personnel in Europe (up to liability cap of CZK 100 million);
- car insurance coverage of selected engine vehicles for the Czech Republic and selected European states; and
- other insurance coverage, such as property insurance and other operational activities.

The Group has not made any material insurance claims under any of these policies.

Environmental Protection

Passenger Transport Business

ČD's Department of Quality Assurance and Environmental Protection under the Rolling Stock Division is responsible for supervising and monitoring ČD's implementation of legislative amendments and compliance with all relevant legislation. For this purpose, the Group established the Register of Legal and Other Requirements, which is updated regularly, so that ČD's organisational units and members of the Group are informed about any relevant changes in the area of environmental protection without undue delay so that internal regulations can be updated and relevant training provided as soon as practicable. ČD's internal policies aim to ensure compliance with applicable environmental legislation and the Group's executive management is updated regularly on any relevant legislative changes or new legislation coming into effect.

In order to comply with environmental regulations the Group focuses, among others, on the following areas and activities:

- Rehabilitation of soil and underground water: rehabilitation of soil and underground water and elimination of the consequences of extraordinary emergency leakage of hazardous substances into the environment.

- Water management: monitoring the quality of drinking and sewage water; updating emergency plans for establishments in which hazardous substances are handled; and updating the simplified emergency plans for all railway stations.

- Air protection: checking the technical state and operation of the combustion stationary source; measuring air pollution; measuring the efficiency of energy use; and checking and cleaning the combustion gas circuit.

- Waste management: disposal of hazardous and other waste so that it can be used or disposed of; establishing a register of waste types and waste management; monitoring waste production and checking the appropriate classification of individual waste types into categories; reduction of hazardous waste; checking the obligatory system of taking back selected used products; checking waste collection and sorting.

- Nature and landscape protection: maintenance of greenery, with an emphasis on the safety of operations and the travelling public, and the removal of weeds, where a mechanical process is preferred to the use of chemicals.

- Chemical substances and agents: training and supervising the management of chemicals and chemical substances.

- Information systems: maintenance of the software for recording hazardous waste management and air protection, including the Ecologist Handbook.

- Noise pollution and vibrations – compliance with applicable noise limits.

ČD holds an annual environmental audit that is aimed at monitoring individual environmental issues of ČD. Results of the audit are presented to local state administration authorities.

ČD holds management system certificates under ČSN EN ISO 9001:2015, ČSN EN ISO 45001:2018and ČSN EN ISO 50001:2011. As of the date of this Prospectus, the certification authority has certified that ČD's management system is in accordance with the requirements of the above ISO management system standards. Annual re-certification and oversight audits evaluate whether the system is being maintained and continually improved. The current compliance certificates are valid until 8 August 2025 (quality management, occupational health and safety management), and until 29 December 2024 (energy management).

Freight Transport Business

On 27 May 2008, ČD and ČD Cargo entered into a cooperation agreement with respect to certain environmental matters regarding the repairs of the rolling stock units by ČD Cargo. The issues outlined in the agreement include, among other things, reduction of waste production, enhancing of building insulation, prevention of diesel leakages in the soil and mitigation of risks associated with ecological disasters. In 2022, ČD Cargo has obtained ECM certification necessary for the entity in charge of maintenance of freight wagons.

ČD Cargo holds an environment management system certificate indicating compliance with the code of conduct relating to environmental policy within the Czech Republic. As a result of a re-certification audit in 2021, ČD Cargo received certification under ČSN EN ISO 9001:2015, ČSN EN ISO 45001:2018, ČSN EN ISO 14001:2015 and ČSN EN ISO 50001:2011. The current compliance certificates are valid until 2024.

Risk Management

The principal activities of the Risk Management department are as follows: improving the risk monitoring and evaluation processes by introducing a systemic approach to identifying, analysing, measuring, managing, monitoring, reporting, consolidating and communicating all significant business risks using one unified, integrated system (including IT tools and applications such as eRisk). The key objective of the risk management system is to limit the adverse impact of risks on the financial results of the Group, i.e. to minimise the impacts of unutilised opportunities on revenues and to minimise impacts on costs.

In accordance with the approved ČD Risk Management Policy, ČD's Risk Management Committee was established to fulfil an important management role under the risk management system and to fulfil the function as a permanent advisory body to the Board of Directors. Across the Group, unified risk categorisation is applied and continuous monitoring of significant risks in all major categories is carried out to allow ČD's management to be informed on a timely basis of the current state of affairs in the area of risk management.

Market risks

Due to the passenger and freight railway transport activities it undertakes, the Group is sensitive to fluctuations of market values that influence its financial results and cash flows. Significant market risks represent risks that would not allow the Group to meet its business objectives. The basic goal of the Group's market risk management is to mitigate the impacts of market risks on the financial results and cash flows (in view of the cost of measures leading to the mitigation of the relevant negative impact).

Basic market risks to which the Group is exposed include currency risk, interest rate risk, and commodity risk. The Group manages market risks by using a system of limits and principles pursuant to the approved risk appetite or based on more-detailed specifications as approved by the Risk Management Committee and the Board of Directors. The risk appetite is defined on the basis of the Earnings at Risk method comparing the difference between the real and planned values for a given year.

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

Liquidity risk

The principal objective of liquidity management of the Group is to provide sufficient funds to settle due payables. The principal source of liquidity risk is the fiscal situation and solvency of major clients to whom the Group provides services, including the Czech state and the individual Czech Regions. In addition, the Group is exposed to liquidity risk arising from the debt service related to ČD's existing and future debt and liabilities arising from concluded supplier contracts.

A key tool of liquidity risk management is short-term and mid-term cash flow monitoring. Analysis of liquidity matters are prepared at least on a weekly basis with the results forming the basis of decisions relating to meeting the Group's liabilities and drawing down available credit lines.

In order to minimise the risk of insufficient operating funding, the parent company concludes binding lending limits with banks with the minimum period of 12 months. The Group has a number of credit lines available from its relationship banks, namely revolving and overdraft facilities that are allocated among members of the Group, and a promissory notes programme established by ČD. To facilitate long-term investment needs, the Group uses a combination of its operating cash flow, proceeds from the sale of tangible assets and external long-term sources, such as bond issuances, long-term loans and leasing facilities. (see *"Risk Factors – Risk Factors Related to the Group's Business and Industry – Business Risks – The Group is exposed to liquidity risks"* for more information).

Interest rate risk

The Company is exposed to the risk of interest rate changes because it borrows funds at both fixed and floating interest rates. The Group monitors its exposure to floating interest rates arising mainly from external financing and aims to mitigate the risk by entering into financing structures with fixed interest rates or by concluding appropriate interest rate hedging transactions. For this purpose, the Group concludes contracts for interest rate swaps so that the proportion of long-term external sources of funding with floating interest rates does not exceed the maximum level of 90 per cent. The hedging is regularly assessed to bring the opinions on the development of interest rates into line with the defined level of acceptable risk. This treatment provides for the application of the economically most effective hedging strategies. (See *"Risk Factors – Risk Factors Related to the Group's Business and Industry – Business Risks – The Group is exposed to interest rate risks"* for more information).

Foreign currency exchange rate risk

As the Group undertakes transactions denominated in foreign currencies (mainly the income from international transport, received loans and issued bonds), it is exposed to foreign currency exchange rate risks. The Group monitors its exposure and aims to mitigate foreign currency exchange rate risks predominantly by natural hedging, i.e., using revenues (in the particular currency) to reimburse costs incurred in such currency. Additionally, the Group has entered into a series of hedging transactions to mitigate this risk. The currency giving rise to foreign currency exchange rate risk is primarily the Euro as a result of ČD Cargo's operations, as well as from Euro denominated financial indebtedness incurred by the Group, including Eurobonds. In order to mitigate the foreign currency exchange rate risk arising from its operations, the Group enters into currency forwards and cross-currency interest rate swaps to cover the received payments denominated in foreign currencies. (see *"Risk Factors – Risk Factors Related to the Group's Business and Industry – Business Risks – The Group is exposed to currency fluctuation"* for more information).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. To measure credit risk, the Group calculates the net (uncollateralised) exposure to individual counterparties. Credit risk management in the Group is based on the following system of limits and restrictions: limits relating to the customers, suppliers, financial institutions, and to the concentration of risk exposure to the individual financial institutions. To reduce the net exposure, ČD uses bank guarantees from authorised financial institutions and seeks to deal only with creditworthy counterparties whom the Group reviews on an ongoing basis using publicly available information.

The concentration of ČD's credit risk is low as a significant portion of its revenues (passenger transport fare) is collected in cash. The Group is exposed a credit risks mainly in relation to suppliers of rolling stock and financial institutions to which the Group has mark-to-market exposure. In addition, in the year ended 31 December 2021, the top 20 clients of ČD Cargo accounted for 69 per cent. of ČD Cargo's revenues. The Group appoints external legal counsel to claim bad debts. In extraordinary cases, some of those bad debts are sold to third parties (see *"Risk Factors – Risk Factors Related to the Group's Business and Industry – Business Risks – The Group is exposed to credit risk"* for more information).

Commodity risk

As the use of commodities, specifically fuel (diesel) and electricity, represents a significant cost to the Group, the Group is exposed to the risk of changes in their prices. The Group manages this risk using a combination of the following instruments so as not to exceed the open risk position limit set by the Risk Management Committee and approved by ČD's Board of Directors: (i) entering into mid-term derivatives for the purchase of fuel and traction energy; (ii) in the event the price of fuel and electricity increases by more than 10 per cent., the Group may request the Czech Regions and the State to increase the payments for provision of passenger transport services pursuant to long-term contracts; and (iii) annually negotiating a fixed price of electricity from the relevant supplier for the following calendar year.

As of the date of this Prospectus, ČD Cargo has hedging contracts covering 50 per cent. of its total expected consumption of diesel in 2022. ČD has agreed in 2022 on a fixed price for which it purchases electricity for 4,090.99 CZK/MWh (see *"Risk Factors – Risk Factors Related to the Group's Business and Industry — Business Risks — The Group is exposed to commodity risks"* above and *"— Material Contracts"* below for more details).

International Cooperation

ČD is a member of various international organisations and plays an active role in the development of international cooperation, predominantly with respect to international organisations within the rail transport sector and international projects, mainly in order to enhance the Group's position in the market. The Group's key partnerships are those with the Community of European Railway and Infrastructure Companies ("**CER**"), the UIC, The Organisation for Cooperation of Railways ("**OSJD**") and SHIFT²RAIL. SHIFT²RAIL is a European rail technology initiative supporting research and innovation of new technologies. ČD acts on behalf of the whole Group during strategic international meetings; the relevant stances for individual areas are discussed regularly with all Group entities. In 2021, the Board of Directors decided that ČD shall become founding member of Europe's Rail partnership. The new partnership builds on the previous SHIFT²RAIL joint venture.

CER

CER's role is to represent the interests of its members in the EU policy-making scene, in particular to support an improved business and regulatory environment for European railway operators and railway infrastructure companies. CER's main focus is to promote a strong rail sector and industry, which is essential to the creation of a sustainable, efficient, effective and environmentally sound transport system.

UIC

The UIC mission is to promote rail transport globally and meet the challenges of mobility and sustainable development. ČD representatives are actively participating in all key bodies and thus contributing to maintaining the high level of the technical and operational norms and recommendations – primarily the UIC leaflets.

OSJD

The Organisation for Cooperation of Railways promotes international rail transport between Europe and Asia with the goal of unifying transport policies, technical standards and international law governing transport, helping to increase rail transport competitiveness and developing business relationships, especially with Eastern European and Asian countries.

MANAGEMENT

ČD is governed by the Steering Committee, the Board of Directors and the Supervisory Board. The Steering Committee is a special body through which the Government exercises its rights as the sole shareholder of ČD. The Board of Directors represents ČD in all matters and is charged with its day-to-day business management (together with the General Directorate), while the Supervisory Board is an independent body responsible for the supervision of ČD's activities and of the Board of Directors in its management of the ČD and which resolves on matters defined in the Articles of Association. Under the Czech Corporations Act, the Supervisory Board may not make management decisions. However, certain matters defined below are subject to the approval of the Supervisory Board. ČD has established a special supervisory body, the Audit Committee. Further, the Supervisory Board established the Real Estate Disposal Committee, the Remuneration Committee and the Rolling Stock Committee.

ČD complies with the corporate governance requirements of the Act on Czech Railways and the Czech Corporations Act.

The Steering Committee

The Government exercises its rights as the sole shareholder of ČD through the Steering Committee. It meets at least twice a year and resolves on essential corporate governance and business management issues of ČD. The business address of each member of the Steering Committee is at Nábřeží L. Svobody 1222, 110 15 Prague 1, Czech Republic.

