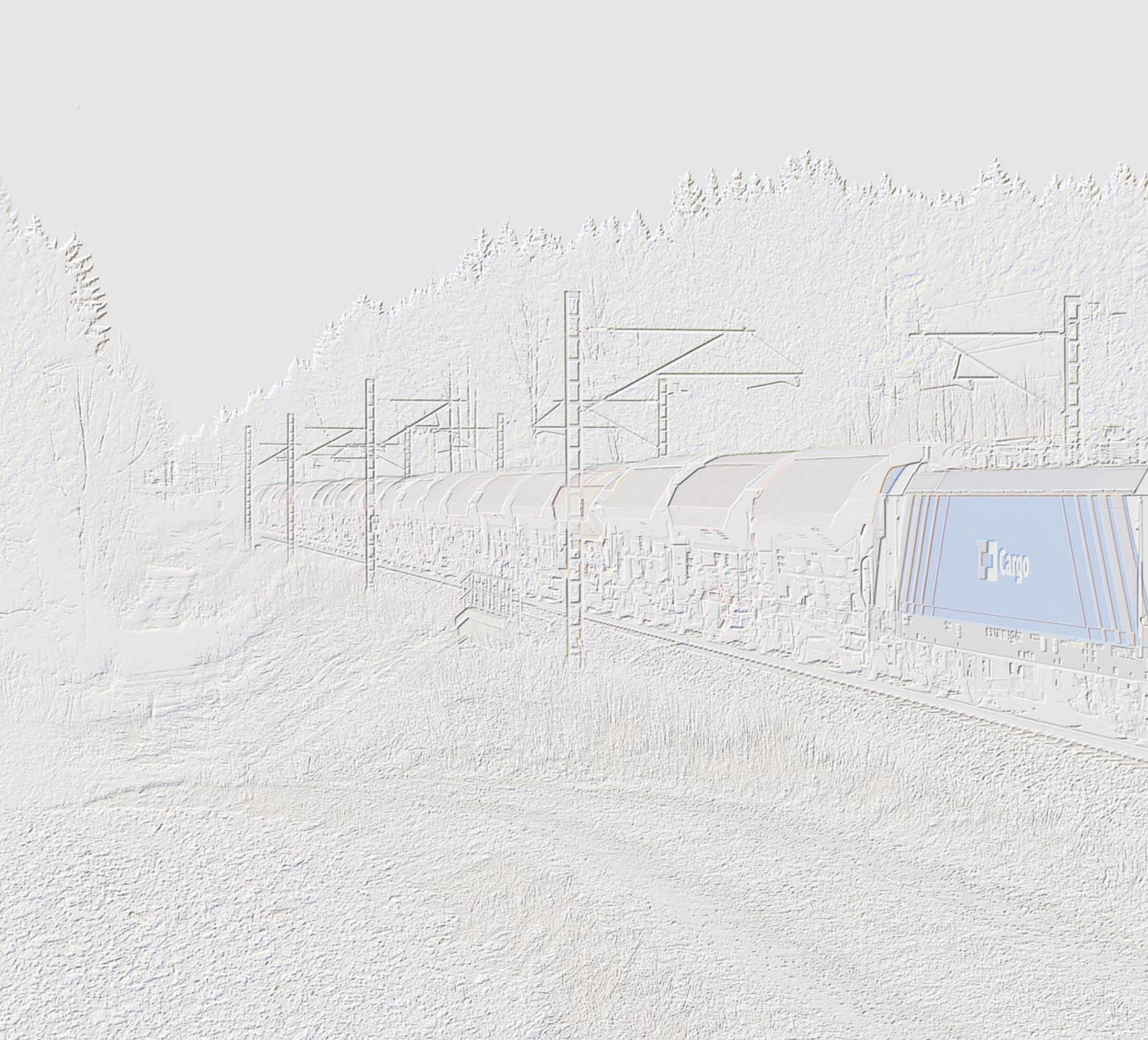




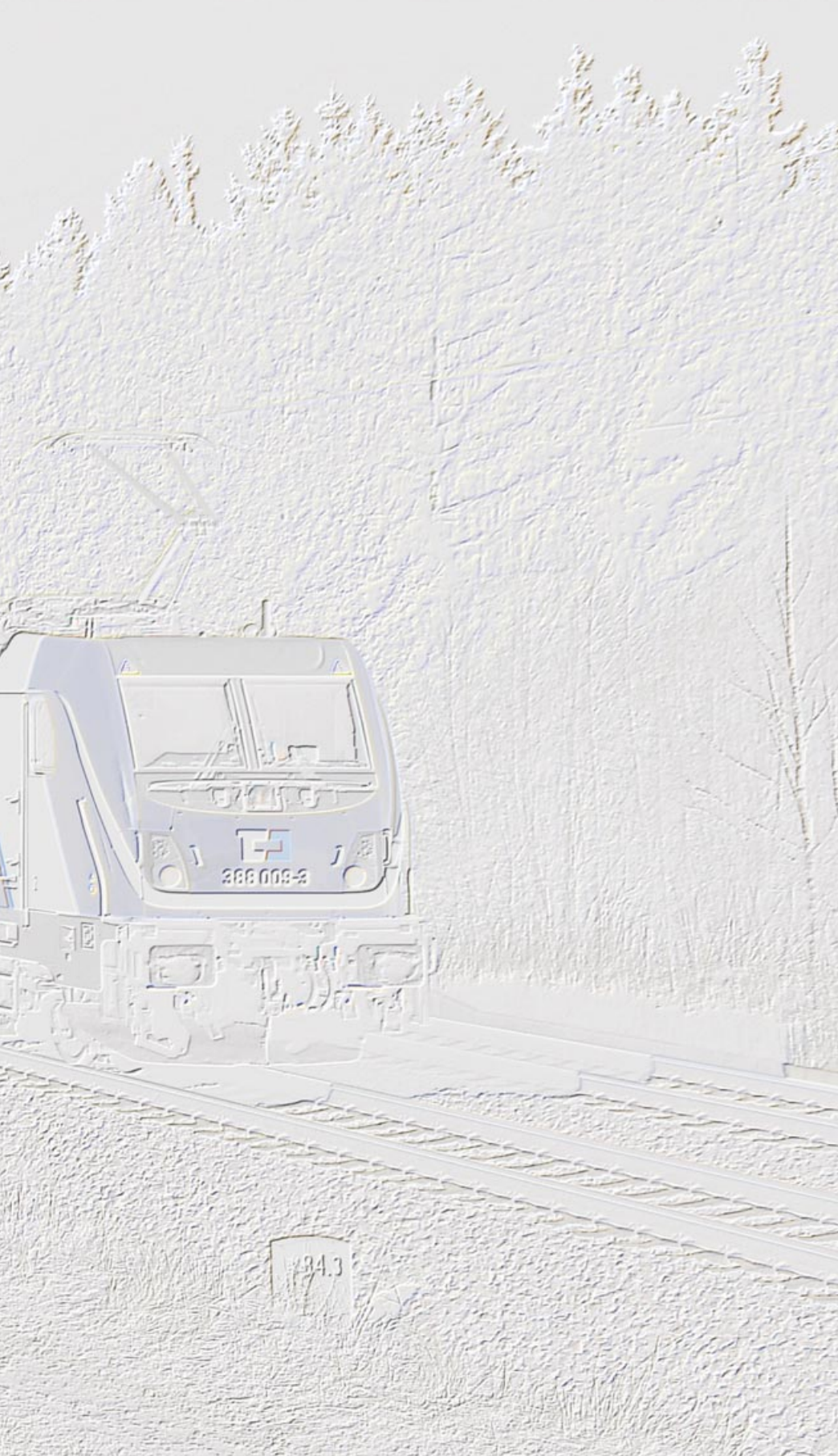
2021







# Annual Report 2021



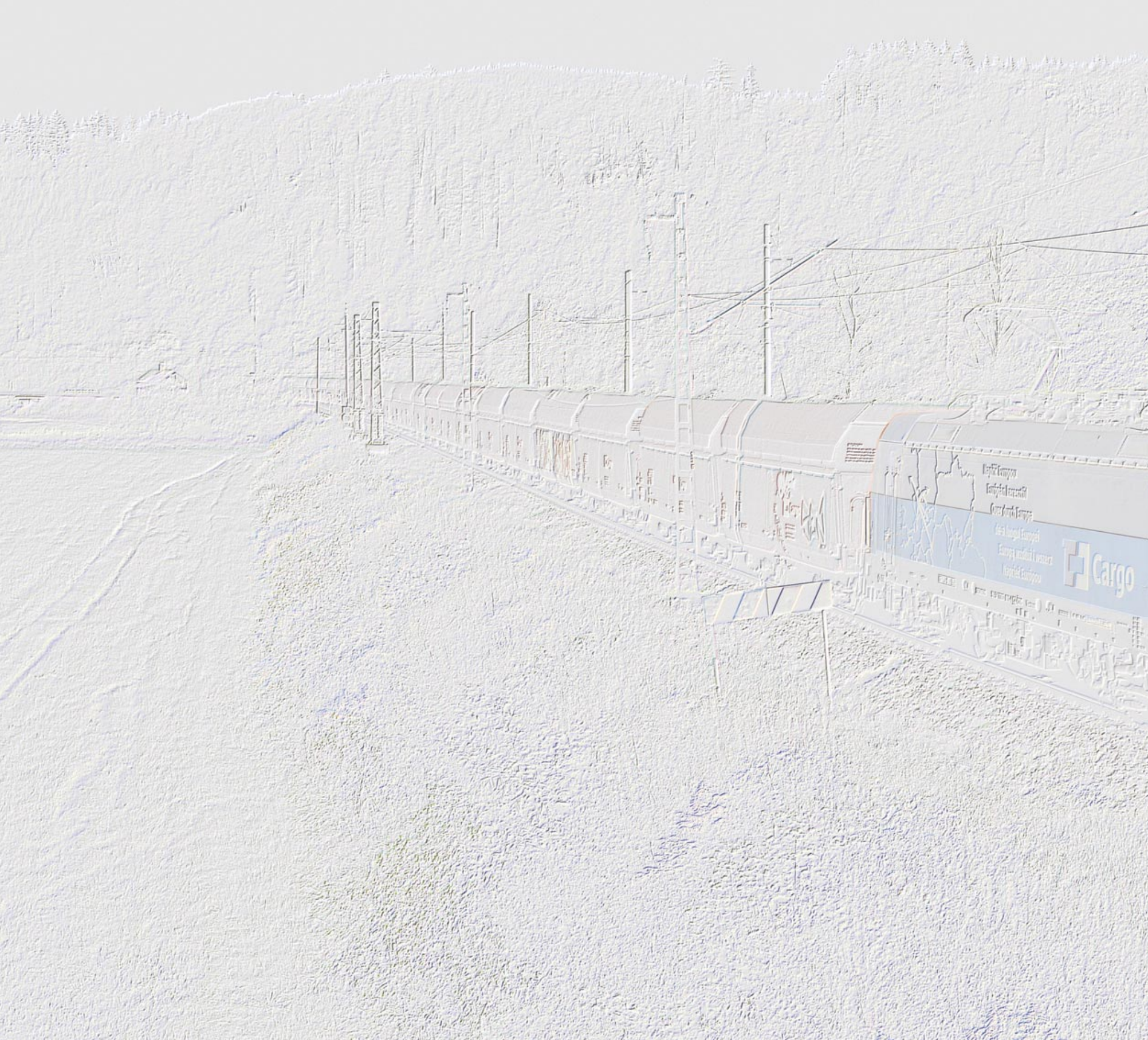




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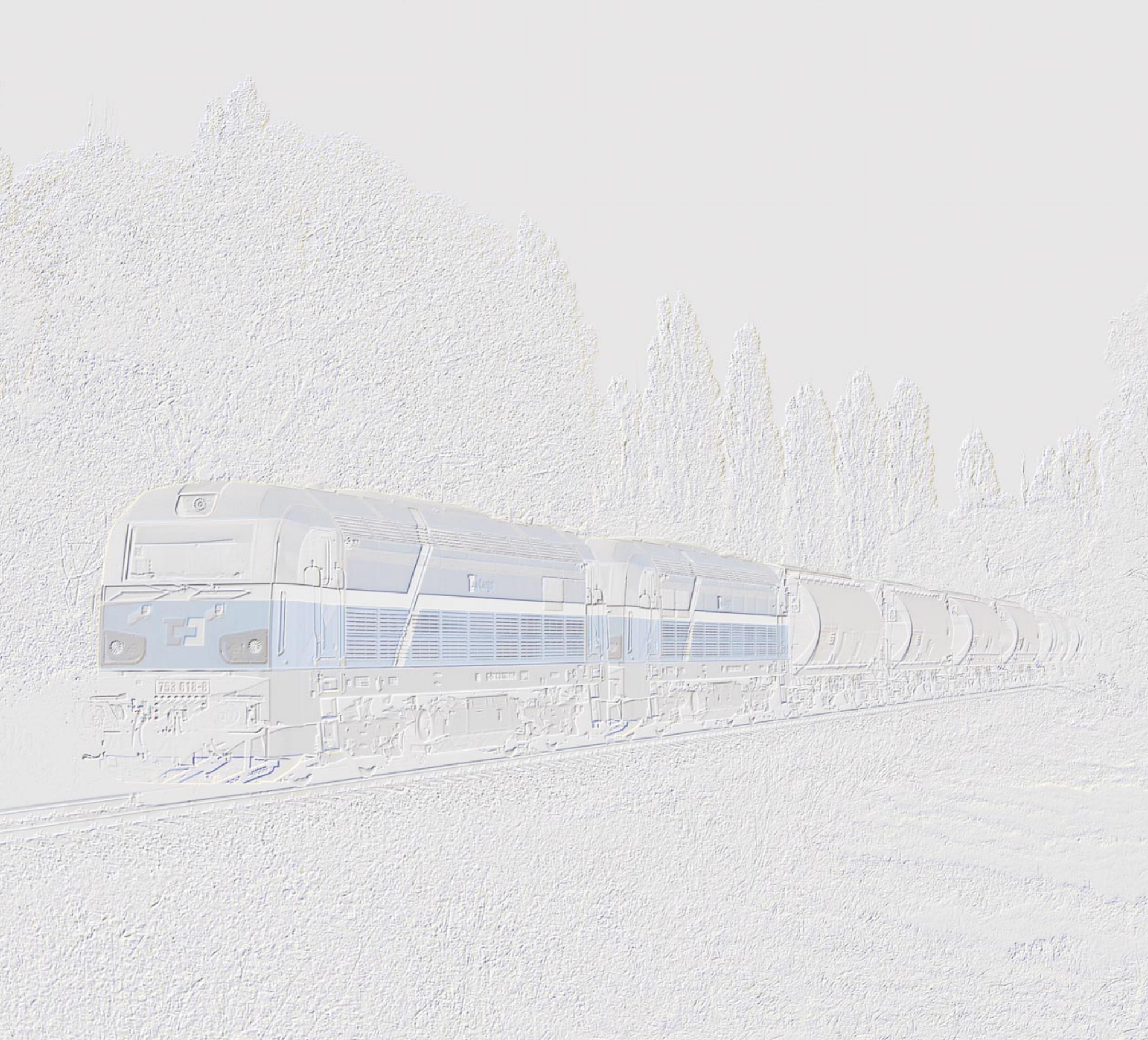


# | 01

## Mission, Vision and Goals

ČD Cargo, a.s., is a modern, dynamic company that builds its future on four pillars. The Company is aware that this is not possible without modern vehicles so one of the pillars is interoperability. A sufficient number of interoperable locomotives is a necessary condition for fulfilling the goals of the next pillar, which is expansion abroad. The Company is a holder of all the necessary authorizations to operate rail freight transport in a number of countries – in Austria and Germany through its branches, in Poland, Slovakia and Hungary through subsidiaries. The licensing process in Croatia should be completed in 2022. The third pillar of the Company's long-term strategy is intermodality. The Company is a partner of all major combined transport operators and operates combined transport trains. The ownership interest in two terminals - in Lovosice and in Brno – is considered by the Company to be a great competitive advantage, therefore other similar projects are being prepared. ČD Cargo, a.s., is constantly expanding its transport portfolio using modern Innofreight technology. The Company is socially responsible and considers CSR as the fourth pillar of its business. The Company carries out transportation using electricity produced from renewable sources and reduces the energy intensity of its operations. ČD Cargo, a.s., is the proud founder of the ČD Group Endowment Fund - ŽELEZNICE SRDCEM ("THE RAILWAY WITH THE HEART").







## | 02

## Company Profile

ČD Cargo, a.s., was established on 1 December 2007 by the contribution of part of the joint-stock company České dráhy, a.s. The sole founder and 100% shareholder is the joint stock company České dráhy. ČD Cargo, a.s., is a subsidiary of České dráhy, a.s., specialised in providing of freight transport.

### Name, Address and Identification of the Company

Business entity: ČD Cargo, a.s.

Registered office: Prague 7, Holešovice, Jankovcova 1569/2c, postal code 170 00

Corporate ID: 28196678

Registered in the Register of Companies held by the Municipal Court in Prague, File B, Insert 12844

### Basic Characteristics of the Company

ČD Cargo, a.s., provides the railway transport of goods and a comprehensive list of related services. The goal of the Company is to improve its leading position and to be the driving force in the freight transport market in the Czech Republic and the Central European region.

**The business activity of ČD Cargo, a.s., can be divided into two principal segments:**

- Transportation,
- Additional Services.

**Transportation segment is further structured according to the type of transportation as follows:**

- local,
- export,
- import,
- transit,
- transport only outside the territory of the Czech Republic.

**The Company transports almost all types of goods, which can be divided into the following groups:**

- iron and engineering products,
- construction materials,
- brown coal,
- black coal and coke,
- chemical products and liquid fuels,
- wood and paper products,
- food and agricultural products,
- combined transportation,
- automotive,
- other.

**The Company offers railway transportations and a wide range of complementary services such as:**

- customs services,
- logistics services (loading, unloading, storage),
- security advisor services,
- lease of railway vehicles,
- repairs and maintenance of railway vehicles,
- and more.



## | 03

## Basic Economic Indicators of ČD Cargo Group

ČD Cargo Group consists of the parent company ČD Cargo, a.s., its subsidiaries and other investments.

With the liberalisation of railway freight transport in Europe, gradual removal of barriers to enter foreign markets, and in the effort to provide customers with quality services "Across Europe", the importance of ČD Cargo Group is growing. As a result, ČD Cargo group provides comprehensive services to customers all over Europe.

Key financial indicators of ČD Cargo Group according to IFRS consolidated financial statements							
Indicator	2021	2020	2019	2018	2017	2016	2015
<b>Structure of assets and liabilities (CZK million)</b>							
Total assets**	30,472	27,172	25,016	20,093	18,470	18,172	17,742
Fixed assets**	26,565	24,185	22,190	16,698	15,626	15,280	14,588
Equity	9,792	9,419	9,726	9,126	8,529	7,718	6,727
<b>Structure of profit/(loss) (CZK million)</b>							
Revenues*	12,899	12,266	13,037	13,076	11,923	11,760	12,063
Operating profit/(loss)	634	(78)	988	1,020	1,097	1,372	968
Profit/(loss) before tax	388	(276)	791	878	947	1,153	698
<b>Ratio indicators (%)</b>							
Current liquidity (current assets/current liabilities)	67 %	57 %	50 %	80 %	83 %	83 %	62 %
Total indebtedness (liabilities /total assets)**	68 %	65 %	61 %	55 %	54 %	58 %	62 %
Average number of employees	6,531	6,877	7,158	7,134	7,130	7,065	7,335
<b>Performance indicators</b>							
Amount of transports (millions of tonnes)	62.8	61.0	65.0	68.4	66.1	65.9	66.4
Transport performance (millions of tariff tonne-kilometres)	11,180	10,545	11,516	12,928	11,819	11,365	11,139

\* As a result of IFRS 15 implementation, the revenue from rental are reported newly within the "Revenues" since 2018

\*\* Since 2019, the level of assets and indebtedness have been affected by the implementation of IFRS 16



The main business segments of the ČD Cargo Group can be divided into the Transportation and Additional Services related to transportation.