Pursuant to the Act on Czech Railways, the Steering Committee has seven members: three representatives of the Ministry of Transport and one representative of each of the Ministry of Finance, the Ministry of Defence, the Ministry of Industry and Trade and the Ministry for Regional Development. Members of the Steering Committee are appointed for an indefinite period until the Government revokes their position. As of the date of this Prospectus, the position of the member of the Ministry of Regional Development in the Steering Committee is vacant.

Set out below are members of the Steering Committee of ČD as of the date of this Prospectus and their positions with the relevant Ministries:

Name	Position	Position within the Relevant Ministry
Mgr. Jakub Kopřiva	Chairman	Deputy Minister of the Ministry of Transport
Ing. Ladislav Němec	Vice-Chairman	Deputy Minister of the Ministry of Transport
Ing. Luděk Sosna, Ph.D.	Member	Director of the Department of strategy of the Ministry of Transport
Ing. Eduard Muřický	Member	Deputy Minister of Industry and Trade
Ing. Petr Pavelek, Ph.D.	Member	Assistant Deputy Minister for Public Budgets and Director of Department at the Ministry of Finance
Ing. Richard Vítek	Member	Director of the Department of the chapter administration of the economic section of the Ministry of Defence

The Board of Directors

The Board of Directors is ČD's statutory body. It represents ČD in all matters and is charged with its day-to-day business management and all matters other than those that are within the responsibility of the Supervisory Board, the Audit Committee or the Steering Committee pursuant to the Articles of Association or the applicable laws. The Board of Directors is fully independent with respect to the business management of ČD, unless the Act on Czech Railways, the Czech Corporations Act or other laws or regulations provide otherwise.

Pursuant to the Articles of Association, the Board of Directors has five members: the Chairman, who is the Chief Executive Officer of ČD and also the head of the General Directorate, a vice-chairman and three members. All members are appointed by the Supervisory Board for a term of five years. Re-election is permitted and the members might be revoked by the Supervisory Board before the end of their term.

The Board of Directors generally meets once a week, and no less than once every three months. The business address of each member of the Board of Directors of ČD is at Nábřeží L. Svobody 1222, 110 15 Prague 1, Czech Republic.

The positions of the Chairman of the Board of Directors and the Chief Executive Officer are combined. Members of the Board of Directors are obliged to serve with necessary loyalty as well as necessary knowledge and care and to bear full responsibility for such tasks, as required by the Czech Corporations Act.

Set out below are members of the Board of Directors of ČD as of the date of this Prospectus:

Name	Background
Mgr. Michal Krapinec *Chairman and Chief Executive Officer*	A graduate of the Faculty of Law of Charles University in Prague, majoring in law and legal science. He started his career in advocacy and has been working for the ČD Group since 2012. At ČD Cargo, he held the position of secretary of ČD's management and subsequently took over the department of property management, where he was in charge of foreign expansion. He later served as a member of the Board of Directors of ČD Cargo Logistics, a.s. and a member of the Supervisory Board of ČD - Informační systémy. Subsequently at ČD, he led the department of strategy and property management and the project office department. In June 2020, he was elected a member of the Board of Directors of ČD Telematika, and in September of the same year he became the Chairman of the Board of Directors of ČD Telematika. In April 2022, he was elected to lead ČD as the Chairman of the Board of Directors and Chief Executive Officer.
Mgr. Michal Kraus, MSc. *Vice-Chairman of the Board of Directors*	Michal Kraus received pedagogical, legal and economic education. In the early 1990s, he worked for Czech Radio. After 1993, he joined Škoda in Pilsen, where he held several positions, e.g. the Head of the Office of the General Director and the Human Resources Director. In 2000, when the company was already operating on the market as Škoda Holding, he became a member of the Board of Directors. In 2002, he started working for Czech Airlines in the position of Human Resources Vice President. From February 2004 to June 2019 he held the position of CEO of the Pilsen City Transport Companies. Since 2015, he has led the Association of Transport Companies of the Czech Republic, and since 2014 he has also held the position of the Chairman of the Board of Directors of PMDP. He has been a member of the ČD's Board of Directors and held the position of the Deputy General Manager for Operations since 14 October 2019. Since July 1, he has been responsible for the service section.
Mgr. Blanka Havelková *Member*	A graduate of the Faculty of Arts of Charles University in Prague, majoring in Pedagogy, specialising in social pedagogy, personal and social development, and pedagogical-psychological counselling. During her studies, she worked for the Research Institute of Pedagogy in Prague, where she was in charge of European social funds and personal social development of children at school. In 2008, she joined the personnel department of ČD, where she focused on employee training, and later worked as the head of training in the mentioned department. In 2016, she became the Chairwoman of the Board of Directors at DVI, a subsidiary of ČD. At DVI, she focused on developing and expanding a portfolio of services, including projects supporting the care of the Group's employees and their children. In February 2022, she was elected to the Board of Directors of ČD as the Deputy CEO for Human Resources.
Ing. Jiří Ješeta *Member*	After graduating from the Secondary Industrial School of Transport in Strakonice in 1994, he started working for ČD as a dispatcher and continued his studies at Jan Perner Transport Faculty of the University of Pardubice in the field of Technology and Traffic Management. In 2001, he joined the

Name	Background
	Control Department of ČD’s General Directorate. He gradually held several managerial positions in the General Directorate of ČD, for example, he was the Director of the Office of the Deputy General Director for Trade and Marketing, the Director of the Passenger Transport Department or the Director of the Regional Transport Department. He was appointed as the Deputy General Manager of ČD for Trade and as a member of the Board of Directors of ČD in May 2020. Since 1 July, he has been responsible for the passenger transport section.
Ing. Mgr. Lukáš Svoboda *Member*	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 the same company. In 2013-2014 he worked as a finance manager for Informační linky. From 2014 to 2018, he worked as the director of the controlling division, later as the director of the finance department of Česká pošta. From 2014 to 2020, he was a member of the Board of Directors of Poštovní tiskárna cenin in Prague. From 2019, he worked for ČD - Telematika as a CFO and was also responsible for purchasing, logistics and asset management. In April 2022, he was elected to the Board of Directors of ČD as Deputy CEO for Economics and Purchasing.

The Supervisory Board

The Supervisory Board is an independent body of ČD with the power, among other things, to: (i) elect the members of the Board of Directors, (ii) supervise the Board of Directors in its management of ČD and its business activities; (iii) inquire into ČD’s financial matters and review ČD’s financial statements; (iv) grant prior consent to certain key decisions of the Board of Directors, including disposals of certain assets; (v) review the report on ČD’s business activity and its assets and submit its opinion to the Steering Committee regarding the same; and (vi) approve the annual business plan, including the business strategy, and budgets of railway transport operations of ČD. The business address of each member of the Supervisory Board is at Nábřeží L. Svobody 1222, 110 15 Prague 1, Czech Republic.

Pursuant to the Articles of Association, the Supervisory Board has six members. Four members are elected by the Steering Committee and two members by the employees of ČD, all for a term of five years with possible re-election.

The Supervisory Board generally meets once a month, however no less than once every three months.

The following table sets forth the members of the Supervisory Board as of the date of this Prospectus and their positions with the relevant institutions:

Name and position with the relevant institutions	Position within the Supervisory Board and appointment date
Ing. Miroslav Zámečník	Chairman of the Supervisory Board since 15 February 2022. Member of the Supervisory Board since 11 February 2022.
Ing. Lenka Hlubučková	Vice-Chairman of the Supervisory Board since 1 January 2022. Member of the Supervisory Board since 6 May 2021.
Ing. Petr Šlegr	Member of the Supervisory Board since 11 February 2022.
Ing. Jiří Minka, MBA	Member of the Supervisory Board since 11 February 2022.

Name and position with the relevant institutions	Position within the Supervisory Board and appointment date
Vladislav Vokoun, First Vice-Chairman of the Confederation of Railroad Unions	Member of the Supervisory Board since 1 January 2019.
Antonín Leitgeb, Secretary of the ČD Committee of the Confederation of Railroad Unions	Member of the Supervisory Board since 1 January 2019.

The Audit Committee

The Audit Committee is a special supervisory body. The Audit Committee's decision-making procedure is stipulated by the ČD's Articles of Association. Its most significant activities include:

- monitoring of the procedure of preparing the financial statements and the consolidated financial statements;
- monitoring of the efficiency of internal controls and of ČD's risk management system and internal audit system ensuring its functional independence;
- monitoring of the process of the compulsory audit of the financial statements and the consolidated financial statements;
- assessment of the auditors' and audit company's independence; and
- recommending external auditors to the Supervisory Board.

The members of the Audit Committee are appointed for a five-year term and recalled by the Steering Committee. The Audit Committee consists of three members. The Audit Committee meetings are held as and when needed, however at least four times a year. The business address of the Audit Committee is at the registered office of ČD.

The following table sets forth the members of the Audit Committee as of the date of this Prospectus:

Name	Position within the Audit Committee
PhDr. Tomáš Vyhnánek	Chairman
Ing. Otakar Hora, CSc.	Vice-Chairman
Ing. Lenka Hlubučková	Member

Principal Activities Outside of the Group

The following table provides an overview of principal activities significant to the Group, performed by members of ČD's bodies outside of the Group (beyond the positions outlined above):

Members of the Board of Directors:	
Mgr. Michal Krapinec	-
Mgr. Michal Kraus, MSc.	-
Mgr. Blanka Havelková	-
Ing. Jiří Ješeta	-
Ing. Mgr. Lukáš Svoboda	-
Supervisory Board Members:	
Ing. Miroslav Zámečník	Member of the supervisory board of Budějovický Budvar, národní podnik.

	Member of the supervisory board of BVCE a.s.; Česká exportní banka, a.s.; WEDOMWILL a.s. and Nadační fond CCBC.
Ing. Lenka Hlubučková	-
Ing. Petr Šlegr	Sole shareholder and director in PRO CEDOP s.r.o. Director in Centrum pro efektivní dopravu, z.s. Shareholder and director in PRO CEDOP RAIL s.r.o.
Ing. Jiří Minka, MBA	-
Vladislav Vokoun	Member of the board of directors of ODBOROVÉ SDRUŽENÍ ŽELEZNIČÁŘŮ
Antonín Leitgeb	-
Steering Committee Members:	
Mgr. Jakub Kopřiva	-
Ing. Ladislav Němec	-
Ing. Luděk Sosna, Ph.D.	-
Ing. Eduard Muřický	Member of the supervisory board of Liberty Ostrava a.s. and Exportní garanční a pojišťovací společnost, a.s.
Ing. Petr Pavelek, Ph.D.	Member of the board of directors of European Investment Bank
Ing. Richard Vítek	-
Audit Committee Members:	
PhDr. Tomáš Vyhnánek	Deputy Minister of Finance
Ing. Otakar Hora, CSc.	Member of the supervisory board of ČEZ, a. s. Sole shareholder and director in ABAconcept s.r.o. Shareholder and member of the board of directors of ABArent s. r. o.
Ing. Lenka Hlubučková	-

Conflicts of Interest

According to representations made by each member of the Steering Committee, the Supervisory Board, the Board of Directors and the Audit Committee, there are no conflicts of interest or potential conflicts of interest between any duties owed to the Group and their private interests or other duties.

Employees

The Group is one of the ten largest employers in the Czech Republic. In 2021, the average number of pro-rated to full-time employees at ČD was 13,999; at ČD Cargo it was 6,488 and at the entire Group it was 22,037. Historically the Group has enjoyed good labour relations and it is committed to maintaining these relationships. The Group believes it also incurs lower costs associated with labour than many of its European peers.

The Group has benefited from streamlining its operations without triggering any major industrial actions. There has been no strike of the Group's employees since 2011 when the trade unions protested against the austerity measures implemented by the Czech Government. In 2019 the Group implemented the roles of HR business partners, to centralise part of the payroll and personnel agenda and recruitment activities and set up several processes leading to effective management of the HR agenda. In 2020 and 2021, ČD continued its transformation process to a modern and effectively operating business. Accordingly, human resources work focused on optimising the structure as well as a socially-considerate reduction in the number of employees while maintaining the employment rate necessary for the effective operation of the Group and the increase in the quality of services provided. The management of the Group expects this optimisation of the number of employees to continue in 2022.

The Group also provides its employees with various benefits in the field of education, employee care and financial support provided by the newly established endowment fund.

In the field of education, the Group, in cooperation with the DVI, which is the Group's subsidiary, provides train drivers with training on railway simulators and trains operational employees of integrated transportation systems of individual regions. DVI holds accreditations for the training of key professions in the field of railway transportation and the performance of psychological examinations. It has a wide network of classrooms, a team of experts in the subject fields of education, provides languages courses and training in the field of soft skills and thus is the Group's important partner for the continuous deepening of its employees' qualification. In the field of employee care, the Group aims to meet the reconditioning needs of its employees in key operating positions and offers healing and relaxation stays, as part of employee care, by the subsidiaries ČD travel and ČD relax.

In 2020, the ČD Endowment Fund - The Railway with the Heart was established. Its role is to support the Group's employees who have suffered an accident while performing their profession or who, through no fault of their own, have found themselves or their families in difficult life situations. Further, the fund aims to make life easier, at least partially, for former employees whose lives in the course of the railway profession have been irreversibly changed. It supports education and activities of children of railway workers in a difficult life situation associated with injury or serious illness. Since its establishment, the has fund supported dozens of colleagues or their families with an amount of more than CZK 5,1 million. During 2021, the ČD Endowment Fund managed to collect from its donors more than CZK 5 million and made endowment contributions to support the Group's employees and their families in excess of more than CZK 3 million. As of 31 December 2021, the balance on ČD Endowment Fund's account corresponded to more 21 CZK million.

Other than management and professional personnel, the majority of the Group's employees is represented by local trade unions and is covered by one collective agreement, which is usually entered into for one calendar year.

The table below shows the annual average pro-rated full-time equivalent number of employees for the years 2021 to 2018:

Annual average number of employees (pro-rated to full-time employees)	**2021**	**2020**	**2019**	**2018**
The Group	22,037	23,138	23,529	23,374
ČD	13,999	14,511	14,649	14,592
ČD Cargo	6,488	6,834	6,946	6,958

Passenger Transport Business

Pursuant to the collective agreements for 2022 and 2023, ČD employees whose employment relationships have been terminated due to (i) the employee's redundancy as a result of ČD's decision to change the goals of ČD or to reduce the number of employees in order to increase work efficiency; (ii) full or partial closure or relocation of ČD; or (iii) being certified as incapable of performing his/her work for a prolonged period as a consequence of a medical condition, are under certain circumstances (taking into account factors such as the length of employment at ČD) entitled to severance pay amounting to up to ten months' average salary (with certain limitations in the calculation of the average salary) in addition to the severance pay set out in the Labour Code (262/2006 Coll.), as amended (the "**Labour Code**").

The average annual headcount of employees at ČD decreased by 512, or 3.5 per cent., to 13,999 for the year ended 31 December 2021 as compared to 14,511 employees for the year ended 31 December 2020, primarily due to the human resources optimisation process within the Group.

According to ČD's separate financial statements, employee benefit costs for the six months ended 30 June 2022 and year ended 31 December 2021 amounted to CZK 4.631 billion and CZK 9.407 billion, respectively, and included severance payments to employees, benefits resulting from the collective agreement in force and other employee benefits. As of 30 June 2022 and 31 December 2021, severance payments made by the Group pursuant to the collective agreement for the six month ended 30 June 2022 and twelve months ended 31 December 2021, which go beyond the requirements of the Labour Code, totalled CZK 19 million and CZK 81 million, respectively.

The average monthly salary of ČD employees increased by CZK 1,110, or 2.9 per cent., to CZK 39,543 in 2021 as compared to CZK 38,433 in 2020.

Freight Transport Business

The average headcount pro-rated to full-time employees at ČD Cargo decreased by 346 or 5.1 per cent., to 6,488 for the year ended 31 December 2021 as compared to 6,834 employees for the year ended 31 December 2020. The decrease of staff is a result of ČD Cargo's efficiency improvement of operational and administrative activities.

According to ČD Cargo's IFRS financial statements, employee benefit costs for the six months ended 30 June 2022 and 2021 were CZK 2.251 billion and CZK 2.112 billion, respectively, as compared to CZK CZK 4.524 billion and CZK 4.517 billion for the year ended 31 December 2021 and 2020, respectively.

The average monthly salary of ČD Cargo employees increased by CZK 2,952 or 7.76 per cent., to CZK 41,010 in 2021 as compared to CZK 38,058 in 2020.

Pension Plans and other benefits

ČD and ČD Cargo are not required to, and do not provide any pension plan for their employees. However, they contribute towards the pension insurance of their employees. Except for liabilities towards employees arising from the timing difference between expensing and paying for wages and salaries, the Group is not exposed to any other material liabilities towards its current employees or former employees. According to the collective agreements for 2022 and 2023, ČD provides its employees with several other employee benefits (such as meal allowances, life and pension insurance, reduced fares) in the expected amount of approximately CZK 715 million and CZK 354 million, respectively.

INDUSTRY OVERVIEW

The industry can be divided between two sectors: passenger transport services, which serve the purpose of transporting individuals across the country, around a particular region or over agglomerations, and commercial freight services which enable transport of cargo over distance at relatively low cost compared to other modes of transport. The passenger transport sector is partially liberalised (see "*Description of the Issuer – Pricing, Compensation and Tariff Regulation – Passenger Transport Business – Regional – Liberalisation of the regulated regional passenger transport in the Czech Republic*" and "*Description of the Issuer – Pricing, Compensation and Tariff Regulation – Passenger Transport Business - Long-Distance (domestic and international) – Liberalisation of the regulated long-distance passenger transport in the Czech Republic*" above for more details). Any enterprise (meeting the statutory requirements) can enter the railway freight competition. The Group's main competitors on the passenger market are the Czech Republic-based companies RegioJet, ARRIVA vlaky. GW Train Regio and LEO Express, and PKP CARGO INTERNATIONAL, METRANS Rail and UNIPETROL DOPRAVA on the freight market. For the level of competition represented by the distribution of market shares see "*—Domestic Passenger Market*" and "*—Domestic Freight Market*".

Depending on the sector, the industry faces competition from other modes of transport, such as road vehicles and air transport.

Infrastructure

The infrastructure, i.e. the tracks and overhead lines and related equipment, is owned by the Czech Republic through the state organisation SŽ. SŽ charges fees to the railway operators (e.g. the Group and its competitors) for the use of the infrastructure and ensures its maintenance and development with the help of the State Fund of Transport Infrastructure (*Státní fond dopravní infrastruktury* (*SFDI*).

Investments in railway infrastructure increased by approximately 50 per cent. year-on-year (2021 compared to 2020) but when compared with 2015, which represented an investment high compared to previous years, the investment costs were only around 90 per cent. of 2015 investment costs, according to the Transport Yearbook 2021 published by the Ministry of Transport (the "**Transport Yearbook 2021**"). The Czech Republic and the European Union are currently enacting policies that focus on shifting the majority of long and mid-distance freight and mid-distance passenger transport from the road to the railway, which will require further investments by the State in the railway infrastructure on the one hand and further investments into rolling stock by the operators on the other. The Czech Republic would therefore require the creation of separate infrastructures for freight and passenger trains by 2050 (passenger and freight trains currently share one common infrastructure which creates bottlenecks and hurdles, resulting in network capacity issues), according to the Trans-European Transport Network (TEN-T), a European Commission policy directed towards the implementation and development of a Europe-wide network of roads, railway lines, inland waterways, maritime shipping routes, ports, airports and rail-road terminals.

The Czech Republic's railway infrastructure is extensive relative to the size of the country. The density of the railway network in the Czech Republic is high, exceeding that of Poland, Romania, the Netherlands, France, Hungary, Luxembourg and Slovakia. This high density of the rail network allows railway carriers to operate competitively against other modes of transport.

The below table provides a comparison of the total length and the density of the railway network of the Czech Republic and the railway network of selected EU countries. The information regarding the railway length figures is as of 31 December 2020. Density is calculated by dividing the total track length in a country in kilometres by the country's area in square kilometres.

Country	**Railway length** (*km*)	**Railway density** (*km per 1,000km²*)
Czech Republic	9,377	118.9
Germany	33,399	93.5
Hungary	7,587	81.5
Slovakia	3,626	73.9
Poland	18,611	59.5
France	27,872	51.2
Bulgaria	4,029	36.3

Source: UIC 2020

The below table provides an overview of the nine largest railroad businesses in the EU according to train kilometres serviced in the years ended 31 December 2020 and 2021:

		Train–kilometres (thousands)	
Country	**Carrier**	**2021**	**2020**
Germany	DB AG	740,130	723,254
France	SNCF	381,925	317,918
Italy	FS SpA	240,910	208,564
Spain	RENFE	144,610	134,625
Czech Republic.	ČD	135,919	133,658
Netherlands	NS	120,520	114,888
Austria	ÖBB	n/a	126,861
Hungary	MAV	n/a	82,747

Source: UIC 2020, UIC 2021, ČD Statistical Yearbook 2021

The below table provides an overview of the number of carriers in the Czech Republic in the years ended 31 December 2015 to 2021:

Year	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
No. of carriers	126	122	107	103	99	96	94

Source: SŽ Annual Report 2021

The number of carriers utilising the railway infrastructure in the Czech Republic has increased from 94 in 2015 to 126 in 2021.

Passenger Transport

Modes of Passenger Transport

The below table provides an overview of the performance of the different modes of passenger transport in the Czech Republic in terms of number of passengers in the years ended 31 December 2021, 2020, 2019 and 2010 in the Czech Republic:

	Year			
	2021	**2020**	**2019**	**2010**
		(in millions of passengers)		
Rail transport	135.3	129.5	193.8	164.8
Bus transport	251.6	233.7	354.7	381.2
Air transport	2.1	1.1	6.9	7.5
Inland waterway transport(1)	0.6	0.6	0.9	0.9
Urban public transport(2)	1 471.2	1,559.1	2,231.2	2,260.3
Passenger car transport(3)	n/a	2,195.3	2,616.6	1,970.0

Source: Transport Yearbook 2021 published by the Ministry of Transport
Notes:
(1) Mainly holiday and weekend passenger transport
(2) Urban public transport refers to public transport in intra-city transport
(3) Expert estimate

The number of passengers transported on railways in the Czech Republic decreased by 17.9 per cent. from 164.8 million in the year ended 31 December 2010 to 135.3 million in the year ended 31 December 2021. The number of passengers transported by bus transport in the Czech Republic decreased by 34.0 per cent. from 381.2 million to 251.6 million over the same period. Air travel in the Czech Republic also decreased by 72.0 per cent. from 7.5 million to 2.1 million over the same period, despite decreasing air travel fares and in spite of market penetration by low cost carriers. However, the overall downward trend was caused primarily by the COVID-19 pandemic and related travel restrictions. Volume of passenger car transport increased from the year ended 31 December 2010 to the year ended 31 December 2021, but as the numbers are statistical estimates only, no trend can be extrapolated from the numerical difference and by impacts of the COVID-19 pandemic shall be taken into account. The overall trends of the different kinds of transport are otherwise very similar, although they suggest a positive shift in customer preference for passenger car transport since 2010.

The below table provides an overview of the performance of different modes of passenger transport in the Czech Republic in terms of millions of passenger kilometres in 2021, 2020, 2019 and 2010:

	Year			
	2021	2020	2019	2010
	(in millions of passenger-kilometres)[1]			
Rail transport	6,820.2	6,665.1	10,930.6	6,590.7
Bus transport	5,402.6	5,444.0	10,547.0	10,815.6
Air transport	4,246.2	1,864.9	11,804.2	10,902.0
Inland waterway transport[2]	14.3	11.0	14.8	12.8
Urban public transport[3]	7,305.6	7,679.0	18,520.2	15,617.4
Passenger car transport[4]	n/a	68,936.0	81,179.0	63,570.0

Source: Transport Yearbook 2021 published by the Ministry of Transport

Notes:

(1) A passenger-kilometre refers to the transport of one rail passenger by rail over a distance of one kilometre

(2) Mainly holiday and weekend passenger transport

(3) Urban public transport refers to public transport in intra-city transport.

(4) Expert estimate

Passenger Rail Transport Usage

The below table provides an overview of the volume of passenger rail transport in a number of EU countries in terms of distance run per inhabitant and number of railway journeys in the year ended 31 December 2020:

Carrier	Country	Passenger-kilometres per Inhabitant	Number of Passengers Carried per Inhabitant
ČD	Czech Republic	479.1	11.0
SNCF	France	828.1	10.5
DB	Germany	528.4	15.3
MAV	Hungary	349.1	7.6
ZSSK	Slovakia	389.2	8.6
PKP	Poland	704.6	16.2
BDZ	Bulgaria	161.0	2.4

Source: UIC 2020

Domestic Passenger Market

The below table provides an overview of the market share of individual providers of passenger rail transport in terms of gross-ton kilometres and train kilometres travelled in the years ended 31 December 2021 and 2020:

	Gross ton-kilometres[1]		Train kilometres[2] travelled	
	2021	2020	2021	2020
Carrier			*(per cent.)*	
ČD	84.57	86.41	83.88	85.93
RegioJet a.s.	10.32	9.23	4.81	4.30
ARRIVA vlaky, s.r.o.	2.41	1.71	5.30	3.89
GW Train Regio a.s.	0.64	0.67	1.92	1.98
Leo Express, s.r.o.	1.06	1.01	1.18	1.11
Other carriers	1.0	0.97	2.89	2.79

Source: SŽ Annual Report 2021

Notes:

(1) Gross ton kilometre is a product of gross weight of railway vehicles integrated in the train and distance travelled in kilometres.