In the conditions of ČD Cargo, a.s., the Transport segment is implemented through the product of complete trains and the product of individual wagon consignments, which ČD Cargo, a.s., offers to its customers worldwide as the only carrier in the Czech Republic. In the segment of Additional Services, the Company offers products, which are directly linked to the Transportation segment. They can be characterized by activities such as siding operations, customs services, safety advisory services, warehousing, leasing of unnecessary capacity of freight wagons and locomotives or maintenance and repair of railway vehicles to third parties.

These activities are provided both by the parent company's own capacities and in cooperation with companies with capital participation.

The potential of the subsidiaries is used mainly in the implementation of foreign expansion, which is one of the strategic goals of ČD Cargo, a.s. In 2021, the development of transportation in Austria and Germany continued through the branches of Niederlassung Wien and Germany. In cooperation with its subsidiaries, ČD Cargo also provides transportation for its customers in Poland, Slovakia and Hungary.

With a transport volume of 62,8 million tonnes of goods, the ČD Cargo Group thus ranks among the most important rail freight carriers in Europe. ČD Cargo, a.s., is also an important employer in the Czech Republic.

Segmental analysis (CZK million)		Transportation	Additional Services	Elimination	Total
Revenue	2021	11,419	3,761	(2,282)	12,899
	2020	10,845	3,585	(2,164)	12,266
Services, material and energy consumption	2021	(5,307)	(2,531)	2,291	(5,547)
	2020	(5,071)	(2,642)	2,155	(5,558)
Employee benefits costs	2021	(3,945)	(579)	0	(4,523)
	2020	(3,828)	(694)	(5)	(4,517)
Depreciation and amortization**	2021	(1,861)	(417)	33	(2,246)
	2020	(1,618)	(497)	59	(2,056)
<b>Profit from operating activities before tax</b>	2021	397	322	(86)	<b>633</b>
	2020	7	34	(119)	<b>(78)</b>
<b>Profit before tax</b>	2021	181	283	(77)	<b>388</b>
	2020	(173)	12	(115)	<b>(276)</b>
<b>Profit for the period from continuing operations</b>	2021	151	220	(83)	<b>289</b>
	2020	(146)	14	(116)	<b>(248)</b>



### TRANSPORTATION SEGMENT

The transport segment achieved a net profit before profit of CZK 181 million in 2021, which means a year-on-year improvement of CZK 354 million, which is mainly due to an increase in output and sales of CZK 574 million. We managed to increase transport in all key commodities, with the exception of the automotive industry, where the decline in car production was reflected, among other things, due to the lack of some components. Depreciation, financial costs and short-term rents on rail vehicles increased year-on-year in connection with ongoing investments in the renewal, modernization and maintenance of the rolling stock and locomotives. These investments are aimed at ensuring the long-term sustainability of the rolling stock and increasing its flexibility and interoperability, which is necessary for the continued expansion of the ČD Cargo brand into foreign transport markets. In addition to hardware, the company also invested more in its employees, increasing its real wages, thus supporting increasing labor productivity.

### ADDITIONAL SERVICES RELATED WITH TRANSPORTATION

In the additional services segment, the ČD Cargo Group generated a profit before tax of CZK 283 million in 2021, which is CZK 271 million more than in 2020. The increase in transportation in 2021 also had a positive effect on the additional services segment, which generated higher revenues from additional services by CZK 176 million, mainly from the performance and stays of sidings, sidings, etc. Higher sales and economic results in the additional services segment were achieved despite higher utilization of truck and employee capacity for transport services, as a result, the related costs of the company allocated to the additional services segment decreased year-on-year and the overall efficiency of these activities increased. Subsidiaries operating in foreign markets and in the Czech Republic, which offer a number of logistics and terminal services or lease the necessary capacity of locomotives and trucks, also make a significant contribution to the stable profit of the additional services segment.









## | 04

## Major Events in 2021

### January

- Commencement of the lease of 7 Vectron locomotives for international transport. Vectron 193.724 has a sticker drawing attention to the activities of the ČD Group Endowment Fund - ŽELEZNICE SRDCEM.
- The first container trains with timber from the terminal in Kolín to China realized by with ČD Cargo Logistics subsidiary.

### February

- The first run of the 750.338 locomotive in retro paint for performances in the Operation Unit Usti nad Labem district.

### March

- Decision to purchase another 10 TRAXX MS3 locomotives with delivery date autumn 2022.
- On 16th March 2021, the first joint exercise of the Alien Police Department of the Regional Directorate of the Pilsen Region Police, ČD Cargo, a.s. and the Railway Administration focused on illegal migration took place at the Vejprnice railway station.
- On 31st March 2021, testing of a new application for train drivers began; ČD Cargo was selected for pilot verification of the DISAF (Digital Safety First) application.

### April

- On 21st April an online event for customers took place.

### May

- On 10th May, a 100% subsidiary ČD Cargo Adria was established with its registered office in Zagreb.

### June

- On 24th June, a devastating tornado hit a part of South Moravia. An important corridor line between Hodonín and Břeclav was damaged, a long-term voltage disconnection has been established.
- Results for the first half of the year - ČD Cargo, a.s., compensate for the loss incurred due to Covid-19 in 2020.

### July

- On 17th July, the Děčín - Bad Schandau line was damaged due to heavy rainfalls. All freight transport via this border crossing station has been suspended.
- On 23rd July, the first container train from Fushan, China, arrived at the ČD-DUSS terminal. The subsidiary ČD Cargo Logistics provided transportation, as well as customs services and subsequent delivery by road.



## August

- Successful completion of TTI tests for locomotives of series 163 and 363 in the Czech Republic and Slovakia. This is a significant milestone in switching the ETCS from isolated mode to routine use.
- On 8th August, the 170th anniversary of the start railway mail transport between Vienna, Brno and Prague was celebrated by a special historic train ride. ČD Cargo, a.s., also took a significant part in the event.
- The strikes of the train drivers of DB Cargo significantly affected the operation of trains between the Czech Republic and Germany.

## September

- On 7th September, the first set with Innofreight superstructures loaded with waste from South Moravian municipalities affected by a devastating tornado at the end of June was unloaded on the siding of the Podkrušnohorské Technical Museum in Litvínov.
- On 13th September, a meeting of representatives of the Central European Institute for Transport Development (SIRGO) took place with railway experts on a special train from Prague to Lovosice.
- On 15th September, after a long break, the freight transport of ČD Cargo, a.s., on the Sokolov - Kraslice private line was resumed.
- On 16th September, the first modernised locomotive 363.257 was taken over at ČMŽO Přerov.
- On 25th September, a special train Connecting Europe Express (CEE) ride took place as a presentation of the European Year of Rail. Between Brno and Prague, a 383.001 locomotive with a new European sticker stood at the head of the train.

## October

- On 25th October, the subsidiary ČD Cargo Adria started business activities. The first business case was the transport of containers within the COSCO project from the port of Rijeka to Belgrade.

## November

- On 4th November, after a one-year break, the management of ČD Cargo, a.s., met with business partners at the traditional conference in Špindlerův Mlýn.
- On 10th November, a video presenting rail freight as a key element in addressing the EU's current climate and societal challenges was presented as part of the Rail Freight Forward campaign.

## December

- On 14th December, ČD Cargo, a.s., took over the last locomotive of the 744 series from the manufacturer CZ LOKO.
- Commencement of operation of the Lovosice – Lehrte – Rotterdam combined transport line with the ČD Cargo locomotive on the entire route.
- Signing of an agreement between ČD Cargo and Siemens Mobility for the purchase of 2 Vectron AC locomotives equipped with a Diesel Power Module (DPM). This is the first order of these locomotives in the Czech Republic.
- The Rail Authority has issued a decision to start trial operation with ETCS switched on for the first 6 locomotives of the 363 series.

**Tomáš Tóth**  
Chairman of the Board of Directors of ČD Cargo, a.s.





## | 05

## Statement of the Chairman of the Board of Directors

Dear Shareholders, Business Partners, Ladies and Gentlemen,

another year has passed, therefore let me share with you the most important events of the joint-stock company ČD Cargo, a.s., in 2021. When I was preparing a summary of what I would like to tell you, I remembered that in the introduction to the Annual Report for the year 2020 I had evaluated 2020 as one of the most difficult years in the history of our Company. Even then, I knew that following year would not be easy and "nothing would come for free".

Again, the Company faced with a number of unfavourable circumstances that made it difficult to fulfil our business plan. The Covid-19 pandemic had a very strong impact, although fortunately the rail freight sector has not been affected as much as during the first wave in 2020. Demand for our services was stable in most commodities and marked by post-pandemic growth.

Personally, I am pleased that the Company have succeeded in offering to transport an ever-increasing volume of metallurgical products related to the boom in metallurgy. We have been able to cope with the decline in car transport due to lack of electronic components for their production and changes in the global combined transport market. However, we still have a long way to go. I have mixed feelings about the results of the solid fuel commodity. As a Chairman of the Board of Directors of ČD Cargo, I am extremely satisfied with how we were able to respond in the second half of 2021 and take advantage of the unprecedented increase in demand for lignite transportation, and thus cover shortfalls in our key commodities such as the already mentioned automotive and combined transport. From a macroeconomic point of view, I consider this as a blow to Green Deal's policy and the temporary unprepared-

ness of technologies for the decarbonisation of production and technological processes, including logistics chains for alternative fuels.

However, it was not only Covid-19, but also the nature and climatic conditions that made our work difficult. We all remember the frozen marshalling yard in Germany, corridor line between Břeclav and Hodonín damaged by a tornado and, last but not least, the damage to the important Czech-German line Děčín - Bad Schandau caused by heavy rainfalls.

The activities of our Company are firmly based on four strategic pillars. Despite all the negative influences, we are gradually succeeding in fulfilling their individual goals. We continue to modernise our vehicle fleet and equip our locomotives with the European Train Control System (ECTS). We continue our expansion into foreign markets. Thanks to the newly established subsidiary ČD Cargo Adria, we have started business activities in Croatia and Serbia. I believe that trains licensed by ČD Cargo will soon run on the Balkan lines. The development of intermodal transport is very important to us. We have started operation on the new line from Lovosice to Lehrte and Rotterdam. We are active participants in projects for the construction of new terminals. We also do not forget about CSR activities. Of the traditional ones, I would like to mention the transport of clothing for the Diakonie Broumov Social Cooperative, and of the one-off ones, the free transport of containers to the places affected by the tornado in June.

I would like to take this opportunity to thank all our business partners and assure them that we will do everything in the coming years to meet even the most demanding transport requirements. I would also like to thank our employees for their professionalism and dedicated work.



**Tomáš Tóth**  
Chairman of the Board of Directors of ČD Cargo, a.s.

## | 06

## Statutory Bodies and Management of the Company

ČD Cargo, a.s., is fully owned by České dráhy, a.s., which acts in the role of the General Meeting, i.e. the Company's supreme body. The Company's statutory body is the Board of Directors, which comprises three members; the Company's oversight body is the Supervisory Board, which has six members. Pursuant to Act No. 93/2009 Coll. on Auditors, a three-member Audit Committee was established as at 1 October 2009.

### Board of Directors and Management

#### 1. Tomáš Tóth

*Chairman of the Board of Directors (member since 4 December 2020, Chairman since 4 December 2020), age: 40 years*

An experienced manager who, after graduating from university in 2007 (graduated from the Faculty of Transport Engineering at the University of Pardubice - management, marketing and logistics), joined the railway, specifically ČD, a.s., as a Supply Centre Officer in Česká Třebová. In preparation for the establishment of ČD Cargo, he was a member of the Supply Team. In ČD Cargo, a.s., he first worked as a Purchasing and Supply Specialist, then he focused on project management and IT development. In 2012 - 2013 he worked as the Director of the Implementation Department of ČD - Informační systémy, a.s. In 2013 - 2018 he held the position of Director of the Department of Economics and Financial Management ČD Cargo, a.s. In the years 2018 - 2020, was the Executive Director of the Company. On 4 December 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to appoint Tomáš Tóth as a member of the Board of Directors of ČD Cargo, a.s. On 4 December 2020, the Board of Directors of ČD Cargo, a.s., elected him Chairman.



**Tomáš Tóth**  
*Chairman of the Board of Directors*



## 2. Radek Dvořák

*Member of the Board of Directors (since 1 April 2020), age: 41 years*

After graduating from high school and university studies (University of Pardubice, Faculty of Transportation - Management, Marketing and Logistics), he joined České dráhy, a.s., where he first worked in the field of European Union projects. For a long time Radek Dvořák worked in the Department of Passenger Transport (including the performance of the function of the Director of this Department), and gradually he also became the Deputy General Director of this Company. On 12 March 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to elect Radek Dvořák to the position of a Member of the Board of Directors of ČD Cargo, a.s., with effect from 1 April 2020. On the Board of Directors of ČD Cargo, a.s., Radek Dvořák focuses mainly on trade and international relations.



## 3. Zdeněk Škvařil

*Member of the Board of Directors (since 1 November 2014), age: 64 years*

Zdeněk Škvařil graduated from the Transport University at Žilina. Throughout his whole career he has worked in the railway segment and has held numerous operational and management positions. He has been employed by ČD Cargo, a.s., as the head of the operational unit in Brno since the Company's formation. Since 1 November 2014, he has been a member of the Board of Directors of ČD Cargo, a.s., and has managed the Operations Division.



## Supervisory Board

### 1. Václav Nebeský

*Chairman of the Supervisory Board (member of the Supervisory Board since 26 October 2019, Chairman since 30 October 2019), age: 44 years*

Václav Nebeský graduated from the Secondary Technical School of Transport in Prague and later he graduated with bachelor's degree in Transport Management, Marketing and Logistics at the Jan Perner Transport Faculty of the University of Pardubice. From 1996 to 2000 he worked for ČD, a.s., as a train dispatcher, then as a technologist at the Regional Operational Office (OPŘ) Pardubice and a system specialist in the Department of Strategy and Informatics of the General Directorate of ČD. Later he also worked in the Group's subsidiaries, namely ČD Telematika and ČD Informační systémy. In 2009, he held the position of Deputy Director at CDT Internacional. Two years later he became a crisis manager at ČSAD SVT Praha. He also held managerial positions at RPP International, UniControls, VISE-FI and XT-Card. From 2015 to 2017 he worked as an external consultant at the Ministry for Regional Development. In December 2017 he became political deputy at the Ministry for Regional Development of the Czech Republic. He was a member of the ČD Steering Committee and a member of the Government Council for the Information Society. On 4 December 2020, he was elected Deputy Chairman of the Board of Directors of ČD, a.s.

### 2. Lukáš Týfa

*Member of the Supervisory Board (since 4 January 2019), age: 43 years*

Lukáš Týfa graduated from the Trutnov Grammar School and the Czech Technical University in Prague, Faculty of Transportation Sciences. In 2002, he graduated from the Czech Technical University with a master's degree in Transport Infrastructure and in 2006 with a doctoral degree in Transport Systems and Technology. Since 2002 he has been working at the same faculty as a university teacher in the field of rail infrastructure and operation, where in 2013 he received a doctorate in the field of Transport Systems and Technology. From 2015 to 2018 he held the position of Head of the Department of Logistics and Management of Transport at Czech Technical University in Prague, Faculty of Transportation Sciences. From 2000 to 2003 he worked for GJW Praha, spol. s.r.o., and in 2006 he was the Ministerial Council of the Public Transport Department of the Ministry of Transport. He was a member of the Supervisory Board of České dráhy, a.s. (2018). He is a member of the Inter-Ministerial Steering and Working Team of the Quick Connections Program and the Technical-Standardisation Commission No. 141/1 of the Czech Standardisation Agency. He is also a member of two expert groups of the Technology Platform Interoperability of railway Infrastructure.

### 3. Radek Nekola

*Member of the Supervisory Board (from 1 December 2007 to 30 November 2008 and since 1 December 2008), age: 57 years*

*Since 1 December 2018, re-elected by the Company's employees for another term*

Radek Nekola graduated from the Technical Vocational School in Prague and the Transportation high school in Prague, specialising in operations management. In 1981, he joined the then Československé státní dráhy, where he worked as a motor vehicle mechanic in the railway vehicles depot in Ústí nad Labem. He has worked in ČD Cargo, a.s., since 1 December 2007, and he has been granted a long-term leave for the position of Chairman of the Corporate committee of the railway workers trade union association of ČD Cargo, a.s. Currently, he is the deputy Chairman of the Railway Workers Union (OSŽ).

### 4. Marta Urbancová

*Member of the Supervisory Board (since 1 December 2018, elected by the Company's employees)*

Marta Urbancová graduated from the Railway high school in Šumperk, specialising in railway transportation. In 1995, after secondary school leaving examination, she started work as a train preparer in Ostrava and then as vehicle dispatcher and railway treasurer. Since 1 July 2009 she has been granted a leave for position of secretary of Chairman of the Corporate committee of the railway workers trade union association of ČD Cargo, a.s. In 2012, she completed her higher education and obtained a bachelor's degree at Silesian University in Opava, specialising in social policy and labour.



## 5. Jan Vrátník

*Member of the Supervisory Board (since 4 October 2020), age: 58 years*

Jan Vrátník received his university education in Czechoslovakia and completed it at the University of Twente in Enschede. Immediately after graduation, he began his long-term work in the banking sector, his name is known mainly from his work in Erste Bank and Erste Bank Group, which also includes the largest Czech bank - Česká spořitelna, a.s. He also worked in this banking company in important positions, specifically as an executive director in the years 2007 - 2017. On 18 September 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to appoint Jan Vrátník to the Supervisory Board of ČD Cargo, a.s., with effect from 4 October 2020.

## 6. Pavel Kysilka

*Member of the Supervisory Board (since 26 October 2019), age: 63 years*

Pavel Kysilka graduated from the Faculty of Economics of University of Economics in Prague. From 1982 - 1989 he worked there as a lecturer and continued his internal postgraduate studies. In 1986 - 1990 he worked at the Institute of Economics of the Czechoslovak Academy of Sciences. In 1990, he became the Vice-Dean for Science at the Faculty of Economics, of University of Economics in Prague. From September 1990 to the end of 1991 he worked as an advisor to the Minister for Economic Policy and Local Development of the Czech Republic. At the beginning of 1992, he joined the State Bank of Czechoslovakia, where he managed the headquarters for the Czech Republic. From 1993 to 1999, he was the member of the Czech National Bank (CNB) Bank Board, Vice-Governor and Executive Governor of the CNB. From 2000 to 2004, he worked as the chief economist of Česká spořitelna. In 2004, he became the member of the Board of Directors and Deputy Director General of Česká spořitelna. From 2011 - 2015, he was the Chairman of the Board of Directors and CEO of Česká spořitelna.