(2) Train kilometres represent the distance travelled by trains in kilometres.

According to SŽ, ČD provided 83.88per cent. of all passenger rail transport in the Czech Republic in terms of train kilometres, or 84.57 per cent. of all passenger rail transport in the Czech Republic in terms of gross ton kilometres in the year ended 31 December 2021. Despite liberalisation of the passenger transport sector, ČD remains a leading provider of the passenger rail transport service in the Czech Republic.

Freight Transport

Due to its geographical position, the Czech Republic serves as one of the key transport corridors in Central and Eastern Europe ("**CEE**") for freight transport between Eastern and Western Europe. This fact translates into a unique position of ČD Cargo which, according to the UIC, ranked the fourth largest freight carrier in Europe in terms of tons carried in 2020. According to 2020 SŽ statistics, ČD Cargo is a leading domestic transporter with a market share of 56.4 per cent. of the freight market in the Czech Republic.

Modes of Freight Transport

To a certain extent, road and rail transport compete with each other. Road transport is preferred over rail transport for the transport of higher value-added goods (e.g. manufactured products) because of the flexibility offered by road infrastructure, which enables door-to-door delivery of goods. High volume and heavy weight commodities (such as coal, metals and mining materials) are more suited for being transported by railway. Waterways do not represent a viable alternative to railroad transport in the Czech Republic, while air is typically used for more important or urgent goods deliveries due to its higher cost.

The two tables below provide an overview of the performance of the different modes of freight transport in terms of tons of goods transported and millions of tons-kilometres in the Czech Republic, respectively, in the years ended 31 December 2021, 2020, 2019 and 2010:

	2021	**2020**	**2019**	**2010**
		(in thousands of tons of goods)		
Total	**611,941**	**561,618**	**618,819**	**451,671**
Rail transport	99,550	90,902	98,804	82,900
Road transport	500,288	459,703	504,099	355,91
Air transport	0	1	4	14
Inland waterway transport	1,295	1,384	1,735	1,642
Oil pipelines	10,807	9,629	14,177	11,205

Source: Transport Yearbook 2021 published by the Ministry of Transport

	2021	**2020**	**2019**	**2010**
		(*in millions of tons-kilometres*)		
Total	**82,493**	**73,529**	**57,888**	**68,495**
Rail transport	16,326	15,251	16,180	13,770
Road transport	63,756	56,090	39,059	51,832
Air transport	2	6	29	22
Inland waterway transport	517	509	569	679
Oil pipelines	1,892	1,674	2,050	2,191

Source: Transport Yearbook 2021 published by the Ministry of Transport

Rail Freight Transport Segmentation

ČD Cargo transports freight relating to a range of industrial sectors. The below table provides an overview of the proportion of freight in each industry sector in terms of volume transported by ČD Cargo in the year ended 31 December 2021:

	Transport by freight type of ČD Cargo
	(per cent.)
Solid fuels	22
Metal and mining	21
Large containers	10
Building materials	9
Timber and paper products	8
Chemicals	7
Food and agriculture product	3
Automotive	2
Other	19
Total	**100**

Source: ČD Cargo Data 2021

Domestic Freight Market

The Czech freight market can be divided into local, transit, export and import traffic. In addition, ČD Cargo carries out some transport entirely outside of the Czech Republic. The combined cross-border freight volumes of ČD Cargo (aggregating transit traffic, export and import traffic) represented approximately 60.0

per cent. of ČD Cargo's freight volumes in the year ended 31 December 2021. The below table provides an overview of the allocation of the freight traffic by destination in the year ended 31 December 2021.

	Freight traffic
	(per cent.)
Local	36
Export	30
Import	24
Transit	6
Outside Czech Republic	3
Total	**100**

Source: ČD Cargo Data 2021

The below table provides an overview of the market share of individual providers of freight rail transport in terms of gross-ton kilometres and train kilometres in the years ended 31 December 2020 and 2021.

	Transport of Freight by Rail			
Carrier	**2021 Gross ton-km(1)**	**2020 Gross ton-km(1)**	**2021 Train km(2)**	**2020 Train km(2)**
			(per cent.)	
ČD Cargo, a. s.	56.38	58.59	57.55	58.53
METRANS Rail s.r.o.	9.16	8.90	6.16	5.95
PKP CARGO INTERNATIONAL, a. s.	6.49	7.33	5.49	6.31
Rail Cargo Carrier - Czech Republic, s.r.o.	4.75	4.28	3.15	3.08
ORLEN Unipetrol Doprava, s. r. o.	4.53	4.13	3.63	3.33
IDS CARGO a.s.	2.83	3.61	2.58	3.23
Cargo Motion, s.r.o.	1.09	1.22	1.14	1.27
Other carriers	14.77	11.948	20.28	18.30

Source: SŽ Annual Report 2020 and 2021

Notes:

(1) Gross ton-kilometre is a product of gross weight of railway vehicles (rolling stock) integrated in the train and distance travelled in kilometres.

(2) Train kilometre represents the distance travelled by train in kilometres.

The Czech rail freight market is fully liberalised and deregulated. ČD Cargo has a leading position on the domestic market with a 56.38 per cent. market share in terms of gross ton kilometres in the year ended 31 December 2021. As of 31 December 2021, the other key players in the freight market were PKP CARGO INTERNATIONAL, a.s. with a 6.49 per cent., METRANS Rail s.r.o. with 9.16 per cent., ORLEN Unipetrol Doprava, s. r. o. with 4.53 per cent. and IDS Cargo, a.s. with a 2.83 per cent. market share in terms of gross ton-kilometres. Domestic competitors tend to specialise in one commodity or they provide freight transport services only to their group, and therefore do not compete with ČD Cargo for the transport of freight across all commodities.

Overall, ČD Cargo enjoys a leading position in the rail freight transport market in the Czech Republic, vis-à-vis the other domestic carriers.

International Freight Market by Carrier

The below table provides an overview of tons of freight carried by the selected European railway freight companies in the years ended 31 December 2020 and 2019:

		Wagonload Freight Traffic Overall		
		2020	2019	
Country	**Carrier**	*(thousand tonnes carried)*		*(percentage change)*
Germany	DB Schenker Rail AG (Deutsche Bahn)............	167,079	179,881	(7.1)
Poland	PKP Cargo SA...	93,6	108,6	(13.8)
Czech Republic	ČD Cargo	48,666	53,870	(9.6)
Switzerland	SBB CFF FFS	43,053	45,814	(6.0)
Lithuania	LG	53,430	55,209	(3.2)
Latvia	LDZ..	23,467	41,490	(43.4)
Finland	VR	36,589	36,907	(0.9)
Slovakia	ZSSK Cargo	26,222	29,957	(12.5)
Turkey	TCDD TRANSPORT...	29,895	29,287	2.1
Spain	RENFE..	14,272	17,010	(16.1)

Source: UIC 2020, PKP Cargo 2020 annual report

According to the UIC, ČD Cargo ranked the fourth largest freight carrier in Europe in terms of tons carried in 2020 and 2019. Only Deutsche Bahn, Polske Koleje Państwowe S.A (PKP) and Lietuvos geležinkeliai (LG) transported a greater volume of freight by rail in each of these years.

EU Accession and the Impact on the Czech Railway Industry

The Czech Republic acceded to the EU effective 1 May 2004 and became bound by the European legislation providing for the framework of what later became known as the single European railway area.

The railway network of the Czech Republic must comply with requirements for interoperability set out in Decree of the Ministry of Transport No. 352/2004 Coll., on Operational and Technical interconnection of the European Railway System, as amended, and related Technical Specifications of Interoperability.

The basic principles of modernisation include:

- Increase of maximum track speed on longer track sections;
- Construction of the railway network complying with the rolling stock load standards D4 UIC for the track speed of up to 120 km/h;
- Construction of the railway network in compliance with the spatial structural standards for rolling stock transit, in particular the ČSN 73 6320 standard;
- Building up the railway network allowing for efficient railway network operation;
- Installation of the technological device to provide full operation safety at the track speed of up to 160 km/h;
- Equipping railway stations with platforms in compliance with Decree of the Ministry of Transport No. 177/1995 Coll. and Decree of the Ministry of Regional Development No. 398/2009 (i.e. ensuring that the length, width, high and other technical parameters will be in compliance with the standards set by these decrees and will allow for safe manoeuvring of persons, including disabled persons);
- Achieving sufficient effective length of rails at railway stations (i.e. building up station tracks in the length corresponding to the length of the rolling stock assigned for the particular railway track); and
- Improving the condition of level crossings with communications over land.

European Funding Programmes

Accession of the Czech Republic to the EU enabled the Czech Republic to apply for funding from the EU. For the current programming period between 2021 and 2027, CZK 4.9 billion has been allocated to the Czech Republic under the Operational Program for Transport to spend on projects aimed primarily at development and renewal of high-quality, complex, environmentally friendly and interoperable railway systems within the trans-European Transport Network.

The railway infrastructure is funded further through the Connecting Europe Facility – Transport programme. Its aim is to back investments into building a new transport infrastructure and/or reconstruction and modernisation of the current one. The CEF Transport is used to develop the Core and Comprehensive Networks in order to eliminate bottlenecks and gaps on the European railways. One of other CEF Transport's aims is to subsidise innovations which would contribute to optimisation (both in capacity and energy efficacy) of the railway network and decrease of the negative impacts of the rail transport on environment.

SŽ is currently implementing 27 projects under the CEF Transport program.

Within the first programming period of 2014 – 2020 ČD received funding from the Operational Programme Transport (50 per cent. of the project value) for two projects to install the GSM-R system to 600 and 355, respectively, locomotives owned by ČD. The total budget of the project is CZK 282 million. In the same way, within the framework of the second programming period, energy metering systems are currently being introduced in ČD's traction vehicles with the aim of expanding the use of rail and waterborne transport through the modernisation of the vehicle portfolio.

For the second programming period of 2014 – 2020 ČD (as well as ČD Cargo) also succeeded with an application for a grant in the CEF programme for a project titled "Introduction of ERTMS/ETCS on-board components compliant with Basic Standard 3 in ČD vehicles on CNC corridors". On 10 September 2019, Amendment No. 2 to the grant agreement was signed, which sets out the conditions for the implementation of the project, including the amount of the subsidy received, which will correspond to 85 per cent. of the total eligible costs of the project, i.e. it will amount to a maximum of EUR 21,196,349.70.

Overview of the Czech Republic

The Czech Republic is situated in the centre of Europe, bordering Germany to the west, Poland to the north, Slovakia to the east and Austria to the south. Its borders are mostly formed by forested mountain ranges and hills, except in the south-east where it shares lowlands with Austria and Slovakia. A developed road and rail network connects its two main regions, Bohemia and Moravia. The Czech Republic covers an area of approximately 78,885 square kilometres and its population is estimated to be approximately 10.6 million inhabitants.

The Czech Republic became a member of the North Atlantic Treaty Organisation on 12 March 1999 and a member of the EU on 1 May 2004.

As of the date of this Prospectus, the rating of the Czech Republic was A1 with positive outlook (Moody's), AA- with stable outlook (S&P) and AA- with stable outlook (Fitch).

Brief Overview of the Czech Republic's Economy

The below table provides an overview of the key indicators for the Czech economy in the years ended 31 December 2021 to 2015:

Indicator	2021	2020	2019	2018	2017	2016	2015
				(per cent.)			
GDP[1]	3.5	(5.5)	3.0	3.2	5.2	2.5	5.4
Final consumption expenditure[1]	3.3	(3.9)	2.6	3.6	3.4	3.4	3.3
Gross capital formation expenditure[1]	19.0	(9.3)	4.5	7.7	6.5	(4.0)	13.1
Gross fixed capital formation expenditure[1]	0.7	(6.0)	5.9	10.0	4.9	(3.0)	9.7
Exports of goods and services[1]	7.0	(7.9)	1.5	3.8	7.3	4.3	6.2
Imports of goods and services[1]	13.3	(8.1)	1.6	5.8	6.3	2.8	7.0
Industrial output[2]	10.8	(6.1)	0.9	3.5	7.5	0.8	2.2
Construction output[1]	2.7	(6.2)	2.7	9.2	3.3	(5.6)	6.8
Services - sales[1]	7.6	(11.7)	1.2	3.2	3.9	1.1	2.8
Agriculture - sales[1]	n/a	n/a	1.9	5.8	(1.1)	3.4	6.2
CPI[3]	3.8	3.2	2.8	2.1	2.5	0.7	0.3
General rate of unemployment	2.8	2.6	2.0	2.2	2.9	4.0	5.0
State budget balance/GDP	(6.9)	(6.4)	(0.5)	0.1	(0.1)	1.3	(1.4)
General government debt/GDP	42.0	37.7	30.0	32.0	34.2	36.6	39.7
State debt/GDP	40.4	35.9	28.3	30.0	31.8	33.6	36.2
CZK/EUR exchange rate[4]	25.645	26.444	25.672	25.643	26.330	27.033	27.283

Source: Czech Statistical Office
Notes:
(1) Year-on-year, real terms.
(2) Year-on-year, current prices.
(3) Year-on-year, average.
(4) Year average.

While the Group operates internationally, the vast majority of its revenues are generated within the Czech Republic. The Czech Republic has an open and export-driven economy with significant contribution to GDP from manufacturing. The Czech Republic enjoyed growth from its accession to the EU in 2004 until a drop in economic activity in 2009 of 4.7 per cent. amid the global financial crisis. In 2020, the Czech GDP decreased by 5.5 per cent. year-on-year and gross value added increased by 3.0 per cent. The economy decline was caused primarily by the COVID-19 pandemic and related restrictions imposed by public authorities. In the period preceding the pandemic, on the other hand, GDP grew steadily by about 3 per cent. year-on-year which was also supported by record-breaking low unemployment rate and an unprecedented high level of the participation rate of the population. In 2021, GDP increased by 3.5 percent. The CNB's forecast as of August 2022 predicts gradual GDP growth of around 0.8 per cent. in 2022 and 3.6 per cent. in 2023.

Employment decreased by 0.4 percentage point in 2021 compared to 2020. The general unemployment rate slightly increased during 2021 and achieved the 2.8 per cent. floor in December 2021. The average wages increased by 0.2 per cent. year-on-year in the year ended 31 December 2021 compared to 2020.

The Czech Republic had a budget deficit of -5.9 and -5.8 per cent. of GDP in 2021 and 2020, respectively. The general government debt equalled 40.4 and 35.9 per cent. of GDP in 2021 and 2020, respectively.

International Comparison

GDP per Capita in Purchasing Power Standard

The below table shows GDP per capita in purchasing power standard for the selected CEE countries in the years ended 31 December 2021 to 2018:

	2021	2020	2019	2018
			(per cent.)	
Czech Republic	91	93	93	92
Poland	77	76	73	71
Hungary	76	74	73	71
Slovakia	68	70	70	70
Slovenia	90	89	88	87
EA19	105	105	106	107

Source: Eurostat
Note: Indexed to EU28 (100 per cent.).

The Czech Republic has a GDP per capita which is among the highest of the non-Eurozone EU members in CEE and higher than some Eurozone countries (in terms of GDP per capita expressed in Purchasing Power Standard).

Fiscal Balance and General Government Debt

The below table provides an overview of the budget deficit as a percentage of GDP for the selected CEE countries in the years ended 31 December 2021, 2020 and 2019:

	2021	**2020**	**2019**
		(per cent.)	
Czech Republic	(5.9)	(5.8)	0.3
Poland	(1.9)	(6.9)	(0.7)
Hungary	(6.8)	(7.8)	(2.1)
Slovakia	(6.2)	(5.5)	(1.3)
Slovenia	(5.2)	(7.8)	0.4
Euro area (19 countries)	(5.1)	(7.1)	(0.7)

Source: Eurostat

The below table provides an overview of the general government debt as a percentage of GDP for the selected CEE countries in the years ended 31 December 2021, 2020 and 2019:

	2021	**2020**	**2019**
		(per cent.)	
Czech Republic	41.9	37.7	30.1
Poland	53.8	57.1	45.6
Hungary	76.8	79.6	65.5
Slovakia	63.1	59.7	48.1
Slovenia	74.7	79.8	65.6
Euro area (19 countries)	95.6	97.2	83.8

Source: Eurostat

The Czech Republic maintains a low budget deficit relative to certain other CEE countries and the Eurozone average for 2021, 2020 and 2019. In 2021, the general government debt of the Czech Republic was lower than in most Eurozone countries (at CZK 2,566,587 million which is approximately 41.9 per cent. of GDP according to Eurostat). The Czech Republic therefore has low government indebtedness compared to certain other CEE countries and the Eurozone average for 2021, 2020 and 2019.

THE REGULATORY FRAMEWORK

Railway transport laws in the EU

The industry is regulated by a series of directives and regulations, commonly referred to as 'railway packages'. The main legal framework of the EU railway market is established by the first railway package of 2001 (the "**First Railway Package**"), which was recast by Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area (the "**Directive 2012/34/EU**"). It provides the framework for open access to operations on railways in the EU, the licensing of railway undertakings, the allocation of railway infrastructure capacity, the levying of charges for the use of railway infrastructure, and safety certification.

The second railway package, adopted in 2004 (the "**Second Railway Package**"), has accelerated the liberalisation of rail freight services by fully opening the rail freight market to competition as from 1 January 2007. For the purpose of operating rail freight services, the Second Railway Package imposed an obligation on the Member States to provide access to the entire rail network and infrastructure on equitable conditions. The Second Railway Package also created the European Union Agency for Railways situated in Valenciennes (France), introduced common procedures for accident investigation and established Safety Authorities in each Member State. In addition, Directive 2004/49/EC of the European Parliament and of the Council of 29 April 2004 on safety on the Community's railways and amending Council Directive 95/18/EC on the licensing of railway undertakings and Directive 2001/14/EC on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification, aims to ensure the development and improvement of safety on the railways in the EU and improved access to the market for rail transport services.

The third railway package of 2007 (the "**Third Railway Package**") deals with the liberalisation of international passenger transport services, rail passenger rights and obligations, and certification of train drivers. In particular, Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, as later amended by Regulation (EU) 2016/2338 of the European Parliament and of the Council of 14 December 2016 (the "**Regulation 1370/2007**"), provides the conditions under which a public authority from a Member State, in imposing or contracting public service obligations in the field of public passenger transport, compensates public service operators for the costs incurred or grants exclusive rights in return for the performance of public service obligations. Public service obligations are defined as requirements determined by a competent authority in order to ensure the provision of public passenger transport services which are in the general interest but which an operator, if considering its own interests, would not provide, or would not provide to the same extent or under the same conditions without compensation. Public service obligations are to be performed within the framework of public service contracts. Public service obligations aimed at establishing maximum tariffs for all passengers or for certain categories of passengers may be subject to general rules contained in the Regulation 1370/2007, i.e. measures applicable without discrimination to all public passenger transport services of the same type in a given geographical area for which a relevant competent authority is responsible.

The Regulation 1370/2007 provides for mandatory content of public service contracts, such as a clear definition of the public service obligations, the geographical areas concerned, the basis for the calculation of the compensation payment, the nature and extent of any exclusive rights granted, and the cost allocation. The manner in which an operator is compensated or is granted any exclusive rights must ensure such an operator does not receive greater benefit than that which is appropriate under applicable law. The revenue allocation should be determined both in the public service contract and the general rules for the operation of public transport contained in the Regulation 1370/2007. Article 4 provides that the term of public service contracts with regard to the railway industry may not exceed 15 years. In case the public service contract is related to several modes of transport, its duration may be 15 years as long as transport by rail or other track-based modes represents more than 50 per cent. of the value of the services in question, otherwise it is limited to ten years. This period may be extended by a maximum of 50 per cent. of the duration of the contract if the public service operator provides assets which are significant in relation to the overall assets needed to carry out the passenger transport services covered by the public service contract and are linked predominantly to such services, or if it is justified by the costs deriving from a given geographical situation. The Regulation 1370/2007 allows for longer terms of contracts awarded in a fair competitive tender procedure if it is justified by the amortisation of capital in relation to nonstandard infrastructure, rolling stock or vehicle investments.

Public service contracts within the rail industry are to be awarded in accordance with the rules laid down in the Regulation 1370/2007, i.e. on the basis of a competitive tender procedure except in specified cases. Under the amended Article 5, the Regulation 1370/2007 allows for the competent authority to decide to award public service contracts for public passenger transport services by rail directly, i.e. outside the procedure for fair competitive tendering. For example, the Regulation 1370/2007 permits the competent authority to award public service contracts for public passenger transport services by rail directly where such service would not exceed a certain threshold of annual value, or where emergency measures need to be taken in order to avoid disruption of services. Such exceptional contracts must not, however, exceed the limits stipulated in the Regulation 1370/2007, e.g. two years for the contract awarded by emergency measures.

The key provisions of such contracts must be made public by the authority which awarded them. The above rules of awarding public service contracts became binding on 3 December 2019. The Regulation 1370/2007 describes the circumstances that may impact the term of contracts executed prior to 3 December 2009, the date on which Regulation 1370/2007 entered into force. While contracts entered into before 26 July 2000 on the basis of a fair competitive tender procedure may continue until they expire, contracts entered into before 26 July 2000 on the basis of a procedure other than a fair competitive tender procedure and contracts entered into between 26 July 2000 and 3 December 2009 on the basis of a fair competitive tender procedure may continue until they expire, however no longer than 30 years. Contracts entered into between 26 July 2000 and 24 December 2017 on the basis of a procedure other than a fair competitive tender procedure may continue until they expire provided that their term is comparable to the term specified in Article 4 of the Regulation 1370/2007. Public service contracts for public passenger transport services by rail directly awarded on the basis of a procedure other than a fair competitive procedure between 24 December 2017 and 2 December 2019 may continue until their expiry date but should not be extended for longer than ten years, but may, under some exceptions provided under Article 4(4), may be extended by a maximum of 50 per cent. of their duration.

An annex to the Regulation 1370/2007 provides for the manner of calculation of the compensation connected with the general rule, i.e. a measure which applies without discrimination to all public passenger transport services of the same type in a given geographical area for which a competent authority is responsible, or public service contracts awarded directly. The amount of such compensation cannot exceed the net financial result which is calculated pursuant to the following formula: costs incurred in relation to a public service obligation imposed by the competent authority set out in a public service contract or in the general rule, minus any positive financial results generated under such public service obligation, minus revenues from tariffs or any other revenues generated in the performance of the public service obligation, plus reasonable profit, equals the net financial result. Reasonable profit is the rate of return on capital that is standard for the sector in a given Member State and that reflects the risk incurred, or its absence, due to the intervention of public authorities. To increase transparency, a public service operator that pursues other activities in addition to performing public transport service obligations for which it is compensated must establish a separate account for such activities.

In 2016, the fourth railway package (the "**Fourth Railway Package**") was introduced in order to revitalise the rail sector and make it more competitive in comparison to other modes of transport. It comprises two 'pillars'. The 'technical pillar' includes Regulation (EU) 2016/796 of the European Parliament and of the Council of 11 May 2016 on the European Union Agency for Railways and repealing Regulation (EC) No 881/2004, Directive (EU) 2016/797 of the European Parliament and of the Council of 11 May 2016 on the interoperability of the rail system within the European Union, as later amended by Directive (EU) 2020/700 of the European Parliament and of the Council of 27 May 2020; and Directive (EU) 2016/798 of the European Parliament and of the Council of 11 May 2016 on railway safety (Recast of Directive 2004/49/EC), as later amended by Directive (EU) 2020/700 of the European Parliament and of the Council of 25 May 2020 and Regulation (EU) 2020/1530 of the European Parliament and of the Council of 21 October 2020. It aims to boost competitiveness of the rail sector by significantly reducing costs and administrative burden for railway undertakings wishing to operate across Europe. Specifically, it introduces vehicle authorisations for placing on the market and safety certificates for railway undertakings issued by the European Union Agency for Railways and valid for the whole of EU, eliminating the need for multiple applications in each Member State. All such applications may be lodged through a single entry point. The 'technical pillar' also ensures the interoperability of the European Rail Traffic Management System (ERTMS) equipment. Furthermore, it reduces the large number of remaining national rules to promote transparency and avoid discrimination of new operators.