He is the founder of 6DAcademy, the Chairman of the Supervisory Board of the Czech Aviation Centre. Since 2019, he is the Chairman of the Supervisory Board of ČD, a.s., and the member of the Supervisory Board of ČD Cargo, a.s.

## Audit Committee

### 1. Oldřich Vojtěch

*Chairman of the Audit Committee (member since 15 December 2009, Chairman since 18 February 2010), age: 60 years  
(Since 17 December 2019 re-appointed for another term)*

Oldřich Vojtěch graduated from the Faculty of Education of Jan Evangelista Purkyně University in Ústí nad Labem and graduated from a doctoral study at the Transport Faculty of the University of Pardubice. He was a member of the Parliament of the Czech Republic and he managed or supervised business, energy and transportation companies. At present, he manages Enima pro, a.s., which focuses on engineering and work in the construction industry, electro-technology and transportation technology in Prague, with branches in Ostrava and Most.

### 2. Libor Joukl

*Member of the Audit Committee (since 15 December 2009), age: 55 years,  
(on 17 December 2019, he was re-appointed for another term)*

Libor Joukl graduated from the Brno University of Technology. In 1989, he joined ŽDAS in Žďár nad Sázavou, dealing with plant equipment construction and design. From 1991 - 1992 he worked as an independent agent for the PENTA Žďár nad Sázavou advertising agency. Since 1992, he has been self-employed. Between 1994 and 2000, he acted as the Production Manager of JMZ-CATONEX s.r.o. In 2000, he became a Statutory Executive and Director of APOLY s.r.o. Příbryslavl. Since 2002, he has been a member of the Town Council of Příbryslavl. He was a member of the Supervisory Board of MERO, a.s., Kralupy nad Vltavou from 2003 - 2006 and its Vice Chairman from 2004 to 2006. Since 2004, he has been a member of the Regional Council of Vysočina; in November 2008 he became the Deputy Governor of the Vysočina Region for transportation and property. Currently, he is a member of the Regional Administration and Maintenance of Roads Vysočina Regional Council Board.

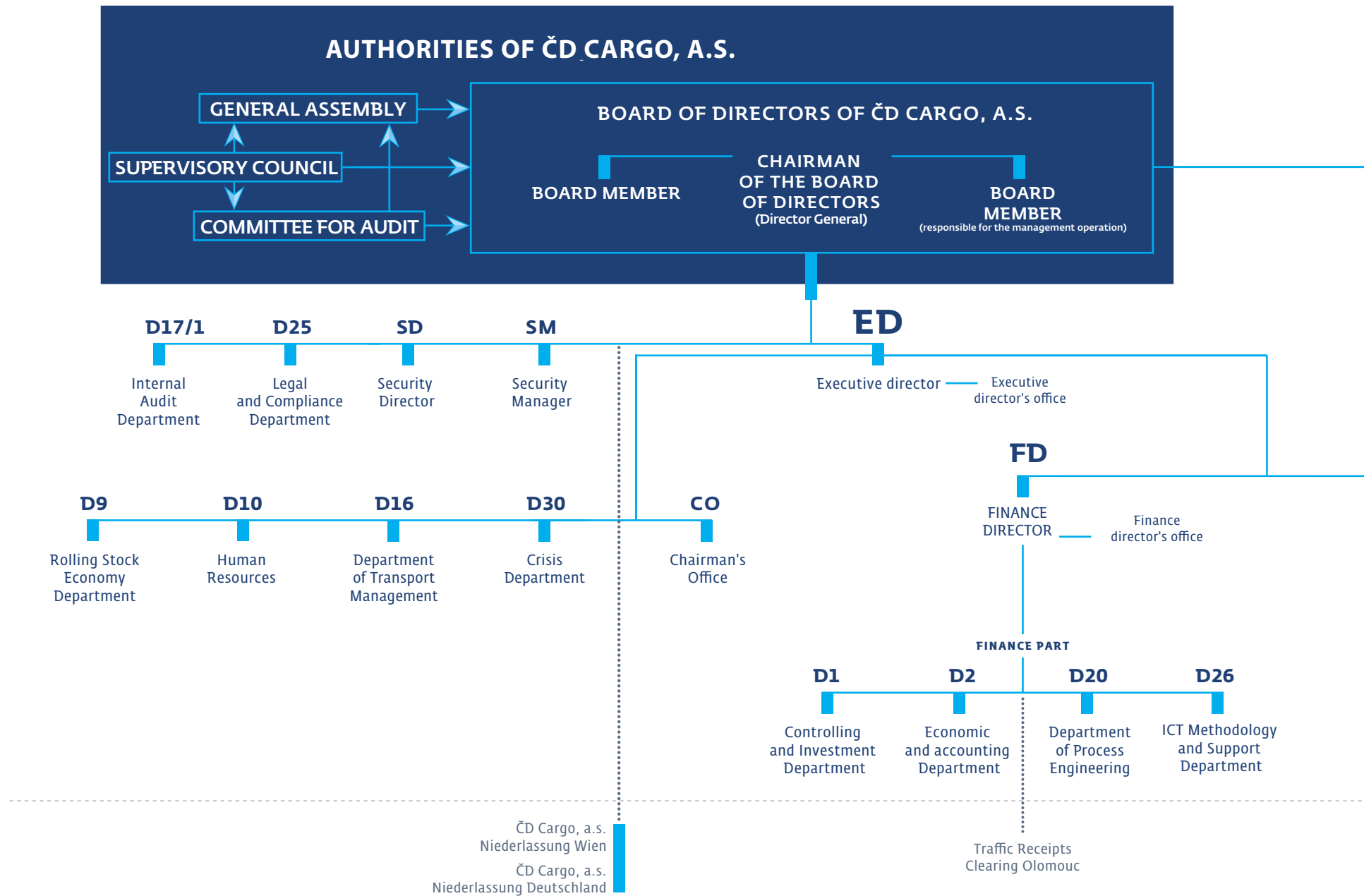
### 3. Miroslav Zámečník

*Member of the Audit Committee (since 15 December 2009), age: 59 years,  
(on 17 December 2019, he was re-appointed for another term)*

Miroslav Zámečník graduated from the University of Economics in Prague and Pew Fellow School of Foreign Services, Georgetown University, Washington. From 1990 to 1993, he worked as an advisor to the federal Minister of Finance and then the head of the Centre for Economic Analysis of the Office of President Václav Havel. Between 1994 and 1998, he was a representative of the Czech Republic at the World Bank in Washington, D.C. Since 2001, he has worked as an independent economic consultant specialising in the restructuring of companies. He was a member of the National Economic Council of the Czech Government.

## | 07

## Organization Chart of ČD Cargo, a.s., as at 31. 12. 2021



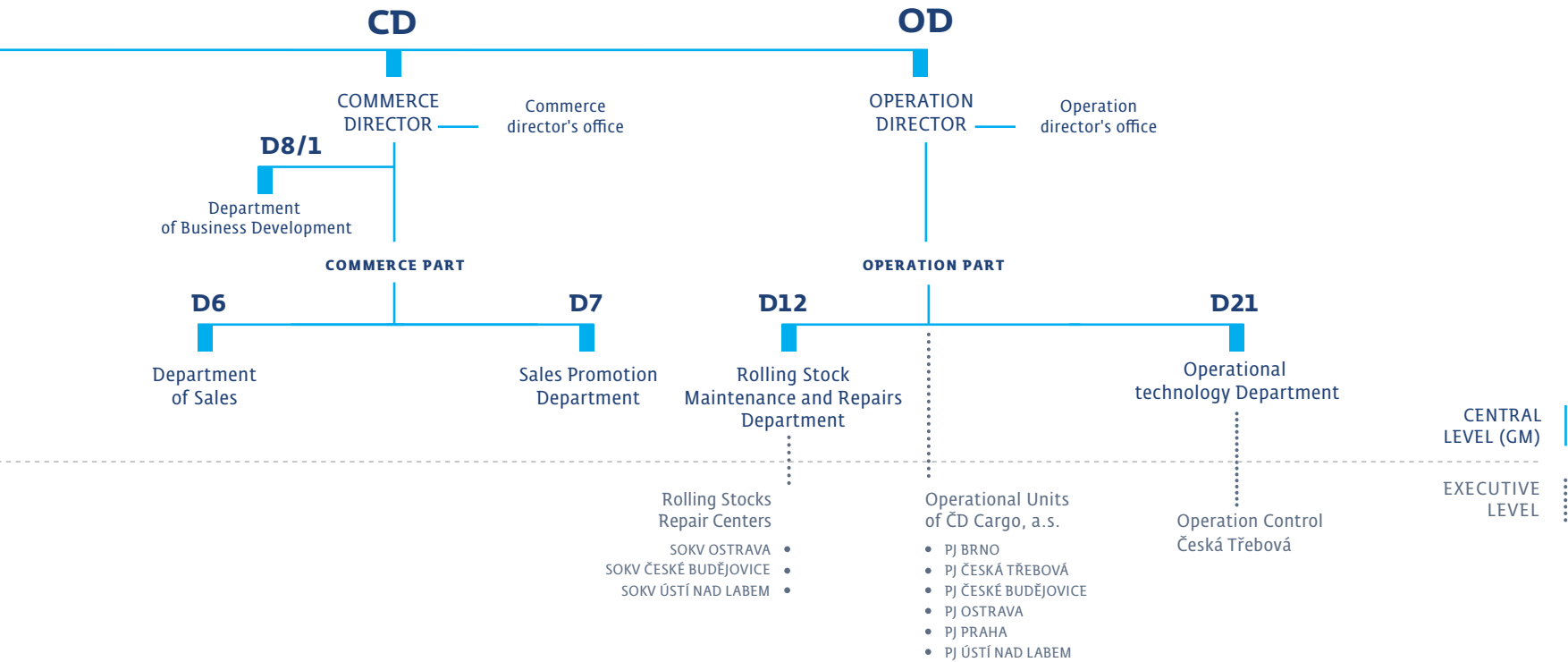


# Joint ventures, capital interests

- RAILLEX, a.s. (based in Praha)
- BOHEMIAKOMBI, spol. s r.o. (based in Praha)
- Ostravská dopravní společnost, a.s. (based in Ostrava)
- Ostravská dopravní společnost – Cargo, a.s. (based in Ostrava)
- BCC s.c.r.l. (based in Bruxelles)

# Subsidiaries

- CD Cargo Germany GmbH (based in Frankfurt am Main)
- CD CARGO POLAND SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ (based in Warszawa)
- Terminal Brno, a.s. (based in Brno)
- ČD Cargo Logistics, a.s. (based in Praha)
- ČD-DUSS Terminál, a.s. (based in Lovosice)
- CD Cargo Slovakia, s.r.o. (based in Bratislava)
- ČD Cargo Adria d.o.o. (based in Zagreb)













## | 08

## Report of the Board of Directors on the Business Activities and Position of ČD Cargo, a.s., for the period of 1. 1. 2021 – 31. 12. 2021

### Freight Transportation Operations

#### FREIGHT TRANSPORTATION

In 2021, ČD Cargo, a.s., transported 61,428 million tonnes of goods on the domestic market, which is approximately 4 % more than was transported in the same period of 2020. Revenues from freight transport in 2021 reached CZK 10,772 billion, which is CZK 587 million more than in 2020. The largest increase of year-on-year sales was achieved in the commodities: iron and mechanical engineering, wood and paper products, chemical products and liquid fuels, hard coal and coke. On the other hand, the largest year-on- sales decline was occurred in the automotive industry. In 2021, the ČD Cargo Group transported a total of 62,8 million tonnes of goods (*this statistic represents a consolidated view of the transport volume, i.e. the tonne realized by the companies in the Group on interstate routes is counted only once*).

In the iron and engineering products commodity, almost 1,5 million tonnes more were transported in 2021 than in 2020. The results were fully reflected in the boom experienced by metallurgy. This was reflected both in increased shipments of iron ore and in a significant increase in demand for shipments of metallurgical products. Thanks to this, we managed to obtain a number of new business cases, among which we can mention the transport of coils of sheet metal from the ironworks in Osopp, Italy, to Ostrava with transshipment by truck to Poland.

Also, in the commodity of building materials the transport volume was exceeded in 2021. An active trade policy has had a positive effect on the offer of transport during closures, as well as an increase in limestone transport related to the favourable trend in metallurgy (dolomitic limestone) and energy (increased electricity production). The Niederlassung Deutschland branch took over the transport of desulphurisation limestone to German power plants. One of the most important new orders was the autumn transport of waste debris from Lusatia to the bridge at the CELIO landfill.

While in the first half of the year the performance in the brown coal commodity decreased and some power plants and heating plants burned only wood chips, the end of the year was marked by increased demand for transportation of this commodity. It was a logical reflection of the situation on the energy market, when power and gas prices climbed very high and there was great interest in coal from both power and heating plants. The performance of the hard coal and coke commodities fluctuated during the year. This was influenced by the reduction of mining in OKD and also by the changing situation in Polish mines. Today, a large part of the transport is carried out with the subsidiary CD Cargo Poland. In the Czech Republic, the importance of hard coal for energy is gradually declining, but its importance for metallurgy is unquestionable. This is also reflected in the year-on-year increase in transport of coke.

Transportation in the chemical products and liquid fuels commodity also increased year on year. Fuels were imported in roughly the same volumes, but significant problems were caused by the closures on Děčín border crossing station. Stability in fuel transport from Germany was maintained mainly due to the deployment of sets of ČD Cargo own wagons. With the gradually increasing consumption of aviation fuel at Prague Airport, the volumes of aviation gasoline transport, including domestic routes, also increased slightly.

The results in the wood and paper products commodity are consistently good, which is the result of the active business policy of ČD Cargo, a.s., in the removal of calamitous wood. The removal of calamitous wood also took place from a number of new locations - the Ore Mountains, Liberec, Lusatian Mountains, etc. The timber is processed not only in the country but also abroad - Austria, Poland, Romania. These shipments are carried out by subsidiaries, resp. foreign branches. The competitive advantage of ČD Cargo, a.s., is the long-term use of Innofreight technology, especially GigaWood superstructures.

Grain transport has the greatest impact on the results of food and agricultural commodities. After a promising start to the year, forces were gradually exhausted and shipments were limited to ad hoc business cases, both in exports and in transit through the Czech Republic. Mineral water transports maintained a standard level, they were carried out in cooperation with subsidiaries in Slovakia and Hungary. Sugar beet transports to Hrušovany nad Jevišovkou also took place in cooperation with CD Cargo Slovakia.

The performance in other commodities was reflected in a slight decrease in postal services, which transferred part of the transports to the already modernised D1 motorway, due to closures (Bezpráví, Pardubice railway junction). In contrast, transport of newly manufactured railway wagons increased. We have carried out military transports to Lithuania, Latvia and on domestic routes. Transformers were also transported, the most important of which are the transports to the Mochovce nuclear power plant. The portfolio of business cases is complemented by the ensuring the operation of diagnostic trains for the Railway Administration.

Combined transport in 2021 was influenced by many global factors. In addition to the Covid-19 pandemic, which limited the operation of Chinese ports, disorganised conditions and chaos in maritime transport between East Asia and Europe had the greatest impact, leading to significant increases in transport prices and reduction of transport reliability and performance.

For many months, sea transport was influenced by Suez Canal traffic jam caused by stuck ship Ever Given, which, of course, had an impact on the railways. The lack of



electronic components for car production also brought certain reductions - for example, car exports to Russia in containers were limited. Among the positives we can mention, for example, the launch of the line Lovosice - Lehrte - Rotterdam with the ČD Cargo locomotive on the entire route. Unfortunately, the shortage of electronic components for car production had a significant effect on the automotive commodity, as a result of which production was reduced or even stopped in most car manufacturers. A big problem for this commodity was also low quality of the transport towards Germany via Děčín border crossing station, due to limited capacity for example during closures.

Foreign branches in Austria and Germany have also had a successful year, participating in the regular transports (limestone to German power plants, cars, LKW Walter semi-trailers to Rostock, cement from Slovakia to various stations in Austria, wood to various stations in Austria, etc.) and also ensured the transport of a number of ad hoc business cases of wood, chemical products, newly manufactured Innofreight superstructures, etc.

#### OPERATIONAL MANAGEMENT (OPERATIONAL STRUCTURE)

The Operational Management of ČD Cargo, a.s., is based on three basic components - planning, management and executive. The planning component is the Department of Capacity Planning (O21/1), which is supplemented at the level of the Operations Technology Department (O21) by the Operations Support Department (O21/2), whose main task is to create the necessary operational legislation and ensure the contractual requirements necessary for cooperation with other entities. The Department of Safety and Traffic Control (O21/3) then ensures control activities in operation, participation in the creation of legislation to ensure safety, ensuring cooperation in extraordinary events investigations and also control of compliance with the set technologies. Based on the requirements of the Trade Department (O06) and the Transport Management Department (O16), the Capacity Management Department provides a long-term plan (in the form of a Train Transport Schedule for individual wagon consignments and unit trains for long-term business cases) and a medium-term plan for interest transports (in the form of operational orders). At the same time, within the framework of digitisation and the related Customer Transport Management project, it ensures the creation of technologies in IS ELITE, according to the assignment of the Department of Transport Management (O16), with which the Product Planning Group (RP/14) works and creates medium-term plan (on the basis of customer orders or Transport Management Department (O16) orders). Due to the ongoing Customer Transport Management project, this plan consists of two different methods - the previously used method, i.e. introducing into the Product Transport Overview, and a new method using IS ELITE. As the results are presented in two different ways are not suitable for the managing and executive branch of ČD Cargo, a.s., the Summary overview of transports was created, which combines

two outputs into one. Subsequently, the managing and executive branch of ČD Cargo, a.s., continues to work.

The plan is implemented by the management unit - Operation Control Česká Třebová (ŘP ČT), which further refines medium-term operating plans in cooperation with the Customer Centre and in response to the current development of customer orders and creates short-term (shift) plans. As a result of the final compilation and implementation of the Shift Plans, the role of the dispatching apparatus of the carrier ČD Cargo, a.s., was thus fully fulfilled (to the extent stipulated by the Organizational Rules).

Operating Units of ČD Cargo, a.s., which are operationally subordinated to the Operation Control Česká Třebová, are the executive component. Their task is to provide local transport and at the same time to ensure the capacity of train crews to cover the medium-term plan (Summary overview of transports) and, if necessary, to provide a train crew on the basis of an operational extraordinary order of the dispatching apparatus (ŘP ČT). In the event of a lack of own capacities, the individual ČD Cargo Operations Units, in cooperation with the Department of Capacity Planning, will provide solutions either by utilizing the capacities of other ČD Cargo Operations Units, or the Department of Capacity Planning may ensure capacity through external entities in accordance with valid concluded contracts.

It is also necessary to include in the operational management branches established in recent years - ČD Cargo Niederlassung Wien and ČD Cargo Niederlassung Deutschland. These branches have their own organizational structure, communicating with the partner units of ČD Cargo, a.s. The planning component, the so-called Zugplanung, cooperates on the creation of plans with the Department of Capacity Planning (O21/1) and the Product Transport Group (RP/14), and also ensures the capacity of the transport route, traction vehicles (in close cooperation with the HV and LČ Performance Planning Group (O21/13)) and train crews. The so-called Dispo then provides dispatch management and is in close contact with the Operation Control Česká Třebová, primarily with the staff of the Dispostelle Děčín and Břeclav.

As already mentioned, the Customer Transport Management project has a high priority, which aims not only to digitize most of the processes related to the planning and implementation of transport, but also to plan, monitor and evaluate their quality. Currently, almost half of all planned transports take place through TMS/ELITE information systems. More than a thousand order sheets are processed for which more than two thousand technologies are created. In order to improve the data inputs and outputs for implementation and evaluation, a special working group is created including senior employees of the Department of Operational Technologies (O21), Department of Transportation Management (O16), Operation Control Česká Třebová and Department of Process Engineering (O20), which coordinates develop-

ment with IT supplier. More than 90 % of transports are expected to be planned in this new digital way within 12 months. The aim is to streamline the work of all relevant units of ČD Cargo, a.s., to improve the plans and success of their implementation and to satisfy the customer's requirements for timeliness and information on the movement of his shipments.

The result of the cooperation of all three main operating components, planning, control and executive, is the average performance of approximately 4,000 trains per week (excluding Lv rides), of which approximately 2,500 are trains from the system of individual wagon consignments, for which ČD Cargo, a.s., draws on support in the form of a discount on the use of the transport route. About 1,500 are unit trains of various commodities, where for combined transport and selected transport of wood products and brown coal using Innofreight technology a discount on the use of the route is also applied.

#### OPERATIONAL SAFETY

In the area of the system for ensuring the safety of rail transport operations, in 2021 the implementation of the requirements of European legislation continued, both within ČD Cargo, a.s., and within external entities participating in the operation of rail transport or affecting safety in any way. These entities may include carriers cooperating in the transport of ČD Cargo, a.s., railway operators, holders and owners of railway vehicles or entities participating in the safe loading and unloading of consignments.

Internally at ČD Cargo, a.s., there was a change in the rules and procedures within the security system, consisting mainly in greater interconnection and unification of individual processes with our foreign branches Niederlassung Wien in Austria and Niederlassung Deutschland in Germany. A regular quarterly safety evaluation at the level of the security manager, the so-called Safetymanager jour-fixe, has been introduced, in which the safety managers of foreign branches and other persons responsible for important areas of the safety management system participate. This evaluation assesses individual safety indicators and developments in this area of the prior period, on the basis of a detailed analysis of extraordinary events and related risk assessment, analyses important internal and external safety information and information from national safety authorities (railway authorities) such as safety recommendations, information on changes in binding regulations or information on detected defects within the framework of surveillance or state supervision. The result is the definition of priority topics for solutions in the following period, the definition of control objectives and other measures and tasks taken to increase safety. In connection with this security assessment, a summary report is prepared, the aim of which is to inform the Board of Directors of the development in the area of the security assurance system.

As part of connection with external entities, ČD Cargo, a.s., intensively participated in the solution of safety issues within the Association of Railway Freight Carriers - ŽESNAD.CZ. The result in 2021 is, among other things, the participation of representatives of ČD Cargo, a.s., in the working group of the Railway Administration for the creation of the Amended Traffic and Signalling Regulation SŽ D1 and the establishment of bilateral communication with Railway Authority of the Czech Republic in the implementation of safety recommendations.

One of the safety status indicators is the accident analysis. In 2021, ČD Cargo, a.s., registered a total of 230 extraordinary events, of which 2 were serious accidents, 41 accidents and 187 incidents. According to the data as at 1 February 2022, ČD Cargo, a.s., is responsible or co-responsible for the occurrence of 120 extraordinary events, while the investigation of 15 extraordinary events has not yet been completed. 87 out of the closed extraordinary events are caused (eventually with a contribution of fault) by employees of ČD Cargo, a.s.

The total damage caused by all extraordinary events in 2021, regardless of their cause, is estimated at more than CZK 112,4 million. Compared to 2020, this is a decrease of more than CZK 40 million.

In the area of preventive activities and control, a specialized type of control activity was newly introduced in the course of 2021, the so-called internal audits of SMS activities. The aim of these audits within ČD Cargo, a.s., is to systematically check compliance with the set rules of individual sub-processes of the security system and, on the basis of findings, to take measures to improve the situation. In 2021, two specialized audits took place, namely in the Operational Unit České Budějovice and in the Operational Unit Ústí nad Labem. The third planned audit of O21 The Department of Operational Technologies was postponed to year 2022, due to the Covid pandemic. In 2022, it is also planned to extend these audits to the foreign branches of Niederlassung Wien and Niederlassung Deutschland. In addition to these newly introduced internal audits of SMS activities, quarterly thematic inspections at the level of the operational director continue to be an important pillar of the audit. The purpose of these inspections is to determine compliance with rules and procedures in certain areas of interest in connection with extraordinary events survey findings, implementation of changes or findings of national safety authorities or the above-mentioned audits of SMS activities. In 2021, for example, the area of compliance with the prescribed qualification requirements of ČD Cargo, a.s., employees, verification of the accuracy of operational data on vehicles in information systems and control of compliance with health and safety rules during shifting were carried out.

In connection with the implementation of the so-called 4th railway package, the Single Safety Certificate was introduced on the basis of Directive (EU) 2016/798 on ra-



ilway safety of the European Parliament and of the Council. It replaces the current system of issuing Safety Certificates at the national level and for the operation of rail transport in several EU member states, which is also the case with ČD Cargo, a.s. It is newly issued by the European Railway Agency based on the applicant's own assessment and the assessment by individual national safety authorities. In 2021, a time schedule of individual activities was approved with the aim of receiving this certificate by September 2023. In connection with the application process for the Single Safety Certificate, an introductory information meeting of ČD Cargo, a.s., representatives with a representative of the European Railway Agency took place in November 2021.

The year 2022 will be a year of intensive preparation and significant changes in processes, internal standards and procedures precisely in order to implement the latest requirements for the security system.

## Information on the Company's Assets

### THE REAL ESTATE OF ČD CARGO, A.S.

In addition to common basic means of production, i.e. railway vehicles, the ČD Cargo, a.s., also owns real estate. Without this, the business activity of the Company would be limited, therefore it should be considered as strategically significant. A total of 229 buildings and 260 plots of land owned by the Company is registered at the Czech Cadastral Office. The year-on-year changes are the result of a process of unifying plots of land or buildings into logical units, demolitions of unneeded and unused buildings, and settling ownership relations that had not yet been settled. The built-up area has almost 118 thousand square meters. The total land area is 933 thousand square metres (including built-up areas of individual buildings). Regular maintenance of the real estate is carried out by the Repair Centres for the Railway Wagons in line with the financial plan, the investment activity is carried out in line and in cooperation with the General Directorate of ČD Cargo, a.s.

Following the change in the licence for the operation of railway transportation, real estate tax returns for all land and buildings owned by the Company have been filed since 2015. Property tax returns were previously applicable only to immovable assets which were not directly related to activities of public interest or were, at least partially, subject to lease agreements. ČD Cargo, a.s., paid property tax to 10 relevant tax offices in the amount of CZK 3,866 million.

### LEASE OF RAILWAY VEHICLES

One of the other business activities within other business is the lease of railway vehicles in the form of long-term and short-term lease. In the form of a long-term lease, our subsidiaries and exceptionally other business partners, primarily to ensure our

performance, lease vehicles designed for operation territory, outside the Czech Republic. Short-term lease is performed for locomotives in individual business cases, outside our infrastructure, where mainly interoperable locomotives are used.

With regard to the lease of freight wagons, we provide our customers with both long-term and short-term or repeated leases of vehicles for spot and one-off transactions. For these purposes, wagons released from total unbound capacity are used. We offer the lease of most lines of wagons, including tanks. Additionally, we try to cooperate in projects for the use of non-operating vehicles. These are various forms of ensuring the operation of unused wagons and their subsequent operation.

The absolute priority is to use the spare capacity of rail vehicles in commercial transactions in cooperation with our subsidiaries, as part of joint expansion on foreign markets.

### VEHICLES FLEET, MANAGEMENT OF VEHICLES

As at 31 December 2021, in order to ensure the operation of freight trains, ČD Cargo, a.s., held 773 traction vehicles, of which 46 were locomotives subject to leaseback agreements. 661 locomotives were used for operations. As at 31 December 2021, freight wagons fleet consisted of total 20,418 freight wagons of different series, of which 835 were subject to finance lease or leaseback agreements. 16,016 wagons out of total wagons fleet were on average in operating condition. The fleet size was expanded according to needs by a group of 3,770 leased vehicles, in average, and by up to 12 interoperable locomotives.

During 2021, 1,203 freight wagons were scrapped due to wear and tear, obsolescence or poor technical condition and 120 vehicles were sold off for further use in the ČD Cargo, a.s. Group. In the course of 2021, 1 dissolved locomotive was scrapped, and approximately 7 machines were purchased for nostalgic reasons and for further use by interested individuals. Suitable spare parts from disposed vehicles were recovered for their use in the repair of other vehicles.

Maintenance and repair of railway vehicles were carried out mainly by own repair centres, also by České dráhy a.s., DPOV a.s. Přerov and externally. In 2021, 2,630 vehicles (1,422 overhaul repairs and 1,208 technical inspections) and several dozen locomotives underwent periodic repairs.

The Repair Centres for the Railway Wagons of ČD Cargo, a.s., participated in the installation of measuring electricity for electric locomotives, assembly of stations for GSM-R and Occupational Health and Safety (OHS) operations on traction units. Within the Eas freight wagons used for the transport of wood, scrap or coal the change of combined wooden floors with full metal floors continued.

In 2021, 18 modernised 742.71x series locomotives were delivered (modernisation of the 742 series locomotive, already a total of 33 pieces). Moreover, 5 diesel-electric locomotives of 744 series for light line service and the shift. Furthermore, trial operation of 10 locomotives of 388 series from Bombardier Transportation took place.

In 2021, the implementation of ETCS system took place on locomotives of 163, 363, 753.7 series and on prototype locomotive 130 (so-called retrofits). For production vehicles and upgraded vehicles, ETCS is included in the delivery. In 2021, the conversion of the locomotives of 163 to 363 series was also started.

The adaptation of the freight wagon fleet to the needs of the transport market with the aim to increase the operability of wagons in international traffic continued. Further 108 Eanos high-sided wagons and 100 Sgnss vehicles were added to fleet of ČD Cargo, a.s.

In order to comply with European legislation in the area of the use of so-called "silent wagons", at the end of 2021 ČD Cargo, a.s., had at its disposal 14,426 vehicles suitable for "silent" operation (equipped with composite brake blocks), of which 11,593 were owned by ČD Cargo, a.s.

In the area of freight wagons management, in 2021 and in the following years great attention will be paid to the planning and utilisation of vehicle capacity. The aim of this effort is to minimise inefficiencies in transport and vehicle management.

The Company's reporting includes regular evaluation of vehicle capacity utilisation, including identification of key issues by individual business groups of freight wagons. Any excess vehicle capacity is used as part of other business for lease purposes, so that the management of the available fleet of vehicles is as efficient as possible and provides additional resources to ensure its operability.

## Cross Functional Activity

### PRINT AND MEDIA COMMUNICATION

All marketing and communication activities of ČD Cargo, a.s., focus on supporting the sale of services and on creating a positive corporate identity as well as increasing overall brand awareness. Even in 2021, these activities were significantly affected by the Covid-19 pandemic and related measures.

Due to the limited possibilities of organising traditional marketing events, at the end of April a special online event was organised for business partners and customers of ČD Cargo, a.s., which, in addition to business presentations, also included light and entertaining topics and met with great response. In the autumn, this event was follo-

wed by a traditional business conference in Špindlerův Mlýn, the primary goal of which was to acquaint customers with the business strategy for the following period.

ČD Cargo, a.s., used its website to present its services and communicate important events. The wider public, including railway fans, was addressed through a Facebook profile. ČD Cargo's profile on Twitter was used to communicate with stakeholders and journalists. In 2021, an innovation was the establishment of a YouTube channel for the Company's video presentation. All these activities are aimed at a clear goal, namely to present ČD Cargo, a.s., as a stable, reliable and modern European carrier and, last but not least, a serious employer. Equally important was the PR presentation in professionally printed and electronic media. We can mention Dopravní noviny, Železniční magazín or the zdopravy.cz server.

It is also important to mention the importance of internal communication activities with the magazine for ČD Cargo employees – Cargovák as one of the main tools. In 2021, this area was complemented by the online concert "Cargo on the air", which was organised for all employees of the Company.

### TRADE FAIRS AND CONFERENCES

Trade fair presentations are an important element of active trade policy support as it meets one of the main strategic goals - expansion to foreign transport markets. In recent years, the trade fair display of ČD Cargo, a.s., has been present at most of the significant international transport and logistics fairs.

Even in 2021, this area was significantly affected by continuing restrictive measures in the fight against the coronavirus pandemic, especially in the first half of the year. The planned presentation of ČD Cargo, a.s., at the international trade fair TransRussia Moscow was postponed for the second year in a row, the prestigious international trade fair Transport Logistic Munich took place in the online version of the conference section only. The Czech Raildays Ostrava, domestic trade fair, was eventually cancelled as well.

And so, the only, but even more successful trade fair event was the presentation of ČD Cargo, a.s., at the international railway fair TRAKO in Gdańsk, Poland.

The situation was similar in relation to conference events, a number of actions were cancelled or replaced by an online version, such as the Pardubice Railway Conference, where ČD Cargo, a.s., was one of the partners.

In the second half of the year, the situation improved, so that after a one-year break, the traditional business conference of ČD Cargo, a.s., in Špindlerův Mlýn and a presentation as part of the Railway Days could take place.



## RESEARCH, DEVELOPMENT AND COOPERATION WITH UNIVERSITIES

During 2021, the Company continued its cooperation with certain Czech universities, in particular technical and economic universities, i.e. with the Faculty of Transport Engineering at University of Pardubice, the Faculty of Transportation Sciences at the Czech Technical University in Prague, the College of Logistics and abroad with the University of Žilina - Faculty of Operation and Economics of Transport and Communications in Slovakia. Students of these universities are offered to work on the topics of bachelor's and master's theses, in which they can link acquired theoretical knowledge with practice. Topics of these theses are designed so that their conclusions can be applied in practice. Students also have the opportunity to design their own topic and consult with experts from among the employees of ČD Cargo, a.s.

Cooperation with secondary schools also continued to be successful. We cooperate with 14 secondary schools on a contractual basis. One of the main activities of the cooperation was the provision of professional internships for schoolchildren. During the internship, they got acquainted with the activities of individual operational workplaces as well as with the description of specific professions. This activity was affected by coronavirus measures at some point in the year. The Company also organised thematic excursions with the schools of ČD Cargo, a.s., when the students were introduced to our workplace, technology, repair shops and wagon fleet, in which business cases and orders are realised. This cooperation brings results in the form of increased demand of pupils to complete professional internships at ČD Cargo, a.s., and the interest of graduates in working for ČD Cargo, a.s.

ČD Cargo considers the cooperation with universities as highly important and beneficial for both parties. The Company strives for closer cooperation with pupils and students already during their studies. Pupils and students are able to get acquainted with the environment of the freight carrier within the framework of professional internships, consultations during the processing of diploma theses, excursions and brigades. The company ČD Cargo, a.s., on the contrary, can use the results or findings from diploma theses to improve the quality of its further activities.

## INFORMATICS

### Operational Systems

#### PRIS – Expansion II and responsive web

In 2021, modifications to the operating systems were completed as part of the Expansion II project. The aim of this project was to adjust the operational information systems so that they would be able to support ČD's activities in infiltrating foreign transport markets. It was a large-scale integration change, the aim of which was, among others, to ensure the monitoring of trains, wagons or consignments and their transport performance on foreign infrastructure. The largest share of adjust-

ments concerned the PRIS system and also most of its communication with other operating systems – CNP, DISC OŘ, IS OPT and UDIV. An important step was the creation of the German language version in the DISC OŘ and PRIS systems with the aim of using these tools at ČD's foreign branches in Austria and Germany.

Furthermore, another part of the PRIS Upgrade project took place in the mentioned year, specifically the development of the responsive PRIS website, which builds on the previous deployment of the mobile version of PRIS. This web application uses a common platform of a new application server with mobile PRIS, which has become the basis for newly developed functionalities. In the following year, the set of new Queries and Information for work in operation will be expanded so that the responsive website will gradually replace the original version of PRIS, which dates from 2008 and loses its efficiency and performance. Extending these functionalities on the application server will thus enable their expansion on both the mobile PRIS and the responsive website in one step.

#### ZEVO-O Upgrade

In 2021, a part related to the registration of freight wagons, traction vehicles and INNO extension was put into operation in the ZEVO-O information system. The new ZEVO-O thus becomes a key system for the work of a fleet manager, which provides him with sufficient information for ČD Cargo, a.s., to secure the optimal number of wagons and traction vehicles for the handling of scheduled business cases.

#### Dynamic train formation

A fundamental prerequisite for dynamic train formation is the transition from relation planning to short-term planning with the possibility of editing the train plan for the day. Thus, an essential area to today's dynamic evolving requirements of our customers. In October 2020, the first demonstrations of a tool for the modification of daily train formation took place, which will replace the current tools in the next stages of development. In the first quarter of 2022, the tool is expected to be put into pilot operation, which will verify its readiness to deal with ongoing changes in train formation, including the impact on the planned inclusion of wagons into trains (reservations in the DISC-M train reservation system).

#### DISC M

During the autumn of 2021, a pilot operation of the freight wagons localisation system was launched for selected wagons in the system of individual wagon consignments. The aim of the implementation is to manage the transport of wagons with the aim of guaranteeing the end customer the expected time of delivery or the delivery of an empty wagon for loading, as well as to plan the utilisation of trains or the loading of loads. During the year 2022, it is planned to start into routine operation for all transports.

**Order form and monitoring of interest shipments**

The Order Form (OF) project includes its creation, process incorporation within ČD Cargo, a.s., and routine deployment. In 2021, the creation and test operation of OF took place, which included about 100 selected shipments. As part of the process incorporation, other related functionalities were created, such as the creation of operating technology (according to the wording of the OF), and at the same time the entry of orders linked to the OF began. In the next step, operational planning and internal ordering of individual capacities were set. At the same time, a basic version of reporting which compare the plan with actual transport was prepared.

There is currently a rollout of other shipments. Another approximately 1,000 order forms and their variants were created, which contain around 1,800 technologies. Within the rollout, a gradual transition to the new way of ordering follows – according to the new rules, approximately 360 transports are currently carried out, which is approximately 2,200 trains per month out of a total of 4,700 product trains. For shipments processed in this way, the method of planning and monitoring/evaluation of the reality is changed. Following the rollout and the results of transport monitoring, process optimisation will take place in 2022 with a direct link to the management of customer shipments. Subsequently, other service processes of individual departments will be optimised.

**Traction vehicles and drivers management**

As part of the traction vehicles resource and driver management project, for the purposes of planning cycles and shifts over daily objects, a passive flat graph was created in KASO and an environment was prepared for the development of an active flat graph in KASO. Furthermore, adjustments were made to the APS for the receipt and possible processing of changes in the schedule of shifts received from KASO. In connection with this, the subsequent processing of shifts and changes in APS was adapted to the new structure of data transmitted from KASO.

For the year 2022, it is planned to create an active flat chart in KASO for more user-friendly planning of cycles over daily objects. Furthermore, new communication will be created between KASO – EPROV and EPROV – DISC-OŘ. These are a necessary prerequisite for subsequent modifications in the DISC-OŘ, resulting in application logic of the dispatchers planning the deployment of traction vehicles and locomotive crews.