The ‘market pillar’ aims to deliver a broader choice of service providers and better quality by improving competitiveness of the railway market. It comprises Regulation (EU) 2016/2338 of the European Parliament and of the Council of 14 December 2016 amending Regulation (EC) No 1370/2007 concerning the opening of the market for domestic passenger transport services by rail, which deals with the award of public service contracts for domestic passenger transport services by rail (the “**PSO Regulation**”), Directive (EU) 2016/2370 of the European Parliament and of the Council of 14 December 2016 amending Directive 2012/34/EU as regards the opening of the market for domestic passenger transport services by rail and the governance of the railway infrastructure, which deals with the opening of the market of domestic passenger transport services by rail and the governance of the railway infrastructure (the “**Governance Directive**”), and Regulation (EU) 2016/2337 of the European Parliament and of the Council of 14 December 2016 repealing Regulation (EEC) No 1192/69 of the Council on common rules for the normalisation of the accounts of railway undertakings, which, as of 31 December 2017, is no longer in force as its objective has already been achieved. The goal of the ‘market pillar’ is to complete the process of gradual market opening that started with the First Railway Package. The ’market pillar’ establishes the general right for railway undertakings from one Member State to operate across the whole EU with regard to all passenger services. The ’market pillar’ also encourages impartiality in the governance of railway infrastructure and the prevention of discrimination in order to provide for a competitive environment, which should result in improved quality and better cost-effectiveness. Furthermore, effective as of 25 December 2023, a general principle requiring mandatory tendering for public service contracts in rail will be introduced.

According to Article 11 of the Governance Directive of the Fourth Railway Package, the Member States may limit passenger services where a public service contract covers the same route. However, this applies only where the economic equilibrium of the public service contract would be compromised. This is to be determined by the relevant regulatory body after performing the Economic Equilibrium Test, which aims to determine whether and to what extent a prospective open access service may be detrimental to a public service contract in place. In such cases, the regulatory body is tasked with issuing a decision that may limit the rights of access of the open access operator. A new EU Implementing Regulation (the Commission Implementing Regulation (EU) 2018/1795 of 20 November 2018 laying down the procedure and criteria for the application of the economic equilibrium test pursuant to Article 11 of Directive 2012/34/EU (as amended)) which applies from 1 January 2019, sets out how the Economic Equilibrium Test should be approached by the regulators.

Railway transport laws in the Czech Republic

The main legal regulation relating to rail transport in the Czech Republic is the Railway Act, which regulates the terms for the construction of railway tracks and structures thereon, the conditions for operating railway tracks and rail transport, as well as the related rights and obligations of individuals and legal entities, the performance of public administration and the State supervision in connection with rail transport.

The legal position of ČD is regulated by the Act on Czech Railways, which regulates the management and activities of ČD, including voting rights of the State as the shareholder of ČD, business activities carried out by ČD and the establishment and activities of SŽ, as the legal successors of the state organization České dráhy.

Regulation 1370/2007 and the Governance Directive are reflected in the Public Services Transport Act and on the amendment of other laws, as amended, which regulates the procedure of the State, the Czech Regions and municipalities in relation to arranging for rail and road public passenger transport services.

In addition, there are several Government decrees and regulations of the Czech Ministry of Transport, which, among others, provide for transport rules for public railroad freight transport, rules for the health and professional qualifications of persons operating railways and rail transport, transport rules for public passenger transport by rail and by road, safety of operation of tracks and rail transport.

Implementing the Directive 2012/34/EU, Act No. 320/2016 Coll., on Transport Infrastructure Access Authority, as amended, has established the Transport Infrastructure Access Authority, as a regulatory body, an independent supervisory authority and a conciliation body pursuant to the provisions of the Railway Act. The Railway Act and the Act on Czech Railways have been amended to implement the above-mentioned EU legislation.

Anti-Trust Regulations

The activities of ČD and that the Group are subject to the general principles of Czech and EU competition laws, respectively. The Anti-Monopoly Office oversees competition issues in the Czech Republic.

Should ČD and the companies within its Group occupy a dominant position in any relevant market determined in accordance with the Czech and EU competition laws, they shall not abuse their position at such market as stipulated by Act No. 143/2001 Coll., on the Protection of Competition, as amended (the "**Czech Competition Act**") and by the Treaty on the Functioning of the EU. Such abuse may, in particular, consist of imposing unfair prices or other trading conditions, limiting production or technical development, discriminating between customers or suppliers (thereby placing them at a competitive disadvantage) or making the conclusion of contracts subject to the acceptance by the other parties of supplementary unrelated obligations.

In addition, market participants (such as ČD and the companies within the Group) may not enter into agreements or engage in concerted practices which have as their object or effect the prevention, restriction or distortion of competition within the Czech market or internal market of the EU as stipulated by the Czech Competition Act and the Treaty on the Functioning of the EU. In this regard, the laws particularly prohibit market participants from fixing prices or other trading conditions, limiting or controlling production, markets, technical development, or investments, the share market or source of supply, or discriminating against other parties.

ČD and the companies within its Group are also subject to the EU state aid rules which prohibit them from receiving any state or public aid which would distort or threaten to distort competition by favouring them or the production of certain goods unless the aid falls within one of the exemptions set out in the Treaty on the Functioning of the EU. There is also sector specific EU legislation that regulates certain aspects of this general principle for the railways sector, for example, the EU legislation specifies a list of cases in which ČD, as an "undertaking entrusted with the operation of services of general economic interest", can receive state aid in the form of compensation for fulfilling these obligations (Regulation 1370/2007).

Public Procurement Laws

Where ČD (or its subsidiary) awards contracts above a certain value, it is subject to the Public Procurement Act. Generally, pursuant to the Public Procurement Act, ČD may enter into agreements providing for the delivery of goods or services only after the completion of one of the public procurement procedures specified in the Public Procurement Act. Any agreement concluded contrary to the Public Procurement Act before 1 January 2010 is unconditionally invalid as a matter of law. On 1 January 2010, an amendment to the Public Procurement Act implemented a conditional invalidity where invalidity is caused by non-compliance with the procedures set out by the Public Procurement Act. In this case, the contract is only invalid where the Czech Competition Office as the authority with the power to review the process for awarding public contracts prohibits the performance of the contract in question. A new Act No. 134/2016 Coll., on Public Procurement, as amended, entered into effect on 1 October 2016. The new act implements the new EU Public Procurement Directives (Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC, as amended, Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC, and Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts) and aims to lower the administrative burden imposed on contracting authorities and simplify the process of awarding public contracts in the Czech Republic. It has introduced additional types of proceedings, as well as tools to evaluate offers on the basis of different quality criteria.

Importantly, public procurement rules may also apply to the awarding of contracts to ČD or companies within its Group. For example, where a competent authority decides to grant ČD or another railway operator an exclusive right or compensation in return for the discharge of public service obligations, it must do so within the framework of a public service contract while following specific public procurement rules stipulated in Regulation 1370/2007.

Moreover, Act No. 340/2015 Coll., on the Register of Contracts, as amended (the "**Act on the Register of Contracts**"), requires certain legal entities, such as the State, municipalities and entities owned by the State to publish in the Register of Contracts (*Registr smluv*) most private contracts they enter into, subject to a number of exceptions. An amendment to the Act on the Register of Contracts came into effect on 1 November 2019 which discontinued an exemption under which a joint stock company in which the State, or one or more regional or local authorities (*územní samosprávný celek*) together held a majority shareholding and which had its securities admitted to trading on a regulated market or a European regulated market, such as ČD, was exempt from the obligation to publish and otherwise register its contracts in the Register of Contracts. ČD is now, therefore, no longer exempt from the mentioned statutory obligations and has to follow the respective provisions of the Act on Register of Contracts.

Labour Regulation/Union Laws

The principal source of law regulating employment relationships is the Labour Code, which covers all areas of individual employment relationships between an employer and an employee, including for example equal treatment and the prohibition of discrimination, access to information, agency employment, working conditions, health and safety at work, liability for damages and dismissal. The Labour Code only contains a general prohibition of discrimination. Act No. 198/2009 Coll., on Antidiscrimination, as amended, contains more specific provisions on equal treatment and the prohibition of discrimination. In general, the Labour Code allows for contractual freedom of parties within the limits set by the regulatory framework; it is therefore not possible to contract out of statutory employee protection.

The institutional framework for the functioning of the labour market in the Czech Republic is regulated by Act No. 435/2004 Coll., on Employment, as amended, which covers, for example, the qualification criteria for unemployment benefits, employment of foreigners and special provisions on employment of disabled persons.

Although the Labour Code sets forth basic rules regarding trade unions, collective labour law, in particular the collective bargaining procedure, is regulated by Act No. 2/1991 Coll., on Collective Bargaining, as amended. Basically, collective agreements can be negotiated on two levels, either as house collective agreements (binding on a single employer and the trade union operating with that employer), or as sectorial collective agreements (binding on all employers and trade unions operating with employers in the respective economic sector). Individual employee entitlements arising from collective agreements are legally enforceable in the same manner as other rights arising from individual employment contracts.

TAXATION

Prospective purchasers of any Notes acknowledge that the tax laws including, in particular, the tax laws of the Czech Republic as a country of tax residence of the Issuer and the tax laws of the country where the respective purchaser is tax resident, may have an impact on income from the Notes. Therefore, prospective purchasers of any Notes are advised to consult their own tax advisers as to the tax consequences of purchasing, holding and disposal of the Notes as well as receiving income from the Notes under the tax laws of any country in which income from holding and disposal of the Notes can become subject to tax including, in particular, the countries stated at the beginning of this paragraph. Only these advisors are in a position to take into account all relevant facts and circumstances and to consider fully the specific situation of the prospective purchaser. A similar approach should be taken by the prospective purchasers of any Notes in relation to the foreign-exchange-law consequences arising from the purchase, holding and disposal of the Notes.

*The description below represents a brief summary of selected material tax aspects of the purchase, holding and disposal of the Notes under the laws of certain jurisdictions. The summary of Czech law provisions is mainly based on the Act No. 586/1992 Coll., on Income Taxes, as amended ("**Income Taxes Act**") and on other related laws which are effective as at the date of this Prospectus as well as on the administrative practice or the prevailing interpretations of these laws and other regulations as applied by Czech tax, administrative and other authorities and bodies and as these are known to the Issuer at the date of this Prospectus. The information contained herein is neither intended to be nor should be construed as legal or tax advice The description below is solely of a general nature (i.e. it does not take into account, for example, specific tax treatment of certain taxpayers such as investment, mutual or pension funds) and may change in future depending on changes in the relevant laws that may occur after this date, or in the interpretation of these laws which may be applied after that date. In this respect, please note that the below description of Czech tax treatment of the Notes has been significantly affected by the Act No. 609/2020 Coll. ("**2021 ITA Amendment**") and Act No. 353/2021 Coll. ("**2022 Banking Act Amendment**"), which amends some acts in the field of taxes and some other acts. The 2021 ITA Amendment has significantly changed the tax regime of notes issued after 31 December 2020. Subsequently, the 2022 Banking Act Amendment has reintroduced some provisions abolished by the 2021 ITA Amendment. Therefore, the tax regime relating to the Notes under Czech law is currently associated with many ambiguities. In the Issuer's opinion, the summary below represents a rational interpretation of the relevant provisions of the Income Taxes Act in relation to notes.*

The following summary assumes that the person to whom any income is paid in connection with the Notes is a beneficial owner of such income (within the OECD meaning of this term), i.e. it does not act, for example, as a proxy, agent, depositary or in any other similar position in which any such payments would be received on account of another person or entity.

For the purposes of this section (*Taxation*), the following terms have the following meaning:

"**Beneficial Owner**" means an income recipient who is treated as the beneficial owner in respect of income paid in connection with the relevant Note and who qualifies as a beneficial owner under the Income Taxes Act, and /or (where applicable) an applicable Tax Treaty.

"**Czech Permanent Establishment**" means a permanent establishment in the Czech Republic under the Income Taxes Act as well as under a relevant Tax Treaty, if any.

"**Coupon**" means any note yield other than a note yield that is determined by reference to the difference between the nominal value of a note and its issue price (i.e. yield determined as the Discount). For the avoidance of doubt, the Coupon also includes the Early Redemption Premium.

"**Coupon Note**" means a note that has the issue price equal to its nominal value. For the avoidance of doubt, the Coupon Note is not a note with a yield that is determined by reference to the combination of the Discount and the Coupon.

"**Czech Tax Non-Resident**" means a taxpayer who is a tax resident of the Czech Republic neither under the Income Taxes Acts nor under any Tax Treaty.

"**Czech Tax Resident**" means a taxpayer who is a tax resident of the Czech Republic under the Income Taxes Acts as well as under a relevant Tax Treaty, if any.

“**Discount**” means a positive difference between the nominal value of a note and its lower issue price.

“**Discounted Note**” means a note that has the issue price lower than the nominal value. For the avoidance of doubt, the Discounted Note is also a note with a yield that is determined by the combination of the Discount and the Coupon.

“**Early Redemption Premium**” means any amount above principal and interest accrued, that is payable by the Issuer in the event of early redemption of the Note.

“**Legal Entity**” means a taxpayer other than an individual (i.e. a taxpayer which is subject to corporate income tax but who may not necessarily have a legal personality).