**Digitisation of Maintenance Records Processes – traction vehicles part**

In 2021, the NOETIC system was gradually implemented as part of testing and pilot operation. It brings administrative simplification of the whole process of reporting performed activities and specification of information on performed repairs of traction vehicles in individual SOKV, including the time required for individual interven-

tions. The system also provides electronic documentation of compliance with maintenance requirements, including the responsibility of particular employees for the activities performed. The system is thus an important addition to meeting the requirements of the ECM. Its routine operation will be launched at all SOKVs during the first half of 2022.

**Upgrade APS and ÚDIV**

In 2021, analytical work as part of the long-term planned replacement of the APS and ÚDIV systems has begun. Both systems were put into operation at the beginning of the millennium, and due to technical, functional and safety obsolescence, it is necessary to modernise them. Due to the complexity of both systems, which affect the key processes of ČD Cargo, a.s., their deployment will take place during 2023.

**Business Systems****Oscar upgrade**

All major work on the functionalities of the mOSCAR system took place, including the necessary interfaces to other systems. We managed to prepare the system so that it would be possible to use new functionalities in relation to changes in the business processes of ČD Cargo, a.s., i.e. implementation of an order form, implementation of a new JVZ (individual wagon consignment) pricing model or capacity planning. The system is thus ready for deployment in a production environment, which will take place in the first half of 2022.

**Economic and other support systems****Global rate change and bulk invoicing**

Implementation of changes in global-rate shipments from the shipment level to contract level and a change in the accumulation of bulk-invoiced shipments in IS SAP.

The offered modification ensures relevant presentation of multi-section contracts, including various contracts – with a global rate and without a global rate on invoices. For bulk invoices, the different directions of transport (import/export/transit) are merged into one invoice.

**ISDOCX**

Modification of invoice distribution, implementation of ISDOC6 format enabling creation of ISDOCX from invoicing data and attachments. ISDOCX is a ZIP archive file. In addition to the electronic document in XML format, it can also contain other files of any format.

**Electronic book of standards and its mobile version**

Following the development of SW support for electronic acquaintance of employees with documents, the Electronic Book of Standards (EKN) was partially implemented



in the Company's infrastructure in 2021. It is a web application that ensures the delivery of a document of any format from its manager to the end recipient and records a demonstrable acquaintance for a given user. The use of this tool is planned on a company-wide scale, i.e. including operational workplaces.

In 2021, the development of the mobile version of EKN has also began, which will enable a demonstrable acquaintance with the document not only on the driver's tablet, but also on the other mobile devices with the Android platform. Important functionality of EKN will also be the delivery of electronic train documentation to the traction vehicles.

#### **Electronic support processes**

By implementing M365 products within the MOMIS project, ČD Cargo, a.s., opened up new possibilities, e.g. helping to computerise part of the processes that had previously been carried out on paper. ČD Cargo, a.s., focuses mainly on approval processes, signing processes using electronic signatures and personnel agenda processes.

#### **Applications for drivers**

##### **NavTrain**

The aim of the project was to create a system solution for processing the electronic form of timetable sheet (TJR) and the route book (TTP) into driver's tablets. It is a passive assistance system that improves the driver's orientation while driving and reduces the risk of human error caused by inattention. The basis is a projection of the ride into a moving map/table 9, including an acoustic and visual warning of any impending danger, or a ride in violation of the currently valid conditions on the tracks. The first testing version for the project team was delivered in December 2020. At the beginning of January 2021, a verification operation of the application for 50 drivers was launched. At the same time, the development of the application took place – important milestones/functionalities: integration with PRIS and ASC, calculation of the position in case of GPS loss, warning of speed reduction, calculation of the maximum permitted speed. As at 30 June 2021, the second stage of the project, when almost all functionalities towards the driver were completed, was finalised. From the middle of 2021, the training of ČD Cargo, a.s., train drivers as well as the completion of the last modifications of the system has followed. Upon successful completion of the training, the drivers received an application for normal use. The application was distributed to all ČD Cargo, a.s., drivers at the beginning of October.

##### **Driver's digital workplace**

The aim of the Driver's Digital Workplace (DPS) was mainly to simplify and centralise the driver's work with the tablet using the same control logic as the NavTrain application, which was the first module of this concept. In the second half of 2021, the

work on two other modules began – the electronic Book of Driving Vehicles Transfers and the Driver's Reporting.

#### **Microsoft Infrastructure Upgrade**

In February 2021, a pilot implementation project of Microsoft infrastructure modernisation (MOMIS) was launched based on the specification of infrastructure architecture of systems and services prepared in 2020. The aim of the project is the transition of the Company to modern ways of internal and external collaboration and ensuring the protection of the Company's information assets using modern security tools and technologies. The project creates a hybrid environment with significant use of Microsoft 365 cloud services, including in particular the areas of infrastructure and security, as well as office and application environment. Together with ČD-IS and Microsoft, the individual M365 services are being gradually implemented, as well as the acquisition of licenses. Completion of the pilot phase of the project is planned by first quarter of 2022 and a complete transition of the entire ČD Cargo, a.s., to the new environment is planned by the end of 2023.

#### **INVESTMENT**

In 2021, ČD Cargo, a.s., acquired fixed assets with a total value of CZK 3,572 billion, which means a year-on-year increase of approximately CZK 530 million.

The Company's investment activity continued to be primarily focused on the renovation and modernisation of railway vehicles fleet, where investments amounted to CZK 3,35 billion (including component repairs of freight wagons and locomotives), representing 94 % of the total value of acquired fixed assets. ČD Cargo, a.s., thus invests in the core area of its main business.

##### **Investments in freight wagons**

In terms of freight wagons investments, the most significant event was the purchase of 100 new freight wagons of Sgnss series for combined transport and the purchase of 108 new high-sided Eanos freight wagons which thus ended the delivery of wagons of this series from a previously concluded multi-year contract. Substantial part of the funds was also spent on component repairs of nearly 2,600 freight wagons.

##### **Investments in traction vehicles**

In the area of the acquisition of traction vehicles, the most significant investment projects in 2021 were the purchase of five Effishunter locomotives for shift and line service and delivery of 10 interoperable Traxx MS3 locomotives.

In the area of modernisations and reconstructions, the project of modernisation of diesel locomotives of the 742 series continued. At the same time, the implementation of ETCS security device on locomotives of 130, 163, 363, 742 and 753.7 series

continued. Moreover, the conversion of vehicles of 163 series for operation on alternating electric traction was started. At the same time the final stage of equipping the remaining vehicles with radio stations of the GSM-R system was completed.

In 2021, additional funds were invested in component repairs of locomotives (including their engines) in accordance with the new maintenance scheme and also in connection with ECM certification, which should have a significant influence on the increased reliability and operability of traction vehicles in the long term.

Furthermore, technical improvements of traction vehicles of various tractions and series were carried out, including the assembly of the traction energy consumption meters.

Within central activities in the area of Occupational Health and Safety (OHS), the drivers' workplaces are gradually being modernised (installation of safety glass, air-conditioning or auxiliary heating, etc.).

#### **Investments in construction and machinery**

Another part of the Company's investments are activities in the area of construction and machinery. These investments were focused on renewal of machinery for the needs of organisational structure units, reconstruction of administrative and repair centres within these units, including the improvement of the working environment, and renovation of tracks in repair centres, etc. In 2021, among others, the reconstruction of the ONVBřeclav track was completed and the modernisation of the OKV Třinec workplace continued.

#### **Other investments**

Other investments include IT investments, acquisition of handling technology and other. In the area of IT, the development of internal information systems and projects continued in 2021, in accordance with the medium-term IT strategy aiming to build a comprehensive IT architecture for sub-processes including reporting and support of ČD Cargo, a.s., business activities. Furthermore, other investments included, for example, the acquisition of a hydraulic wheel loader, the acquisition of a car for a mobile wheeltapper, including instrumentation, the reconstruction of foot lifts and a bridge crane with a capacity of 6,5t, and the renewal of other equipment at Repair Centres for Railway Wagons and Operating Units.

#### **CODE OF CONDUCT AND RESPECT FOR HUMAN RIGHTS**

ČD Cargo, a.s., strictly adheres to all legal standards and regulations and is aware of the risks and negative social impacts associated with non-compliance with them. ČD Cargo, a.s., also takes care of the continuous compliance and protection of human rights and realises that it is an area of increasing importance to both the

Company's employees and customers. Therefore, there is a business and moral obligation to ensure respect for human rights across organisational structure units and in the whole value chain.

Concurrently, a lot of attention is being paid to the ethics of the employees' behaviour and corporate culture during work, focusing, among others, on anti-corruption behaviour, prevention of criminal liability and personal data protection. No direct or indirect discrimination, especially on the basis of race, religion, sexual orientation, gender identity, etc, is permitted at ČD Cargo, a.s. The recruitment of new employees is determined by the education, expertise, qualifications and abilities of each candidate. During recruitment and other activities, ČD Cargo, a.s., does not exclude any candidate, with due respect for the principles of diversity.

The Code of Conduct helps to ensure that daily activities of the Company and behaviour of all employees comply with the laid down principles. In the event of unethical conduct, violation or reasonable suspicion of violation of the Code of Conduct and accepted principles of morality, each employee can report such case. At the same time, any such notification will be assessed and handled in accordance with the applicable "Settlement Handling" Directive. The Code of Conduct is linked to the internal standard: "Criminal Liability Prevention Program and Anti-Corruption Rules of ČD Cargo a.s.", as a strengthening of the fight against corruption, bribery and conflict of interest. In the same way, the Company would proceed in the case of human rights violations.

In 2021, no cases of violation of the Code of Conduct or human rights abuses were reported nor suspected.

The corporate culture and compliance with ethical principles are regularly one of the points examined during audits at ČD Cargo, a.s.

#### **EMPLOYMENT POLICY**

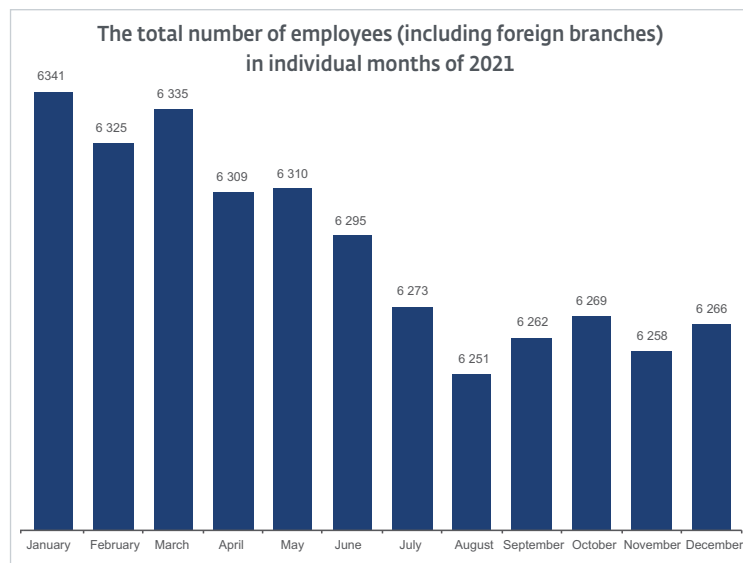
The year 2021 was a big test for ČD Cargo, a.s., which was passed especially thanks to all the Company's employees.

Although the effects of the ongoing Covid-19 pandemic and related measures against the spread of the disease were not avoided by ČD Cargo, a.s., benefits can be found in this difficult period in terms of using new methods of mutual communication with employees, focusing on greater personal responsibility and the need to learn how to move around within the online environment.

In 2021, the average registered number of employees, recalculated to full-time employees, including foreign branches in Germany and Austria, was 6,284.91. As at



31 December 2021, the number of employees including foreign branches was 6,266, of which ČD Cargo, a.s., had 6,206 employees (1,246 women and 4,960 men), the branch in Austria had 46 employees (8 women and 38 men) and the branch in Germany had 14 employees (1 woman and 13 men). The following chart shows the development of the physical number of employees during the entire reporting period.



ČD Cargo, a.s., provides employees with benefits defined in the Company's collective agreement, e.g. increased annual leave, employer's contribution to supplementary pension insurance, supplementary pension savings and life insurance, reduced weekly working time fund for selected operating activities with higher physical and neuropsychological burden, contributions for catering, recreation and organised cultural and sports activities. Specific groups of employees may undergo preventive healing stays under specified conditions. In 2021, this employee benefit was significantly limited due to ongoing epidemiological situation.

As part of the occupational medical services ČD Cargo, a.s., in cooperation with the contractual provider (Dopravní zdravotní, a.s.) provides medical supervision over the good health of its employees in accordance with applicable legal standards.

#### WAGE AND SOCIAL AREA, COOPERATION WITH TRADE UNIONS

In 2021, the average salary from the payroll costs excluding other staff costs at ČD Cargo, a.s., amounted to CZK 41,010.

The principles of remuneration and employee benefits have been enshrined in the "Corporate Collective Agreement of ČD Cargo, a.s., for 2020 – 2021" valid until 31 March 2021 and subsequently in the "Corporate Collective Agreement of ČD Cargo, a.s., for 2021 – 2022" valid for the period from 1 April 2021 to 31 March 2022, and in related internal Company's standards. In 2021, the Company duly fulfilled all its commitments to employees in the area of remuneration and employee benefits.

In 2021 eight trade unions were active in ČD Cargo, a.s.

#### EDUCATION

In order to maintain and acquire the professional competence of employees performing activities in the operation of rail transport in accordance with the provisions of the Railways Act (266/1994 Coll.), employees participate in mandatory and optional educational activities. The Company ČD Cargo, a.s., with its internal standards in the sense of valid legal norms and needs of the employer, has determined the range of qualifications, knowledge and skills of employees, which are also subject to the requirements for the range of services for individual customers. When training employees, the Company focuses on providing training to meet qualification requirements in accordance with the legislative requirements, offering specific training to acquire the necessary knowledge and skills even beyond qualifications, not only in the form of physical attendance but also e-learning and combined training to support sharing knowledge and experience. Due to the announced hygienic restrictions in relation to the Covid-19 pandemic, available forms and capacities had to be sought in the Czech Republic in 2021 to ensure, in particular, compulsory education.

#### OHS

The area of occupational health and safety was fulfilled in accordance with applicable legislation and in cooperation with trade unions. The management of objectives and system management policy of OHS proceeded in accordance with the OHSAS standard and the new ISO 45001 certification. In the course of 2021, ČD Cargo, a.s., actively modified anti-epidemic measures to prevent the spread of the Covid-19 virus. The Company applied both active measures (e.g. testing of all employees) and measures in the form of prevention (compliance with 3R principles). The Company continued its active approach to improving the working and social conditions of its employees.

#### ANTI-CORRUPTION RULES

The provision of services and performance of ČD Cargo, a.s., is based on the principle of equal access to the customers or suppliers. All the activities of ČD Cargo, a.s., are

based on the principle of zero tolerance for corrupt in all its forms, as well as for other forms of unlawful conduct, especially criminal conduct.

ČD Cargo, a.s., behaves in accordance with legal regulations and in accordance with its internal standards, including the "Criminal liability prevention program and anti-corruption rules of ČD Cargo, a.s." internal standard, which comprehensively regulates the issue of criminal liability of legal entities, including the anti-corruption approach of ČD Cargo, a.s. The internal standard is essential not only in terms of its content, but also in terms of its type, therefore it became the basic control act adopted by ČD Cargo, a.s., (i.e. document of ultimate importance, respectively extraordinary importance).

The last periodic training in connection with the above-mentioned internal standard was held in September 2020.

As part of the fight against corruption and other illegal activities, ČD Cargo, a.s., has established so-called Compliance Team, which handles notifications of unlawful conduct which could give rise to criminal liability for ČD Cargo, a.s., (such as corruption) or a notice of a reasonable suspicion of an unlawful conduct. Contact addresses for receiving such announcements are published on the website [www.cdargo.cz](http://www.cdargo.cz).

In 2021, no cases of corruption were under investigation.

#### QUALITY MANAGEMENT – ISO

Quality management helps the Company in fulfilling its main goal - to be a reliable and sought-after carrier with a stable share in the railway freight transportation market. The control of ISO management systems was delegated to the Internal Audit department.

The quality, environment, OHS and energy management system of ČD Cargo, a.s., is certified according to the following standards:

- ISO 9001 (quality certificate) for business activities in the field of railway freight transport and shipping, realisation of services in the area of railway freight transport and shipping, operation of railway and railway transport on siding, maintenance and repairs of railway vehicles and their parts, rental and hire of railway vehicles,
- ISO 14001 (environmental certificate) for the maintenance and repair of railway vehicles and their parts,
- ISO 45001 (certification of occupational OHS management system) for business activities in the area of railway freight transport and shipping, realisation of services in the area of railway freight transport and shipping, operation of railway and railway transport on siding, maintenance and repairs of railway vehicles and their parts, rental and lease of railway vehicles,

- ISO 50001 (energy management certificate) for commercial activities in the field of railway freight transport and shipping, realisation of services in the area of railway freight transport and shipping, operation of railway and railway transport on sidings, maintenance and repairs of railway vehicles and their parts, rental and hire of railway vehicles.

In supervisory or re-certification audits, an independent evaluator is required annually:

- verifies that ČD Cargo, a.s., complies with the requirements of standards for quality, environment, OHS and energy management; and
- confirms that the corporate governance system is well established and operational.

In addition to the above-mentioned certifications, ČD Cargo, a.s., has been certified by SQAS (Rail) according to CEFIC methodology since 2015 (SQAS is a European rating system used in road, rail, river, sea or combined transport of bulk and packaged goods, in cleaning station mode in distribution, storage terminals and in cooperation between companies, which takes into account the issue of hazardous chemicals).

During attestation – carried out every three years by an independent accredited assessor (according to SQAS (Rail)) – quality, safety, environmental impact and compliance with the requirements of the chemical industry in the implementation of provided transport services are reviewed.

#### AEO CERTIFICATE – SIMPLIFIED CUSTOMS PROCEDURES/SECURITY AND SAFETY (AEOF)

ČD Cargo, a.s., is one of the holders of the Authorised Economic Operator CZA-EOF0801B7 legitimacy - Simplified Customs Procedures/Security and Security Measures (AEOF). The Company has already obtained this certificate in 2009 and, in accordance with the valid customs legislation, successfully managed to keep it during the subsequent assessment of the conditions fulfilment. The AEO is recognised and taken into account in all EU Member States and in some "third countries" based on agreement, in particular when assessing risks related to safety aspects.

It facilitates access to customs clearance and an AEO certificate is required to handle some customs simplifications. The AEO certificate can be also used during the implementation and promotion of the Company's new business activities.

#### CUSTOMS SERVICES

As part of its supplementary services, ČD Cargo, a.s., also provides to its customers representation services in customs proceedings and management of Intrastat statistics.



Representation in customs proceedings forms an integral part of a comprehensive range of transport services. The Company offers its clients the opportunity to discuss the export and import procedures in the offices of customs representatives, for some business cases the Company also uses simplified customs procedures. There is also a customs clearance procedure at the Český Těšín station. An advantage of customer service at waypoint stations is that goods delivered to the stations are already cleared by customs. These services are used mainly by importers and exporters of bulk substrates. As another service to customers transporting goods by rail, ČD Cargo, a.s., offers the use of a simplified procedure of the transit regime on the basis of NL CIM, including the necessary security of the customs debt. For some shipments, especially through Serbia, the use of this simplification is the least burdensome for customers.

Amongst the Company's customers there are also companies that transport their goods by type of transport other than rail, especially at internal workplaces, which do not have the advantage of waypoint stations. We also consider this service to be important, as it brings, in addition to sales, an increase in prestige and awareness of the Company.

## The Company and the Community

### INTERNATIONAL ACTIVITIES AND RELATIONS

International activities of ČD Cargo are coordinated in cooperation with the parent company ČD. This is done, among others, within the framework of the rules set out in the Agreement on the Provision of International Business concluded between ČD Cargo and ČD. ČD Cargo is an independent member only in the Central Clearing Centre (BCC) and the Trans-Eurasian Coordination Committee (KSTP). We are members of the Freight Transport Forum and its study groups within the International Railway Union (UIC). Currently, ČD Cargo's representative leads the ISR Assembly in RAILDATA organisation, which operates central European data exchange systems. Within the Community of European Railways and Infrastructure Companies (CER), our Company focuses on legislation related to wagon noise, combined transport, ERTMS, freight corridors and capacity allocation. The main focus within the Organisation for Cooperation of Railways (OSŽD) and KSTP is, besides establishing and strengthening business contacts, mainly in the area of development of the unified consignment note CIM / SMGS and container transports. We are involved in an international project to implement the Telematics Applications for Freight Interoperability Specifications (TSI TAF). In doing so, we make use of our experience from the already described ties with the infrastructure manager.

The year 2021 was again strongly marked by the Covid-19 pandemic, when most international meetings, conferences and trade fairs have been gradually postponed and subsequently cancelled or organised using online communication tools. Intensive communication with the CER and the European Commission took place during the year to inform about the effects of the pandemic and to obtain support for rail freight at European level. This effort was reflected in the revalidation of Regulation (EU) 2020/1429 of the European Parliament and of the Council establishing measures for a sustainable rail market in view of the Covid-19 outbreak. In 2021, the work of the Rail Freight Forward (RFF) initiative, of which ČD Cargo is a member, focused on the future technological development of European railways, when several educational videos were published. The most important event of the European Year of Railways was the ride of the European train, which pulled a specially compiled Vectron ČD Cargo on the route between Brno and Prague in September 2021. The event was accompanied by a communication campaign highlighting the advantages and benefits of rail transport.

### ENVIRONMENTAL PROTECTION

Environmental protection at ČD Cargo, a.s., is centrally managed by the Department of Maintenance and Repair of the Directorate-General. The actual execution of activities related to environmental protection is provided by executive units of ČD Cargo a.s., (SOKV, PJ).

České dráhy, a.s., provides methodical support for ČD Cargo, a.s., in the area of ecology on the basis of the Mandate Agreement concluded on 27 May 2008 and Amendment No. 1 concluded on 22 April 2016. It includes especially comprehensive service related to removal of consequences of incidents, methodical support during implementation of existing environmental remedies, supervision and post-remedial monitoring, environmental protection trainings.

In June 2021, ČD Cargo, a.s., managed to keep its ISO 14001 certification. The relevant certificate valid until 2 June 2024 is available on the website of ČD Cargo, a.s. The external audit did not identify deficiencies in the area of Environmental Management System (EMS).

By adopting the environmental policy, all employees of ČD Cargo, a.s., are bound to environmental management, which primary goal is to describe, review, assess and improve the EMS in terms of waste and the negative impacts of activities and technologies on the environment (e.g. in compliance with pollution prevention principles, readiness for disasters, purchase of environmentally friendly products, environmental protection, and primarily an effort to reduce the production of waste).

The risks associated with environmental issues are emergency oil spills during repair operations, refuelling and incidents during operations. These risks are classified as significant environmental aspects and are being resolved by the relevant internal legislation and via emergency plans.

The main indicator of system performance is waste production, which has been maintained at a reasonable level for a long time. The quality of wastewater and the measurement of stationary sources emissions has been monitored as well.

Since 2020, the OKV Nymburk has been undergoing the reconstruction of the sewerage system, which will improve protection of groundwater against pollution. The completion of the event is planned for the middle of 2022. In 2021, the insulation of the heavy repairs hall (HATO) in SOKV Ústí nad Labem was implemented, which will reduce greenhouse gas emissions. At the end of 2021, a contract for the reconstruction of heating in Cheb was signed. The aim is to abolish the lignite boiler room and switch to ecological gas, which will be burned by modern low-emission local boilers. There will be a significant reduction in air emissions.

At the OKV Brno workplace, two gas boilers were replaced with new, condensing boilers, which will reduce the production of NOx emissions.

### Fire protection in 2021

In accordance with the "Organisational Rules" of ČD Cargo, a.s., the Maintenance and Repairs of Railway Vehicles Department (O12) continues to be the guarantor of fire prevention. The documentation is updated on a continual basis and eventual inspections, performed by the Fire Rescue Service of the Czech Republic (HZS ČR), identified no failures.

In 2021, the total number of Fire Rescue Service SŽ (HZS SŽ) interventions for ČD Cargo, a.s., was 237, out of which 145 were uncharged rescue and liquidation works, 45 were interventions beyond the scope of rescue and liquidation works from MU, where billing is performed by SŽ and costs are charged to the culprit and 47 HZS SŽ interventions are charged for ČD Cargo, a.s.

Out of the total number of HZS SŽ interventions, there were 4 fires of railway traction vehicles (HKV) due to technical failures, 10 were fires of wagon, 4 were cases of ignition of overheated bearing and 6 were cases caused by smoke-filled HKV engine room due to the glowing of the cabling insulation. Other cases of Fire protection unit (JPO) by MU interventions were related to removal of droplets from cisterns or putting derailed train back on tracks, collision with a person or a road vehicle.

All charged interventions of HZS SŽ are so-called additional services performed under contractual relationship, and were related to especially railing, securing loose cargo on vehicles, transfer of cargo, replacement of wheelsets, tree pruning, felling and wagon washing.

The total costs for HZS SŽ interventions for ČD Cargo, a.s., for 2021 amounted to CZK 639,963.

Constant attention at all levels of management is given to prevention in the field of fire protection.



## Corporate Social Responsibility

We are socially responsible and consider CSR to be the fourth pillar of our business. We have concluded an agreement with the Ministry of Industry and Trade on reducing energy intensity. We offer our customers the option of transportation using electricity produced from renewable sources. We offer this option to all customers who want to reduce their carbon footprint together with us. We also consider the implementation of the transport of goods in the form of individual wagon consignments to be a form of social responsibility, which represents a suitable alternative to truck transport. We offer this service as the only railway freight carrier in the Czech Republic. It can be used in approximately a thousand railway stations and freight stations. We award a socially responsible company certificate to companies that have decided to transfer at least part of their transport from road to rail. The traditional partner of ČD Cargo, a.s., in the field of transport, is also the social cooperative Diakonie Broumov, for which we transport consignments to the sorting centre in Broumov.

In August, ČD Cargo, a.s., provided free rail transport of containers for the inhabitants of South Moravian municipalities affected by the tornado. The transport took place from the METRANS group terminal in Prague Uhřetěves, via Terminál Brno (a

company with the ownership share of ČD Cargo, a.s.), by road to the destination, to specific affected municipalities.

We do not forget to promote rail freight either. We provided other locomotives with a varnish reminiscent of their condition after production. We participated in the Railway Days in Česká Třebová and Lužná u Rakovníka, where we showed the reconstructed presentation wagon to the public. In 2021, in the area of CSR activities, we also supported sports activities for young athletes and railway modelers.

During the year, the Company actively participated in the activities of the Endowment Fund of the ČD Group – ŽELEZNICE SRDCEM ("THE RAILWAY WITH THE HEART"), which was established by České dráhy, a.s., and ČD Cargo, a.s. The main goal of this endowment fund is helping railway workers and their families who have found themselves in difficult life situations caused by external factors, such as a serious accident at work, a serious illness or a threat from natural disasters. An interesting achievement was the purchase of Christmas presents for the children of deceased colleagues.



## Companies with equity participation

### CD CARGO GERMANY GMBH

Date of entry in the Commercial Register: 11 October 2004 (Germany)  
 Share capital: EUR 50,000  
 ČD Cargo, a.s., interest: 100 %  
 Principal business activity: brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s., freight forwarding.

### CD CARGO AUSTRIA GMBH

Date of entry in the Commercial Register: 30 March 2007  
 Share capital: EUR 275,000  
 ČD Cargo, a.s., interest: 100% granddaughter (100 % CD Cargo Germany GmbH)  
 Principal business activity: brokerage of services in freight transportation, freight forwarding.

### CD CARGO POLAND SP. Z O.O.

Date of entry in the Commercial Register: 18 December 2006 (Poland)  
 Share capital: PLN 41,966,000 (Polish zloty)  
 ČD Cargo, a.s., interest: 100 %  
 Principal business activity: operation of rail freight transport, brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s., freight forwarding, lease of freight wagons and traction vehicles.

### CD CARGO SLOVAKIA, S.R.O.

Date of entry in the Commercial Register: 24 September 2008 (Slovakia)  
 Share capital: EUR 6,675,475  
 ČD Cargo, a.s., interest: 100 %  
 Principal business activity: operation of rail freight transport, brokerage of services in freight transport on behalf of and for ČD Cargo, a.s., freight forwarding, lease of freight wagons and traction vehicles.

### CD CARGO HUNGARY, KFT

Date of entry in the Commercial Register: 26 March 2020 (Hungary)  
 Share capital: HUF 5,000,000  
 ČD Cargo, a.s., interest: 100 % granddaughter (100% CD Cargo Slovakia, s.r.o.)  
 Principal business activity: operation of railway freight transport, brokerage of services in freight transport on behalf of and for ČD Cargo, a.s., freight forwarding, lease of freight wagons and traction vehicles.

### ČD CARGO ADRIA D.O.O.

Date of entry in the Commercial Register: 10 May 2021 (Croatia)  
 Share capital: HRK 1,142,600  
 ČD Cargo, a.s., interest: 100 %  
 Principal business activity: operation of railway freight transport, brokerage of services in freight transport on behalf of and for ČD Cargo, a.s., freight forwarding, lease of freight wagons and traction vehicles.

### ČD CARGO LOGISTICS, A.S.

Date of entry in the Commercial Register: 16 June 2007  
 Share capital: CZK 10,000,000  
 ČD Cargo, a.s., interest: 100 %  
 Principal business activity: freight forwarding.

### TERMINAL BRNO, A.S.

Date of entry in the Commercial Register: 25 July 2008  
 Share capital: CZK 71,550,000  
 ČD Cargo, a.s., interest: 66.93 % (CZK 47.89 million)  
 Principal business activity: operations of a combined transportation terminal in Brno.

### ČD-DUSS TERMINÁL, A.S.

Date of entry in the Commercial Register: 1 March 2007  
 Share capital: CZK 4,000,000  
 ČD Cargo, a.s., interest: 51 % (CZK 2.04 million)  
 Principal business activity: operations of the container terminal in Lovosice.

### RAILLEX, A.S.

Date of entry in the Commercial Register: 17 June 2006  
 Share capital: CZK 2,000,000  
 ČD Cargo, a.s., interest: 50 % (CZK 1 million)  
 Principal business activity: cargo handling and technical transportation services.

### BOHEMIAKOMBI, SPOL. S R.O.

Date of entry in the Commercial Register: 17 April 1992  
 Share capital: CZK 6,000,000  
 ČD Cargo, a.s., interest: 30 % (CZK 1.8 million)  
 Principal business activity: brokerage of services in the field of transportation except for transportation by own vehicles.

**OSTRAVSKÁ DOPRAVNÍ SPOLEČNOST, A.S.**

Date of entry in the Commercial Register: 30 May 1995

Share capital: CZK 15,000,000

ČD Cargo, a.s., interest: 50 % (CZK 7.5 million)

Principal business activity: operation of railway transport and lease of locomotives.

**OSTRAVSKÁ DOPRAVNÍ SPOLEČNOST - CARGO, A.S.**

Date of entry in the Commercial Register: 1 January 2017

Share capital: CZK 2,100,000

ČD Cargo, a.s., interest: 20 % (CZK 420 thousand)

Principal business activity: operation of railway transport.

**BUREAU CENTRAL DE CLEARING SOCIÉTÉ COOPÉRATIVE À RESPONSABILITÉ LIMITÉE (BCC S.C.R.L.)**

Date of entry in the Commercial Register: 17 December 1996 (Belgium)

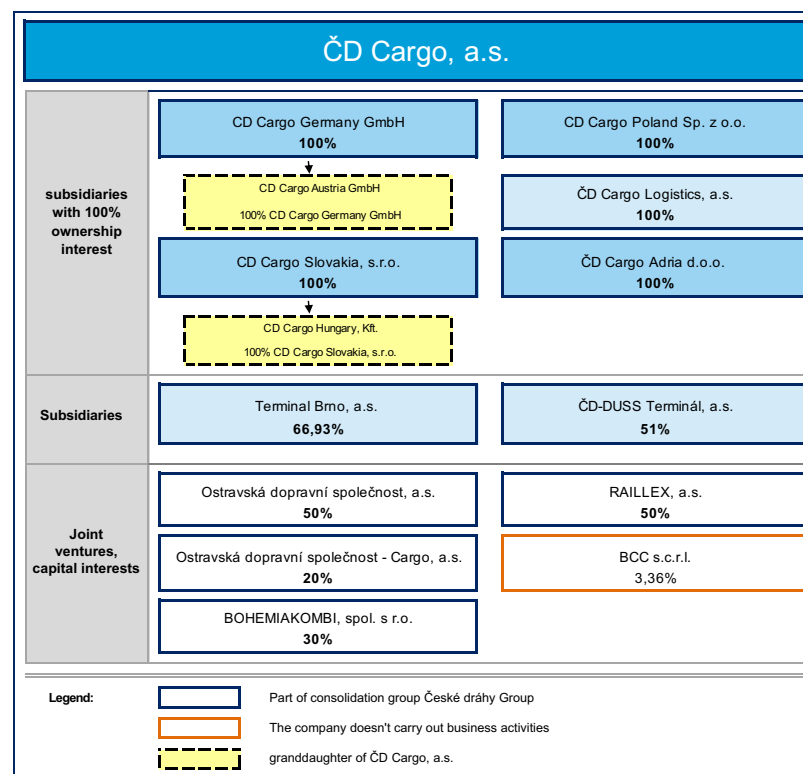
Share capital (fixed part): EUR 18,750

ČD Cargo, a.s., interest: 3.36 % (EUR 3,750)

Principal business activity: non-cash settlement of mutual payments in railway transport.

In the period from 1 January 2021 to 31 December 2021, the following changes took place:

- On 9 March 2021, the Board of Directors of ČD Cargo, a.s., decided by its resolution to establish a subsidiary company ČD Cargo Adria d.o.o. in Croatia with a 100% ownership interest of ČD Cargo, a.s. The company ČD Cargo Adria was registered in the Croatian Commercial Register on 10 May 2021.
- The company Auto Terminal Nymburk s.r.o., entered into liquidation on 1 January 2020 and was removed from the Commercial Register on 3 August 2021.





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## Financial Situation of ČD Cargo, a.s.

### Investment activities<sup>\*</sup>

Investment activities of ČD Cargo, a.s. (CZK mil.)	2021	2020	2019	2018
Acquisition of freight wagons	356	598	1 190	267
Renovation and modernisation of freight wagons	6	25	51	17
Acquisition of traction vehicles	1,115	185	548	295
Renovation and modernisation of traction vehicles	753	685	107	47
Machinery investments	3	14	37	4
Construction investments	74	17	59	78
Other investments	140	131	198	194
Component accounting for revision repairs of railway vehicles	1,124	1,386	1,969	1,609
<b>Total investments</b>	<b>3,572</b>	<b>3,041</b>	<b>4,159</b>	<b>2,511</b>
<i>Advances paid for investments</i>	316	369	335	213
<i>Advance payments for subsidies</i>	112	81	141	19

### Funding

In 2021, the ČD Cargo, a.s. investment and operational activities were financed by a combination of the Company's own and external sources, which comprises short-term bank loans and intercompany loans, investment loans, supplier loans, leases and bonds.

#### OPERATING BANK LOANS AND INTERCOMPANY LOANS

In funding its operational needs, ČD Cargo, a.s., has limits of overdraft loans in the maximum amount of CZK 1,8 billion provided by five banks. Furthermore, ČD Cargo, a.s., has been included in the Group's cash-pooling of ČD, a.s. Within the cash-pooling,

ČD Cargo, a.s., has a drawing limit of up to CZK 0,3 billion and at the same time contractual limit of CZK 0,7 billion. As at 31 December 2021, no limits or credit frames had been drawn.

#### PROMISSORY NOTES PROGRAMME

The Promissory Notes Programme was approved in the amount of CZK 1,5 billion. The Supervisory Board of ČD Cargo, a.s., must be informed ahead about the intention of drawing over CZK 1 billion. Framework contracts are approved for individual banks in total amount of CZK 2 billion. During 2021, the Promissory Notes Programme was not used, however, the promissory note framework is left as a form of short-term financing provision, directly independent of bank resources.

<sup>\*</sup> The investments are presented according to the International Financial Reporting Standards in Annual report 2021 of ČD Cargo, a.s.

**LEASES**

In 2021, new leasing contracts were concluded for the purpose of financing 381 freight wagons of Sggrs/Sgmmrs series, as well as lease contracts for the purpose of financing 4 Effishunter traction vehicles (traction vehicle of 744 series).

**BONDS**

Bonds financing increases the Company's liquidity and financial stability. In 2021, the fifth bond issue in the total amount of CZK 0,5 billion was repaid. No new bonds were issued. As at 31 December 2021, ČD Cargo, a.s., has issued bonds in the total amount of CZK 4,270 billion.

**INVESTMENT LOANS**

ČD Cargo, a.s., also uses investment loans to finance long-term investments. During 2021, two new investment loans with a total credit limit of CZK 1,500 million were concluded. As at 31 December 2021, this credit line was drawn. At the same time, the remaining limit of the investment loan concluded in 2020, amounting to CZK 200 million, was used up during the year.

**LOAN FROM THE EUROPEAN INVESTMENT BANK**

In December 2020, a loan agreement was signed with the European Investment Bank. The total approved framework for this loan is EUR 130 million. The credit framework will be gradually drawn in individual tranches for financing selected investment projects. In 2021, the first tranche of this loan in the amount of CZK 500 million was drawn.

**Risk Management**

ČD Cargo, a.s., monitors, assesses and manages all material business risks, specifically commercial, operating, financial and compliance risks within the ČD Cargo, a.s., integrated risk management system.

The basic documents of risk management system are:

- Risk Management Policy – defines the Company's objectives, basic principles and risk management strategy, ČD Cargo, a.s., further defines the framework of the risk management roles, responsibilities and competencies.
- Risk Management Committee Statute – defines the role, competence, responsibility and manner in which the Risk Management Committee acts and decides.
- Risk Management Manual – is an internal standard setting out specific procedures (identification, analysis, measurement, management strategy, processes and procedures for managing, monitoring, reporting and consolidating risks) in managing individual risks. The Risk Management Manual is valid for the entire ČD, a.s., Group.

- Risk Management Strategy – identifies risks, their regular monitoring, quantification and limitation of the risk impact on profit. Within Risk Management Strategy, the Risk Appetite is approved once a year.
- Financial Risk Management Strategy at ČD Cargo, a.s., – specifies the procedures and methods for financial risk in order to significantly reduce the ČD Cargo, a.s., risk from operating and trading activities and financial market transactions.