“**Non-Qualifying Czech Tax Non-Resident**” means a Czech Tax Non-Resident that is not a Qualifying Czech Tax Non-Resident.

“**Person Related Through Capital**” means every person (whether an individual or a Legal Entity) in a situation where (i) one person directly or indirectly participates in the capital of, or voting rights in, another person, or (ii) one person directly or indirectly participates in the capital of, or voting rights in, several persons and, in each case, such participation (whether direct or indirect) constitutes at least 25 per cent. of the registered capital of, or 25 per cent. of the voting rights in, such other person/persons.

“**Qualifying Czech Tax Non-Resident**” means a Czech Tax Non-Resident (whether an individual or a Legal Entity) who (i) is not a Person Related Through Capital to the Issuer and (ii) has not created a legal relationship with the Issuer mainly for tax reasons (i.e. with the aim to reduce a tax base or to increase a tax loss).

“**Tax Security**” means a special amount collected by means of a deduction at source made by the Withholding Agent (for example by the issuer of a note or by the buyer of a note) upon payment of taxable income which serves essentially as an advance with respect to tax that is to be self-assessed by the recipient of the relevant income (i.e. unlike the Withholding Tax, the amount so withheld does not generally represent a final tax liability).

“**Tax Treaty**” means a valid and effective tax treaty concluded between the Czech Republic and another country under which the Czech Tax Non-Resident is treated as a tax resident of the latter country. In the case of Taiwan, the Tax Treaty is Act No. 45/2020 Coll., on the elimination of double taxation in relation to Taiwan, as amended.

“**Withholding Agent**” means a payer of (taxable) income who is responsible for making the deduction of (i) the Withholding tax or (ii) the Tax Security, as applicable, and their remittance to the tax authorities.

“**Withholding Tax**” means a tax collected by means of a deduction at source made by the Withholding Agent (for example by the issuer of the note) upon payment of taxable income. Save in certain limited circumstances, such tax is generally considered as final.

I. DISCLOSURE OF INFORMATION IN CONNECTION WITH PAYMENTS

General Information

Pursuant to the Czech withholding tax rules applicable to the Eurobonds under the Czech Income Taxes Act as amended by the Act No. 609/2020 Coll. and Act No. 353/2021 Coll., unless exempt from tax or unless a Tax Treaty states otherwise, income payable by the Issuer in respect of the Notes may be subject to Withholding Tax and Tax Security.

As a withholding agent, the Issuer is liable, on a strict-liability basis, for (i) the proper withholding of any Withholding Tax and Tax Security payments required to be withheld or deducted at source at an appropriate rate under any applicable law by or within the Tax Jurisdiction from any payment of interest or principal in respect of the Notes as well as (ii) the granting of any relief therefrom (whether in the form of an exemption or application of a reduced rate) (a “**Tax Relief**”). The Issuer also bears the related burden of proof vis-à-vis the tax authorities which necessitates, before any Tax Relief can be granted, collection of certain information and documentation as set forth in the Certification Procedures (as defined below) concerning, in particular, the identity and country of tax residence of the recipient of a payment of principal or interest in respect of a Note (together with relevant evidence thereof) which would enable the Issuer to reliably establish that such recipient is a Beneficial Owner with respect to any such payment and that it meets all conditions for any applicable Tax Relief to be granted (the "**Beneficial Ownership Information**").

The tax relief at source and refund procedures for the Czech Republic implemented by Euroclear and Clearstream, Luxembourg to facilitate collection of the Beneficial Ownership Information are available at the website of the International Capital Market Services Association at www.icmsa.org as amended or replaced from time to time (the "**Certification Procedures**"). Noteholders must seek their own professional advice to satisfy themselves that they comply with all the applicable procedures and any requirements thereunder (whether documentary or otherwise) to ensure a tax treatment of their Notes which duly reflects their particular circumstances for the purposes of applying any Withholding Tax, Tax Security and Tax Relief (as the case may be) and should consult the latest announcements in relation to the Certification Procedures on the websites of Euroclear and Clearstream, Luxembourg (www.euroclear.com and www.clearstream.com) and on the website of the International Capital Market Services Association (www.icmsa.org). None of the Issuer, the Joint Lead Managers and Joint Bookrunners, the Issuing and Principal Paying Agent, the Registrars or the ICSDs (or any other clearing system) assumes any responsibility therefor. Information on the websites referred to above are not incorporated in nor do they form part of this Prospectus.

Quick Refund Procedure

The Beneficial Owners who are otherwise entitled to Tax Relief and to whom the payments of interest and/or principal in respect of the Notes have been made net of any Withholding Tax or Tax Security, because the Beneficial Ownership Information under the Relief at Source Procedure (as defined under the Certification Procedures) could not, for any reason, be duly or timely collected, may be entitled to a refund of the amounts so withheld pursuant to the quick refund procedure as set out in the Certification Procedures (the "**Quick Refund Procedure**").

Standard Refund Procedure

Beneficial Owners who are otherwise entitled to Tax Relief and to whom the payments of interest in respect of the Notes have been made net of any Withholding Tax, because the Beneficial Ownership Information under the Relief at Source Procedure or the Quick Refund Procedure could not, for any reason, be duly or timely collected may deliver correct, complete and accurate Beneficial Ownership Information to the Issuer no later than **three years** from the end of a calendar year in which the payments which were subject to any relevant withholdings with respect to Withholding Tax were made (the "**Standard Refund Procedure**").

The Beneficial Ownership Information shall be delivered to the address of the registered office of the Issuer, in person or by first class mail or (if posted from an address overseas) by airmail and marked for the attention of:

České dráhy, a.s.
Attention: Office of the Deputy CEO of ČD for Economics and Finance
Nábřeží Ludvíka Svobody 1222
110 15 Prague 1
Czech Republic

and shall include the Beneficial Owner's up-to-date contact details together with evidence of the Beneficial Owner's holding of or interest in the relevant Notes, which shall be used by the Issuer for the purposes of any refund-related communication.

The Issuer shall proceed in accordance with the then applicable laws of the Czech Republic and shall use its reasonable endeavours to obtain the refund or will inform the Beneficial Owner that it is not in position to process such request. Subject to the due and timely receipt of the Beneficial Ownership Information, if the Issuer in its sole and absolute discretion determines that it is entitled to file a refund claim with the Czech tax authorities for any previously withheld Withholding Tax and obtains a refund of any amounts so withheld, it shall pay any such amounts to the Beneficial Owner within ten Business Days of receipt thereof from the Czech tax authorities, net of a fixed amount of **EUR 1,000** (excl. VAT, if any) to cover the Issuer's administrative costs and expenses pertaining to the refund claim.

Any communication in respect of the Standard Refund Procedure shall be made directly between the Issuer and the relevant Beneficial Owner as Euroclear and Clearstream, Luxembourg and the Principal Paying Agent are not engaged in the Standard Refund Procedure.

The Issuer may publish additional information in relation to the Standard Refund Procedure (including a change in contact details for delivery of the Beneficial Ownership Information) on the website of the Issuer.

In case of any withholding for or on account of the Tax Security, the relevant Beneficial Owner must directly approach the Czech tax authorities.

II. TAXATION IN THE CZECH REPUBLIC

Interest Income

Czech Tax Residents

Individuals

The yield in the form of the Coupon paid to an individual is subject to Withholding Tax at a rate of 15 per cent. This tax represents final taxation of the Coupon in the Czech Republic.

The yield in the form of the Discount paid to an individual is not subject to the Withholding Tax. Instead, it is included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on individual's applicable bracket (the threshold for higher bracket is 48 times the average wage amounting to CZK 1,867,728 in 2022). However, the general tax base does not include the amount of the Discount, but rather the (positive) difference between the nominal value of the Note paid by the Issuer (or another amount paid by the Issuer upon early redemption of the Note, but excluding the Early Redemption Premium, if any) and the price for which the individual acquired the Note. If an individual holds the Note, which is the Coupon Note, until its maturity (or early redemption) and this individual acquired such Note on a secondary market at an amount below the nominal value of the Note (or below other amount paid by the Issuer upon early redemption of the Note, but excluding the Early Redemption Premium, if any), such (positive) difference is also included in the individual's general tax base.

Legal Entities

The yield (whether in the form of the Discount or the Coupon) paid to a Legal Entity is not subject to Withholding Tax, but it is rather included in the general tax base, which is subject to corporate income tax at a flat rate of 19 per cent. The Legal Entity, which is an accounting unit, is generally required to recognise the yield in its profit and loss statement on an accrual basis.

Qualifying Czech Tax Non-Residents

The yield from the Note (whether in the form of the Discount or the Coupon) paid to a Qualifying Czech Tax Non-Resident (whether an individual or a Legal Entity) is exempt from Czech taxation.

Non-Qualifying Czech Tax Non-Residents

Individuals

The yield in the form of the Coupon paid to an individual is subject to the Withholding Tax at a rate of 15 per cent. or 35 per cent. The 35 per cent. rate applies to recipients, which do not have Czech Permanent Establishment to which the Notes are attributable and, at the same time, are tax residents of neither (i) an EU/EEA member state nor (ii) a country with which the Czech Republic has an effective double tax treaty or an effective double (or multilateral) treaty on the exchange of information. The 15 per cent. rate applies to all other recipients. This tax generally represents a final taxation of the Coupon in the Czech Republic. However, an individual who is a tax resident of an EU/EEA member state may decide to include the Coupon in his/her tax return filed in the Czech Republic for the relevant tax year. In such a case, the above Withholding Tax represents an advance payment which is credited against the final Czech tax liability as declared in the tax return.

The yield in the form of the Discount paid to an individual is not subject to Withholding tax. Instead, it is included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent.

and 23 per cent. depending on individual's applicable bracket (the threshold for higher bracket is 48 times the average wage amounting to CZK 1,867,728 in 2022). However, the general tax base does not include the amount of the Discount, but rather the (positive) difference between the nominal value of the Note paid by the Issuer (or another amount paid by the Issuer upon early redemption of the Note, but excluding the Early Redemption Premium, if any) and the price for which the individual acquired the Note. However, if the Notes are not attributable to the individual's Czech Permanent Establishment, the taxable amount cannot exceed the Discount (i.e. if such difference is higher, the amount of the Discount will be included in the general tax base). Furthermore, if an individual is not a tax resident of an EU/EEA member state, the Issuer will withhold the Tax Security at the rate of 1 per cent. applicable to a gross amount paid (i.e. the nominal value of the Note upon the maturity or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any). This Tax Security is creditable against the final tax liability as declared in the Czech tax return for the relevant tax year (any Tax Security over withholding is generally refundable). If (i) an individual holds the Note, which is the Coupon Note, until its maturity (or its early redemption), (ii) this individual acquired such Note on a secondary market for an amount below its nominal value (or below the amount paid by the Issuer upon early redemption of the Note, but excluding the Early Redemption Premium, if any) and (iii) such Note is attributable to that individual's Czech Permanent Establishment, such (positive) difference is also included in the individual's general tax base.

Legal Entities

The yield in the form of the Coupon paid to a Legal Entity, where the Note is not attributable to its Czech Permanent Establishment, is subject to the Withholding Tax at a rate of 15 per cent. or 35 per cent. The 35 per cent. rate applies to recipients, which are tax residents of neither (i) an EU/EEA member state nor (ii) a country with which the Czech Republic has an effective double tax treaty or an effective double (or multilateral) treaty on the exchange of information. The 15 per cent. rate applies to all other recipients. This tax generally represents final taxation of the Coupon in the Czech Republic. However, the Legal Entity who is a tax resident of an EU/EEA member state may decide to include the Coupon in its tax return filed in the Czech Republic for the relevant tax year. In such a case, the above Withholding Tax represents an advance payment which is credited against the final self-assessed tax liability as declared in the tax return. The yield in the form of the Coupon paid to a Legal Entity, where the Note is attributable to its Czech Permanent Establishment, is not subject to the Withholding Tax. Instead, it is included in the general tax base, which is subject to corporate income tax at a rate of 19 per cent. Furthermore, if the Legal Entity is not a tax resident of an EU/EEA member state, the Issuer will withhold a Tax Security at the rate of 10 per cent. applicable to the amount of the Coupon (on a gross basis). This Tax Security is creditable against the final tax liability as declared in a Czech tax return for the relevant tax year (any Tax Security over withholding is generally refundable).