Unified software support for risk management "eRisk" also significantly contributes to the standardisation of procedures. The introduced unified method of risk management created preconditions for further developments and improvements of the processes of monitoring, assessment and reporting of all significant risks.

The principal objective of the implemented system for active risk management is to achieve a maximum reduction in the negative impact of individual risks on the economic result of the Company, i.e. minimise the impact of unused opportunities on revenue and reduce the negative impact of costs. In 2021, as part of the active risk management, the Company introduced the ongoing monitoring and assessment of compliance with approved risk limits and the overall risk appetite of the Company.

The outputs from the risk monitoring systems are regularly discussed by the Risk Management Committee and shared with the Board of Directors of ČD Cargo, a.s.

**BUSINESS RISKS**

Business risks are monitored in detail at the level of individual commodities and, in connection with developments in these commodities, measures are taken to eliminate the negative impact. The effectiveness of the measures taken is then evaluated on a quarterly basis.

Performance and related business risks in the first half of 2021 were affected by the ongoing Covid-19 pandemic and changes in the global transport market, especially in the area of combined transport. Changes in the energy market then significantly affected the situation in the second half of the year.

**OPERATIONAL RISKS**

Operational risks are defined as risks related to extraordinary events, property damage or criminal act regarding property and transported goods.

ČD Cargo, a.s., addresses a range of operational risks by negotiating the liability or property insurance. The most significant risks insured in this way include in particular the responsibility of a carrier for a damage caused to another party in connection with operations of railway transport on national and regional railways in the Czech

Republic, the responsibility of a holder of freight wagons, liability insurance abroad (where the carrier's license is granted) or insurance of selected traction vehicles.

### FINANCIAL RISKS

Financial risks are managed based on the "Financial Risk Management Strategy of ČD Cargo, a.s." This document defines the objectives and methods for each risk as well as the permitted derivative operations to hedge them.

### LIQUIDITY RISK

The liquidity risk at ČD Cargo, a.s., is with regard to the permanent provision of a sufficient volume and diversification of available funds necessary for the settlement of financial liabilities and finance planned investments in Company's development.

On a daily basis, the Company assesses the development of liquidity, the state of available resources and the cash flow plan preparation in the short, medium and long-term.

The Company is actively engaged in securing planned external financial resources, which ensures sufficient funds for short and long-term financing, while maintaining the Company's financial health.

### CREDIT RISK

Standard instruments are used in various combinations for additional hedge of potential risk receivables.

In the same time, ČD Cargo, a.s., is applying continuous monitoring of receivables by individual companies, by default periods and other parameters, using the set methodology and regular reports. Individual responsible employees and the Receivables Commission are continuously engaged in past due receivables development.

### CURRENCY RISK

Given that a significant part of the Company's revenue is realised in Euro, the Company pays constant and systematic attention to currency risk management. To mitigate negative impacts on the Company's financial performance, a wide range of instruments is used, which are applied on a short-term as well as medium-term basis based on their underlying characteristics.

The goal of the currency risk management is, to the maximum extent possible, to use natural hedging and then within the remaining open position to implement cur-

rency hedging so that the negative impact on the management of the company is not higher than the approved risk appetite of the Company. To achieve the required status, methods and instruments for the currency risk management arising from the Financial Risk Management Strategy are approved.

During 2021, ČD Cargo, a.s., mitigated the risk of possible future currency appreciation through the use of continuous hedging of the exchange rate of the Czech Crown against the Euro. With the respect the estimated revenue for the rendered services in EUR and its internal price calculation, reduced by planned operating and capital expenses in the same currency, the hedging of the CZK/EUR exchange rate will be subsequently agreed based on the current market situation and in line with the Financial Risk Management Strategy.

### COMMODITY RISK

The significant cost component represents diesel, which ČD Cargo, a.s., consumes during its operations. In 2021, in line with the Financial Risk Management Strategy, the Company partially used hedging of the price of diesel, which reduced the Company's potential commodity risk.

The goal of the commodity risk management is to implement hedging so that the negative impact on the management of the Company is not higher than the approved risk appetite of the Company. To achieve the required status, the methods and instruments for the commodity risk management arising from the Financial Risk Management Strategy are approved.

Traction electricity is then purchased from the Správa železnic (Railway Administration) under clearly predefined conditions.

### INTEREST-RATE RISK

Interest rate risk may be represented by changes in floating interest rates. The goal of the commodity risk management is to implement hedging so that the negative impact on the management of the Company is not higher than the approved risk appetite of the Company. The maximum share of funding with a floating interest rate is specified at 50 % of the total volume under the Financial Risk Management Strategy. To achieve the required status, the methods and instruments for the interest rate risk management arising from the Financial Risk Management Strategy or the use of fixed rates in the event of their economic advantage are approved. This risk is significantly eliminated by concluding most active loan agreements on a fixed interest rate basis.



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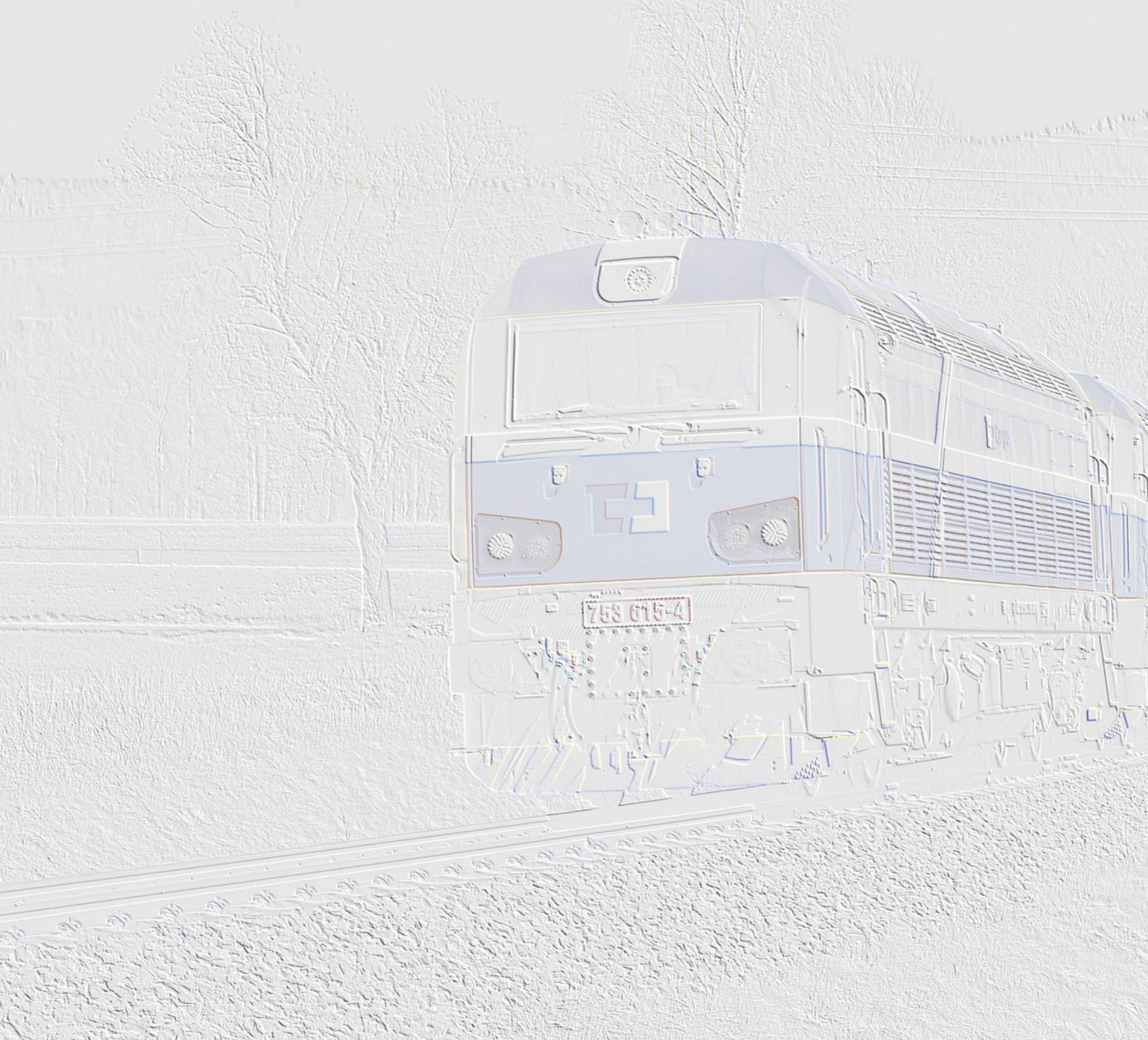
## Expected Development, Objectives and Intended Activities

The year 2021 showed that predicting further developments is very challenging and not always accurate in some segments, such as energy or automotive. The year 2022 will not be an exception in this respect either, as the global economic and political situation will be affected by several very unclear trends and events, the effects of which on the world economy cannot be estimated in its entirety at this time. First and foremost, it will still be the Covid-19 pandemic. Trade in Europe will certainly affect the European Union's relations with Russia and economic and political developments in some post-Soviet countries, such as Kazakhstan. Last but not least, rising energy and other input prices will have a significant impact. The results of ČD Cargo, a.s., may be affected by the still very complicated situation in the automotive industry, where Czech carmakers are still failing to stabilise the production and sales of new cars.

Despite all the above-mentioned influences, ČD Cargo, a.s., expects stabilisation of domestic transport performance and a further increase in output on foreign mar-

kets. The Company will continue to implement measures to increase the efficiency of its internal processes and utilisation of its capacities and assets. In the area of investments, ČD Cargo, a.s., will proceed in the modernisation and renewal of the locomotive and wagon fleet. Further, the Company will focus mainly on wagons for transportation of commodities, where recession is not expected (intermodal transport, fuel). Replacement of brake blocks and implementation of the mobile parts of ETCS will also continue.

The Company's economic objectives mainly comprise maintaining the stable level of cash flow, achieved by securing the planned level of revenues from its own transport, by the effective utilisation of cost items and by ensuring sufficient medium and long-term liquidity of the Company. The long-term goal is to stabilise the profitability of the main activity and other business.







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## Share Capital

### The Amount of the Issued Share Capital

As at the balance sheet date of 31 December 2021, the share capital of the Company amounted to CZK 8,494,000 thousand and was fully paid.

During the accounting period 2021, ČD Cargo, a.s., did not acquire own shares or any other own equity instruments.

### Ownership Structure

#### THE SOLE SHAREHOLDER:

České dráhy, a.s.  
Prague 1, nábřeží L. Svobody 1222, 110 15  
Corporate ID: 709 94 226



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## Report of the Supervisory Board and Audit Committee

### Report of the Supervisory Board of ČD Cargo a.s., as on the performance of its powers in 2021 and the results of control activities

Dozorčí rada společnosti ČDThe Supervisory Board of ČD Cargo, a.s. met in ten regular meetings in the course of 2021, stating that it had a quorum at all and decided in five cases per rollam.

The Supervisory Board exercised its powers and performed its tasks in accordance with the legal regulations and the articles of association of the company. Also supervised the performance of the powers of the Board of Directors in carrying out the company's business activities. The Board of Directors of ČD Cargo, a.s., provided the Supervisory Board with the prescribed or required information and documents for the performance of control activities. The Chairman of the Board of Directors together with other members of the Board of Directors regularly participated in all meetings and kept the Supervisory Board informed, in particular, about the company's business activities and results and the results of subsidiaries.

The Supervisory Board discussed and assessed the applications of the Board of Directors of ČD Cargo, a.s. for granting prior consent to certain legal acts and with the Board of Directors of ČD Cargo, a.s., regularly dealt with the effects of the COVID-19 pandemic on ČD Cargo, a.s.

The Supervisory Board states that it has created the necessary conditions for the proper performance of its activities. In performing its control activities, the Supervisory Board did not find any breach or non-fulfillment of obligations imposed by legal regulations, the Articles of Association of ČD Cargo, a.s., and the company's internal regulations or decisions of the sole shareholder in exercising the powers of the General Meeting, or own suggestions of the Supervisory Board addressed to the Board of Directors.



**Mgr. Michal Kraus, MSc**  
Chairman of the Supervisory Board

## Report of the Audit Committee of ČD Cargo, a.s., to the Annual report of ČD Cargo, a.s for the year 2021

The Company's Audit Committee executed its duties and performed all tasks in accordance with legal regulations, the Company's Articles of Association, and the effective contractual arrangements. It systematically monitored the preparation of the Company's separate and consolidated financial statements, the audit and interim audit thereof, and related documents for the periods from 1 January 2021 to 30 September 2021 and 1 January 2021 to 31 December 2021.

The Company's Audit Committee was informed by the Company's representatives, duly and on time, of the relevant information and documents related to the individual steps of preparing the Company's separate and consolidated financial statements under IFRS as adopted by the EU and the Report on Relations for the year 2021, and of preparing the Annual Report of ČD Cargo, a.s., for the year 2021.

The Audit Committee also assessed the impartiality and independence of the Company's auditor, PricewaterhouseCoopers Audit, s.r.o., discussed and communicated selected information, and issued statements and communications in accordance with the legislation. During the preparation of the separate and consolidated financial statements and the mandatory audit thereof, the preparation of the Report on Relations and related activities, the Audit Committee, acting in its capacity, did not identify any errors or breaches of the legal regulations or the Company's Articles of Association by either the Company or the auditor.

With regard to the facts stated above and after discussing the draft auditor's report on the separate and consolidated financial statements and the contents of the Report on Relations, the Audit Committee recommended that the Company's bodies discuss the separate financial statements along with the Auditor's Report and the Report on Relations along with the Auditor's Report for the year 2021 and that the sole shareholder, acting in the capacity as the General Meeting, approve the documents. It also recommended that the Company's bodies discuss the consolidated financial statements of ČD Cargo, a.s., under IFRS as adopted by the EU for the year from 1 January 2021 to 31 December 2021, and that the sole shareholder, acting in the capacity as the General Meeting, approve the documents.

In addition, the Audit Committee monitored the integrity of the financial information provided by the Company and the internal control systems and risk management in the Company. It also discussed the report on the internal audit for the year 2021.

With regard to the facts referred to above, the Company's Audit Committee states that it complied with the obligations ensuing from legal regulations, in particular the Act on Auditors 93/2009 Coll. dated 26 March 2009 and the Company's Articles of Association, as amended.

In Prague, on 4 April 2022



**Mgr. Oldřich Vojříř, Ph.D.**  
Chairman of the Audit Committee

## Report of the Audit Committee of ČD Cargo, a.s., on the Report on Relations for the year 2021

The Audit Committee of ČD Cargo, a.s., in line with the relevant provisions of Act 93/2009 Coll., on Auditors, as amended, and the Articles of Association of ČD Cargo, a.s., as amended, continuously monitored the proceedings taken in the preparation of the Report on Relations for the year 2021, from the preparatory phase.

The Audit Committee was made aware by the representatives of ČD Cargo, a.s., duly and on time, of the relevant information and materials related to individual steps taken in preparing the Report on Relations for the year 2021.

The Audit Committee also assessed the impartiality and independence of the Company's auditor, PricewaterhouseCoopers Audit, s.r.o., discussed and communicated selected accounting information, and issued statements and communications in accordance with applicable legislation. During the preparation of the Report on Relations for the year 2021, the obligatory audit thereof and the relating activities, the Audit Committee, acting in its capacity, identified no errors or breaches of the legal regulations or the Company's Articles of Association by either the Company or the auditor.

With regard to the facts outlined above and with regard to the draft Auditor's Opinion, the Audit Committee recommends that the Report on Relations of ČD Cargo, a.s., is discussed by the bodies of ČD Cargo, a.s., and approved by the sole shareholder acting in the capacity of the General Meeting.

Based on the information disclosed above, the Audit Committee of ČD Cargo, a.s., states that it fulfilled the obligations arising from legal regulations, principally from Act 93/2009 Coll., on Auditors of 26 March 2009, as amended, the Articles of Association of ČD Cargo, a.s., as amended, and that it took into consideration all information it has received related to the Report on Relations for the year 2021.



**Mgr. Oldřich Vojtíš, Ph.D.**  
Chairman of the Audit Committee



## Report of the Audit Committee of ČD Cargo, a.s., on the Separate Financial Statements of ČD Cargo, a.s., prepared under IFRS for the year from 1 January 2021 to 31 December 2021, including the Auditor's Opinion

The Audit Committee of ČD Cargo, a.s., in line with the relevant provisions of Act 93/2009 Coll., on Auditors, as amended, and the Articles of Association of ČD Cargo, a.s., as amended, continuously monitored the proceedings taken in the preparation of the separate financial statements of ČD Cargo, a.s., under IFRS, the procedure of the audit of the financial statements and all related documents for the year from 1 January 2021 to 31 December 2021, from the preparation phase of the whole process.

The Audit Committee was made aware by the representatives of ČD Cargo, a.s., duly and on time, of the relevant information and materials related to individual steps taken in the preparation of the separate financial statements of ČD Cargo, a.s., under IFRS, for the year from 1 January 2021 to 31 December 2021.

The Audit Committee also assessed the impartiality and independence of the Company's auditor, PricewaterhouseCoopers Audit, s.r.o., discussed and communicated selected accounting information, and issued statements and communications in accordance with applicable legislation. During the preparation of the separate financial statements under IFRS for the year from 1 January 2021 to 31 December

2021, the obligatory audit thereof and the relating activities, the Audit Committee, acting in its capacity, identified no errors or breaches of the legal regulations or the Company's Articles of Association by either the Company or the auditor.

With regard to the facts outlined above and with regard to the Auditor's Opinion on the separate financial statements prepared under IFRS, the Audit Committee recommends that the separate financial statements of ČD Cargo, a.s., prepared under IFRS for the year from 1 January 2021 to 31 December 2021 and the Auditor's Opinion be discussed by the bodies of ČD Cargo, a.s., and approved by the sole shareholder acting in the capacity of the General Meeting.

Based on the information disclosed above, the Audit Committee of ČD Cargo, a.s., states that it fulfilled the obligations arising from legal regulations, principally from Act 93/2009 Coll., on Auditors of 26 March 2009, as amended, the Articles of Association of ČD Cargo, a.s., as amended, and that it took into consideration all information it has received related to the separate financial statements of ČD Cargo, a.s., under IFRS, for the year from 1 January 2021 to 31 December 2021, and the Auditor's Opinion.



**Mgr. Oldřich Vojř, Ph.D.**  
Chairman of the Audit Committee

## Report of the Audit Committee of ČD Cargo, a.s., on the Consolidated Financial Statements of ČD Cargo, a.s., prepared under IFRS for the year from 1 January 2021 to 31 December 2021, including the Auditor's Opinion

The Audit Committee of ČD Cargo, a.s., in line with the relevant provisions of Act 93/2009 Coll., on Auditors, as amended, and the Articles of Association of ČD Cargo, a.s., as amended, continuously monitored the proceedings taken in the preparation of the consolidated financial statements of ČD Cargo, a.s., under IFRS, the procedure of the audit of the financial statements and all related documents for the year from 1 January 2021 to 31 December 2021, from the preparation phase of the whole process.

The Audit Committee was made aware by the representatives of ČD Cargo, a.s., duly and on time, of the relevant information and materials related to individual steps taken in preparing the consolidated financial statements of ČD Cargo, a.s., under IFRS, for the year from 1 January 2021 to 31 December 2021.