The yield in the form of the Discount paid to the Legal Entity is not subject to the Withholding tax. Instead, it is included in the general tax base, which is subject to corporate income tax at a rate of 19 per cent. However, the general tax base does not include the amount of the Discount, but rather the (positive) difference between the nominal value of the Note paid by the Issuer (or the amount paid by the Issuer upon early redemption of the Note, but excluding the Early Redemption Premium) and the price at which the Legal Entity acquired the Note. However, if the Notes are not attributable to Legal Entity's Permanent Establishment, the taxable amount cannot exceed the Discount (i.e. if such difference is higher, the amount of the Discount will be included in the general tax base). Furthermore, if the Legal Entity is not a tax resident of an EU/EEA member state, the Issuer will withhold the Tax Security at the rate of 1 per cent. applicable to gross amount (i.e. the nominal value of the Note at maturity or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium). This Tax Security is creditable against the final tax liability as declared in the Czech tax return for the relevant tax year (any Tax Security over withholding is generally refundable). If (i) a Legal Entity holds the Note, which is the Coupon Note, until its maturity (or its early redemption), (ii) this Legal Entity acquired such Note on a secondary market for an amount below the nominal value of the Note (or below the amount paid by the Issuer upon early redemption of the Note, but excluding the Early Redemption Premium) and (iii) such Note is attributable to that Legal Entity's Czech Permanent Establishment, such (positive) difference is also included in its general tax base.

A Legal Entity, which is an accounting unit and where the Notes are attributable to its Czech Permanent Establishment, is generally required to recognise the yield (whether in the form of the Discount or the Coupon) in its profit and loss statement on an accrual basis.

Capital gains/losses

Czech Tax Residents

Individuals

Capital gains from the sale of the Notes that have not formed part of business assets of an individual are generally exempt from personal income tax if:

- total annual (worldwide) gross income (i.e. not only gains) of that individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000, or

- such gains are derived from the sales of the Notes which the individual has held for more than three years prior to their sale (however, income from a future sale of the Notes where a purchase agreement is concluded after 3 years but where income arises within 3 years from their acquisition is not tax-exempt).

If the Notes formed part of business assets of an individual, the exemption upon their sale may still apply but only if the Notes are sold no earlier than 3 years after the termination of that individual's business activities.

Taxable gains from the sale of the Notes realized by an individual are included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on individual's applicable bracket (the threshold for higher bracket is 48 times the average wage amounting to CZK 1,867,728 in 2022). If an individual has held the Notes in connection with his/her business activities, such gains are also subject to social security and health insurance contributions. Losses from the sale of the Notes realized by an individual are generally tax non-deductible, except where such losses are compensated by taxable gains on the sales of other securities in the same year and the income from the sale of the Notes is not tax-exempt.

Legal Entities

Capital gains from the sale of the Notes are included in the general tax base, which is subject to corporate income tax at a rate of 19 per cent. Losses from the sale of the Notes realized by Legal Entities are generally tax deductible.

Czech Tax Non-residents

Capital gains from the sale of the Notes realized by a Czech Tax Non-Resident are subject to taxation in the Czech Republic provided that:

- the Notes are attributable to a Czech Permanent Establishment of the Czech Tax Non-Resident selling these Notes, or

- the Notes are acquired by (i) a Czech Tax Resident or (ii) a Czech Tax Non-Resident acquiring the Notes through his/her/its Czech Permanent Establishment.

Therefore, capital gains realized by a Czech Tax Non-Resident where the Notes are sold to another Czech Tax Non-Resident and where such Notes are attributable to neither (i) a Czech Permanent Establishment of the seller nor (ii) a Czech Permanent Establishment of the buyer, are out of scope of Czech taxation.

Individuals

Capital gains from the sale of the Notes that have not formed part of business assets of an individual are generally exempt from personal income tax if:

- total annual (worldwide) gross income (i.e. not only gains) of that individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000, or

- such gains are derived from the sales of the Notes which the individual has held for more than three years prior to their sale (however, income from a future sale of the Notes where a purchase agreement is concluded after 3 years but where income arises within 3 years from their acquisition is not tax-exempt).

If the Notes formed part of business assets of an individual, the exemption upon their sale may still apply but only if the Notes are sold no earlier than 3 years after the termination of that individual's business activities.

Taxable gains from the sale of the Notes realized by an individual are included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on individual's applicable bracket (the threshold for higher bracket is 48 times the average wage amounting to CZK 1,867,728 in 2022). If an individual has held the Notes in connection with his/her business activities, such gains may also be subject to social security and health insurance contributions. Losses from the sale of the Notes realized by an individual are generally tax non-deductible, except where such losses are compensated by taxable gains on the sales of other securities in the same year and the income from the sale of the Notes is not tax-exempt.

Furthermore, if the Notes are sold by an individual who is not a tax resident of an EU/EEA member state, a buyer acting as a Withholding Agent may be required to withhold a Tax Security amounting to 1 per cent. of the gross purchase price. The buyer will be act as a Withholding Agent if he/she/it is:

- a Czech Tax Resident, or
- a Czech Tax Non-Resident and the acquired Notes are attributable to his/her/its Czech Permanent Establishment.

Any Tax Security withheld is creditable against the final tax liability as declared by the Czech Tax Non-Resident selling the Notes in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable).

Legal Entities

Capital gains from the sale of the Notes, which are subject to Czech taxation, are included in the general tax base, which is subject to corporate income tax at a rate of 19 per cent. Losses from the sale of the Notes realized by the Legal Entities are generally tax deductible. However, according to certain interpretations, such losses are not tax deductible for a Czech Tax Non-Resident who does not keep its accounting books under the Czech accounting rules.

Furthermore, if the Notes are sold by a Legal Entity which is not a tax resident of an EU/EEA member state, a buyer acting as the Withholding Agent may be required to withhold a Tax Security amounting to 1 per cent. of the gross purchase price. The buyer will be acting as a Withholding agent if he/she/it is:

- a Czech Tax Resident, or
- a Czech Tax Non-Resident and the acquired Notes are attributable to his/her/its Czech Permanent Establishment.

Any Tax Security withheld is creditable against the final tax liability as declared by the Czech Tax Non-resident selling the Notes in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable).

Benefits under Tax Treaties

A Tax Treaty may reduce or even fully eliminate Czech taxation of interest income from the Notes or capital gains from their sale (including a Tax Security withholding, if applicable). Such Tax Treaty relief is usually applicable on the condition that the income recipient who is a Czech Tax Non-Resident does not hold the Notes through his/her/its Czech Permanent Establishment. Furthermore, the entitlement to particular Tax Treaty benefits is generally conditional on presenting documents proving that the income recipient qualifies for the Tax Treaty benefits including, in particular (i) a tax residency certificate issued by the relevant tax authorities and (ii) a beneficial ownership declaration of the income recipient. Entitlement to particular Tax Treaty benefits may also be conditional on meeting further specific criteria under that Tax Treaty.

Reporting Obligation

An individual holding the Notes (whether a Czech Tax Resident or a Czech Tax Non-Resident) is obliged to report to the Czech tax authorities any income earned in connection with the Notes if such income is exempt from taxation in the Czech Republic and exceeds, in each individual case, CZK 5,000,000. The reporting must be fulfilled within the deadline for filing a personal income tax return. A non-compliance with this reporting obligation is penalized by a sanction of up to 15 per cent. of a gross amount of the unreported income.

Value Added Tax

There is no Czech value added tax payable in respect of the payment of interest or principal under the Notes, or in respect of the transfer of the Notes.

Other taxes or duties

No registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty is payable in the Czech Republic by either the Czech Tax Resident or the Czech Tax Non-resident in respect of or in connection with the mere purchase, holding or disposition of the Notes.

Certain Luxembourg withholding tax consequences

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. This summary is based upon the law as in effect on the date of this Prospectus. Any changes could apply retroactively and could affect the continued validity of this summary, which will not be updated to reflect such change. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes. This information also does not take into account the specific circumstances of particular investors.

This overview assumes that each transaction with respect to the notes is at arm's length.

The summary in this Luxembourg taxation paragraph does not address the Luxembourg tax consequences for a holder of the notes who:

- is an investor as defined in a specific law (such as the law of 11 May 2007 on family wealth management companies, as amended, the law of 17 December 2010 on undertakings for collective investment, as amended, the law of 13 February 2007 on specialized investment funds, as amended, the law of 23 July 2016 on reserved alternative investment funds, the law of 22 March 2004 on securitization, as amended, the law of 15 June 2004 on venture capital vehicles, as amended and the law of 13 July 2005 on pension saving companies and associations);

- is in whole or in part, exempt from tax;

- acquires, owns or disposes of the notes in connection with a membership of a management board or a supervisory board, an employment relationship, a deemed employment relationship or management role; or

- has a substantial interest in the Issuer or a deemed substantial interest in the Issuer for Luxembourg tax purposes. Generally, a person holds a substantial interest if such person owns or is deemed to own, directly or indirectly, more than 10 per cent. of the shares or interest in an entity.

Non-resident Noteholders

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Individual Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**"), there is no withholding tax on arm's length payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid arm's length interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or a tax transparent vehicle held by one or more individuals resident in Luxembourg will be subject to a withholding tax of currently 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of currently 20 per cent.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

U.S. Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA)may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Czech Republic) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply (a) to payments made prior to the date that is two years after the date final regulations defining "**foreign passthru payment**" are filed with the U.S. Federal Register and (b) to Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register. Notes defined in the immediately preceding Clause (b) generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Erste Group Bank AG, ING Bank N.V., Société Générale and UniCredit Bank AG (the "**Joint Bookrunners**") have, in a subscription agreement dated 10 October 2022 (the "**Subscription Agreement**") and made between the Issuer and the Joint Bookrunners upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 99.347 per cent. of their principal amount less a combined management and underwriting commission. The Issuer has also agreed to reimburse the Joint Bookrunners for certain of their expenses incurred in connection with the management of the issue of the Notes. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

European Economic Area

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or

(ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

Other regulatory restrictions

Each Joint Bookrunner has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

United States of America

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S.

General

Each Joint Bookrunner has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

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GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by resolutions of the Board of Directors of the Issuer dated 4 January 2022 and 23 August 2022 and resolution of the Supervisory Board of the Issuer dated 13 January 2022 and resolution of the Steering Committee of the Issuer dated 16 May 2022.

Listing and admission to trading

2. Application has been made for the Notes to be admitted to listing on the official list and trading on the Luxembourg Stock Exchange's regulated market.

   The total expenses related to the admission to trading of the Notes are expected to be approximately EUR 5,000.

Legal and Arbitration Proceedings

3. Save as disclosed in "*Description of the Issuer – Disputes*", there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

Significant/Material Change

4. On 28 February 2022, the Czech National Bank suspended operations of Sberbank CZ, a.s. As of that date, the Group had deposits with that bank in the amount of CZK 261 million which the Group is trying to recover. Furthermore, on 20 April 2022, ČD Cargo issued EUR denominated bonds with a nominal value of EUR 40 million (CZK 994,4 million equivalent) with a fixed interest coupon of 1.92 per cent. annually and maturity at 31 December 2028. Other than that, since 31 December 2021 there has been no material adverse change in the prospects of the Issuer or the Group. Since 30 June 2022, there has been no significant change in the financial performance of the Issuer or the Group and no significant change in the financial position of the Issuer or the Group.

Auditors

5. The Annual Financial Statements have been prepared by the Issuer in accordance with IFRS and audited (in accordance with ISA) by PricewaterhouseCoopers Audit, s.r.o., with its registered seat at Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, an audit company registered with the Czech Chamber of Auditors.

Documents on Display

6. Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the registered address of the Issuer for 12 months from the date of this Prospectus:

   (a) the Deed of Incorporation and Articles of Association of the Issuer;

   (b) the interim consolidated financial statements of the Issuer as of and for the six months ended 30 June 2022 and 2021 prepared in accordance with IAS 34 'Interim Financial Reporting';

   (c) the consolidated financial statements of the Issuer for the years ended 31 December 2021 and 2020 prepared in accordance with the IFRS as adopted by the EU;

   (d) the Prospectus;

   (e) the Agency Agreement; and

   (f) the Deed of Covenant.

A copy of the Prospectus is available on the Luxembourg Stock Exchange's website at www.bourse.lu and on the website of the Issuer www.ceskedrahy.cz (Section "*For Investors*", sub-section "*Bonds*").

The Deed of Incorporation and Articles of Association of the Issuer and the interim consolidated financial statements of the Issuer as of and for the six months ended 30 June 2022 and 2021 prepared in accordance with IAS 34 'Interim Financial Reporting' and consolidated financial statements of the Issuer for the years ended 31 December 2021 and 2020 prepared in accordance with the IFRS as adopted by the EU are published on the website of the Issuer www.ceskedrahy.cz.

Yield

7. On the basis of the issue price of the Notes of 99.347 per cent. of their principal amount, the gross real yield of the Notes is 5.779 per cent. on an annual basis. The yield is calculated as at the issue date of the Notes on the basis of the issue price of the Notes. It is not an indication of future yields.

ISIN and Common Code

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2495084621 and the common code is 249508462.

9. The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

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