The Audit Committee also assessed the impartiality and independence of the Company's auditor, PricewaterhouseCoopers Audit, s.r.o., discussed and communicated selected accounting information, and issued statements and communications in accordance with applicable legislation. During the preparation of the consolidated financial statements under IFRS for the year from 1 January 2021 to 31 December 2021,

the obligatory audit thereof and the relating activities, the Audit Committee, acting in its capacity, identified no errors or breaches of the legal regulations or the Company's Articles of Association by either the Company or the auditor.

With regard to the facts outlined above and with regard to the Auditor's Opinion on the consolidated financial statements prepared under IFRS, the Audit Committee recommends that the consolidated financial statements of ČD Cargo, a.s., prepared under IFRS for the year from 1 January 2021 to 31 December 2021 and the Auditor's Opinion be discussed by the bodies of ČD Cargo, a.s., and approved by the sole shareholder acting in the capacity of the General Meeting.

Based on the information disclosed above, the Audit Committee of ČD Cargo, a.s., states that it fulfilled the obligations arising from legal regulations, principally from Act 93/2009 Coll., on Auditors of 26 March 2009, as amended, the Articles of Association of ČD Cargo, a.s., as amended, and that it took into consideration all information it has received related to the consolidated financial statements of ČD Cargo, a.s., under IFRS, for the year from 1 January 2021 to 31 December 2021, and the Auditor's Opinion.



**Mgr. Oldřich Vojříř, Ph.D.**  
Chairman of the Audit Committee

# Independent Auditor's Report



## Independent Auditor's Report

To the shareholder of ČD Cargo, a.s.

Report on the audit of the consolidated and separate financial statements

### Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the consolidated financial position of ČD Cargo, a.s., with its registered office at Jankovcova 1569/2c, Praha 7 - Holešovice (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2021, and of the Company's separate financial performance and separate cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position (balance sheet) as at 31 December 2021;
- the consolidated statement of profit or loss for the year ended 31 December 2021;
- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021;
- the consolidated cash flow statement for the year ended 31 December 2021; and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

The Company's separate financial statements comprise:

- the separate statement of financial position (balance sheet) as at 31 December 2021;
- the separate statement of profit or loss for the year ended 31 December 2021;
- the separate statement of comprehensive income for the year ended 31 December 2021;
- the separate statement of changes in equity for the year ended 31 December 2021;
- the separate cash flow statement for the year ended 31 December 2021; and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

### Basis for opinion

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

### Independence

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

### Our audit approach

#### Overview

#### Materiality

The materiality level was determined as 1 % of the average total revenue for the years 2019-2021, which represents: for the Group - CZK 132 million; for the Company - CZK 124 million.

#### Group scoping

We have identified four companies, that were subsequently selected for audit based on their size or related risk. For one additional company, we have performed specified audit procedures over material balances and transactions. As part of the audit procedures described above, we have cooperated with component auditors in Slovakia, Poland and Germany. All component auditors were members of the PwC network. Companies, for which we performed the above procedures, represent 97 % of the Group's revenue.

#### Key audit matters

Correct reporting of lease contracts under IFRS 16, Leases (Group and Company).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements (together the "financial statements"). In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



**Materiality**

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

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

<b>Overall Group materiality</b>	CZK 132 million
<b>Overall Company materiality</b>	CZK 124 million
<b>How we determined it</b>	Materiality for the Group and the Company was determined based on total revenue.
<b>Rationale for the materiality benchmark applied</b>	We considered profit before tax as the primary method of determining materiality, but due to its year-on-year fluctuation, we decided to select total revenue as a more stable year-on-year indicator. Based on the above, the materiality level was determined as 1 % of the average total revenue for the years 2019-2021.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were

addressed in the context of our audit of each set of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Correct reporting of lease contracts under IFRS 16, Leases (Group and Company).</b></p> <p>In 2021, there were changes in some lease contracts from 2020 in the forms of modification, reassessment or termination. In 2021, new lease contracts were also concluded. As of 31 December 2021, the right of use amounted to CZK 3,457 million for the Group and CZK 3,240 million for the Company. The changes to the lease contracts have a significant impact on the financial statements. The related accounting policies are disclosed Notes 2.4. For further information on the implementation of IFRS 16, see Notes 15.3 and 19 of the consolidated financial statements and Notes 15.3 and 19 of the separate financial statements.</p>	<p>In connection with the changes to lease contracts, we performed the following procedures:</p> <p>We assessed whether management correctly determined changes in leases entered into in previous years due to them being modified or reassessed to ensure that the proposed accounting treatment complied with the requirements of IFRS 16. We considered the completeness of the lease contracts included in the assets representing rights of use. We tested the accuracy of the input data on a sample basis, including discount rates and the assessment of the extension option of the contracts used to calculate the value of the lease liabilities. Our procedures also included consideration of the exemptions and practical expedients applied under IFRS 16. We tested, on a sample basis, the mathematical accuracy of the calculation of leased liabilities we obtained. We reviewed the disclosures in the financial statements relating to leases to determine whether they comply with the disclosure requirements under IFRS 16. The assessment relates to Note 2.4 regarding accounting policies and Note 19 presenting the Company and the Group as a lessee. During our procedures, we did not identify any significant misstatements in the reporting of leases.</p>

**How we tailored our group audit scope**

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

The Group operates mainly in the railway transportation of goods and related services in the Czech Republic and Central Europe. The consolidated financial statements include nine companies of which the Company itself is clearly the largest entity. In the context of determining the scope of the audit, we set the scope of work that was deemed necessary for each entity. We determined that auditing of four companies and specific audit procedures on one company would be a suitable scope of work. The criteria for determining the extent of the work on individual companies were mainly their size, complexity and risk in terms of audit procedures. Audit work on companies based in the Czech Republic was performed by the group audit team; work on companies located abroad was performed by component auditors from the PwC network and it was based on instructions provided by the group audit team. In cooperation with component auditors, we determined the level of mutual communication at a level, which forms a sufficient basis for our opinion. This included regular exchanges of information obtained during the audit and discussion of key audit and accounting practices. The described range of audit work covers 97 % of the Group's revenue. For the remaining companies, we performed analytical procedures focussed on significant year-to-year changes. We consider the described scope of the audit to be sufficient for rendering our audit opinion.

**Other information**

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include both of the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Group and the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

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

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

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

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

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

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

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on other legal and regulatory requirements

### Information required by the EU Regulation

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

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

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

### Appointment of auditor and period of engagement

We were appointed as the auditors of the Group and the Company for year 2021 by the general meeting of shareholders of the Company on 25 June 2019. Our uninterrupted engagement as auditors of the Group and the Company has lasted for 6 years.

### Provided non-audit services

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

The non-audit services that we have provided to the Company and its subsidiaries in the period from 1 January 2021 to 31 December 2021 are disclosed in Note 26 of the notes to the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Milan Zelený.

12 April 2022



represented by

  
Václav Prýmek

  
Milan Zelený  
Statutory Auditor, Licence No. 2319







## 14

Separate Financial Statements (IFRS)<sup>1</sup>

## Separate Financial Statements for the year 2021

Prepared in accordance with IFRS as adopted by the EU



### Separate Financial Statements for the Year Ended 31 December 2021

Prepared in accordance with IFRS as adopted by the EU

Name of the Company: ČD Cargo, a.s.  
 Registered Office: Praha 7, Holešovice, Jankovcova 1569/2c, 170 00  
 Legal Status: Joint Stock Company  
 Corporate ID: 281 96 678

#### Component of the Financial statements:

Statement of Financial Position (Balance Sheet)  
 Statement of Profit or Loss  
 Statement of Comprehensive Income  
 Statement of Changes in Equity  
 Cash Flow Statement  
 Notes to the Financial statements

In Prague on 12 April 2022

Ing. Robert Pládnec  
 Chief Financial Officer

#### Statutory body of the reporting entity:

Ing. Tomáš Tóth  
 Chairman of the Board of Directors

Ing. Radek Dvořák  
 Member of the Board of Directors

#### SEPARATE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2021

(CZK million)		31 Dec 2021	31 Dec 2020
Property, plant and equipment	5	21,557	19,689
Intangible assets	6	673	623
Right-of-use assets	19	3,240	2,997
Investments in subsidiaries, associates and joint ventures	7	576	539
Other financial assets	10	38	70
Other assets	11	2	2
<b>Total non-current assets</b>		<b>26,086</b>	<b>23,920</b>
Inventories	8	333	292
Trade receivables	9	1,687	1,555
Cash and cash equivalents	12	1,003	524
Other financial assets	10	115	225
Other assets	11	422	129
<b>Total current assets</b>		<b>3,560</b>	<b>2,725</b>
<b>TOTAL ASSETS</b>		<b>29,646</b>	<b>26,645</b>
Share capital	13	8,494	8,494
Capital funds	13	548	417
Retained earnings		620	393
<b>Total equity</b>		<b>9,662</b>	<b>9,304</b>
Loans, borrowings and bonds	15	12,562	10,378
Deferred tax liability	31	1,727	1,655
Provisions	16	82	96
Other financial liabilities	17	16	6
Other liabilities	18	-	148
<b>Total non-current liabilities</b>		<b>14,387</b>	<b>12,283</b>
Trade payables	14	2,818	1,976
Loans, borrowings and bonds	15	1,854	1,936
Income tax payable		11	18
Provisions	16	97	249
Other financial liabilities	17	130	179
Other liabilities and commitments	18	687	700
<b>Total current liabilities</b>		<b>5,597</b>	<b>5,058</b>
<b>TOTAL LIABILITIES</b>		<b>29,646</b>	<b>26,645</b>

<sup>1</sup>Chapters relating to financial statements are numbered separately.



### SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

(CZK million)		Year ended 31 Dec 2021	Year ended 31 Dec 2020
Revenue	23	12,014	11,341
Other operating income	24	539	727
Services, leases, material and energy consumption	25	(5,214)	(5,168)
Employee benefit costs	26	(4,240)	(4,320)
Depreciation and amortisation	27	(2,206)	(2,039)
Other operating expenses	28	(347)	(734)
<b>Profit (loss) on operating activities</b>		<b>546</b>	<b>(193)</b>
Financial expenses	29	(273)	(246)
Financial income	30	17	55
<b>Profit (loss) before tax</b>		<b>290</b>	<b>(384)</b>
Income tax	31	(63)	70
<b>Profit (loss) for the period</b>		<b>227</b>	<b>(314)</b>

### SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(CZK million)		Year ended 31 Dec 2021	Year ended 31 Dec 2020
<b>Profit (loss) for the period</b>		<b>227</b>	<b>(314)</b>
Actuarial gains/losses on liabilities related to employee benefits	13	18	10
<b>Other comprehensive income for the year (items that are not subsequently reclassified to profit or loss)</b>		<b>18</b>	<b>10</b>
Cash flow hedging	13	221	(68)
Relating deferred income tax	31	(42)	13
<b>Other comprehensive income for the year (items that may be reclassified to profit or loss)</b>		<b>179</b>	<b>(55)</b>
<b>Total comprehensive income for the year</b>		<b>424</b>	<b>(359)</b>

### SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(CZK million)	Share capital	Share Premium*	Other Funds*	Cash flow hedge fund*	Actuarial gains/losses*	Retained earnings	Total equity
<b>Balance as at 1 January 2020</b>	<b>8,494</b>	<b>197</b>	<b>230</b>	<b>20</b>	<b>(12)</b>	<b>734</b>	<b>9,663</b>
Profit for the period	-	-	-	-	-	(314)	(314)
Other comprehensive income for the period	-	-	-	(55)	10	-	(45)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55)</b>	<b>10</b>	<b>(314)</b>	<b>(359)</b>
Allocation to the reserve fund	-	-	27	-	-	(27)	-
Total transactions with owners for the period	-	-	27	-	-	(27)	-
<b>Balance as at 31 December 2020</b>	<b>8,494</b>	<b>197</b>	<b>257</b>	<b>(35)</b>	<b>(2)</b>	<b>393</b>	<b>9,304</b>
Loss for the period	-	-	-	-	-	227	227
Other comprehensive income for the period	-	-	-	179	18	-	197
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179</b>	<b>18</b>	<b>227</b>	<b>424</b>
Allocation to the reserve fund	-	-	(66)	-	-	-	(66)
Total transactions with owners for the period	-	-	(66)	-	-	-	(66)
<b>Balance as at 31 December 2021</b>	<b>8,494</b>	<b>197</b>	<b>191</b>	<b>144</b>	<b>16</b>	<b>620</b>	<b>9,662</b>

\* in the statement of financial position these items are included under 'Capital funds' (see Note 13.2.)

## ■ SEPARATE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(CZK million)	Year ended 31 Dec 2021	Year ended 31 Dec 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) for the year before tax	290	(384)
Dividend and profit distribution income	24	(79)
Financial expenses	29	238
Profit from sale and disposal of non-current assets	24	(138)
Depreciation and amortisation of non-current assets	27	2,206
Changes in impairment of non-current assets	28	73
Changes in allowances for doubtful accounts		(37)
Change in provisions		(148)
Foreign exchange rate gains	23	7
Change in provisions for investments in subsidiaries, associates and joint ventures		(1)
Other	10	7
<b>Cash flows from operating activities before changes in working capital</b>	<b>2,437</b>	<b>1,967</b>
Change in trade receivables	(121)	(160)
Change in inventories	(55)	(54)
Change in other assets	105	313
Change in trade payables	73	(96)
Change in other payables	18	(282)
<b>Total changes in working capital</b>	<b>(280)</b>	<b>(21)</b>
<b>Cash flows from operating activities</b>	<b>2,157</b>	<b>1,946</b>
Interest paid	29	(240)
Income tax paid	31	(40)
Dividends received	168	38
<b>Net cash flows from operating activities</b>	<b>2,045</b>	<b>1,785</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	5	(2,914)
Income from property, plant and equipment sold		94
Payments for intangible assets	6	(137)
Interest received		3
Subsidies received for acquisition of assets	5	83
<b>Net cash flows from investing activities</b>	<b>(2,871)</b>	<b>(2,952)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issued bonds	15	-
Bonds repayments	15	(500)
Drawing of loans and borrowings	15	3,282
Repayments of loans and borrowings	15	(674)
Lease payments under IFRS 16	15	(780)
<b>Net cash flows from financing activities</b>	<b>1,328</b>	<b>1,345</b>
The effect of exchange rate changes on cash balances		(23)
<b>Net increase/decrease in cash and cash equivalents</b>	<b>479</b>	<b>187</b>
Cash and cash equivalents at the beginning of the period	12	524
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>524</b>

## 1. General Information

### 1.1. ESTABLISHMENT OF THE COMPANY

ČD Cargo, a.s., (hereafter "the Company") was established following its registration in the Commercial Register held by the Municipal Court in Prague, File B, Insert 12844 on 1 December 2007 through the investment of a business part of České dráhy, a.s.

The legal form of the Company is a joint stock company. The Company has its registered office at Jankovcova 1569/2c, Prague 7 - Holešovice, the Czech Republic.

As at 31 December 2021, the Company's registered share capital amounted to CZK 8,494 million and it was fully paid.

The sole shareholder of the Company is České dráhy, a.s. The ultimate controlling party is the Czech Republic.

The financial statements were prepared as at 31 December 2021. The reporting period is the calendar year from 1 January 2021 to 31 December 2021.

### 1.2. PRINCIPAL ACTIVITIES

The principal activities of ČD Cargo, a.s., are railway transportation of goods and with a complex of related services. The aim of the Company is to improve its leading position and to be the driving force on the rail freight transport market both in the Czech Republic and in the Central Europe.

The principal business activity – railway transport of goods – is structured into three principal units:

- Operation of freight transport (transport of complete trains, individual wagon consignments),
- Lease of railway vehicles,
- Additional transport services offered to customers.

The above units are structured by the type of transport as follows:

- Local,
- Export,
- Import,
- Transit.

### 1.3. RELATED PARTIES

In accordance with IAS 24 'Related Party Disclosures', an entity shall ensure that its financial statements include disclosures necessary to identify the possibility that its financial position and profit or loss is affected by the existence of related parties and transactions and outstanding balances, including liabilities from such parties. In line with this standard, such relationships are described in detail in Note 32.

**1.4. ČESKÉ DRÁHY GROUP**

ČD Cargo, a.s., is a part of České dráhy Group, which is led by the Parent Company České dráhy, a.s.

In the reporting period 2021, České dráhy consolidation group consists of the following companies. During 2021, the company Autoterminál Nymburk, s.r.o. in liquidation was removed from the Commercial Register. Within České dráhy Group new companies ČD Cargo Adria d. o. o. and VUZ Slovakia, s.r.o. were established.

**1.5. KEY MANAGEMENT**

Term the 'key management' mainly relates to the members of the Board of Directors and Supervisory Board of the Company. Information about individual boards has been listed in Note 1.8.

Name of the entity	Ownership of ČD, a. s. 2021 (%)	Ownership of ČD, a. s. 2020 (%)	Type of influence	Registered office	Corporate ID
ČD - Informační Systémy, a.s.	100.00	100.00	Control	Pernerova 2819/2a, 130 00 Prague 3	24829871
ČD-Telematika a. s.	70.96	70.96	Control	Pernerova 2819/2a, 130 00 Prague 3	61459445
Výzkumný Ústav Železniční, a.s.	100.00	100.00	Control	Novodvorská 1698, 142 01 Prague 4	27257258
JLV, a. s.	38.79	38.79	Significant	Chodovská 3/228, 141 00 Prague 4	45272298
DPOV, a. s.	100.00	100.00	Control	Husova 635/1b, 751 52 Píerov	27786331
ČD Cargo, a. s.	100.00	100.00	Control	Janškova 1569/2c, 170 00 Prague 7	28196678
Dopravní vzdělávací institut, a.s.	100.00	100.00	Control	Prvního pluku 621/8a, Karlín, 186 00 Prague 8	27378225
ČD travel, s.r.o.	51.72	51.72	Control	28.října 372/5, Staré město, 110 00 Prague 1	27364976
ČD relax s. r.o.	51.72	51.72	Control	28.října 372/5, Staré město, 110 00 Prague 1	05783623
ODP-software, spol.s r.o.	100.00	100.00	Control	Pernerova 2819/2a, Žižkov, 130 00 Prague 3	61683809
CHAPS spol. s r.o.	100.00	100.00	Control	Bráfova 1617/21, Žabovřesky, 616 00 Brno	47547022
ČSAD SVT Praha, s.r.o.	100.00	100.00	Control	Křížkova 4-6, 186 00 Prague 8	45805202
SVT Slovakia s.r.o.	80.00	80.00	Control	Partizánska 97, 974 01 Banská Bystrica, Slovakia	36620602
INPROP, s.r.o.	100.00	100.00	Control	Rosinská cesta 12, 010 08 Žilina, Slovakia	31609066
Smíchov Station Development, a.s.	51.00	51.00	Joint Control	U Sluncové 666/12a, 186 00 Prague 8 – Karlín	27244164
Žižkov Station Development, a.s.	51.00	51.00	Joint Control	U Sluncové 666/12a 186 00 Prague 8 – Karlín	28209915
Masaryk Station Development, a.s.	34.00	34.00	Significant	Na Florenci 2116/15, 110 00 Prague 1	27185842
Tramex Rail s.r.o.	100.00	100.00	Control	Brněnská 1748/21b, 678 01 Blansko	26246422
Smart Ticketing, s.r.o.	100.00	100.00	Control	Pernerova 2819/2a, 130 00 Prague 3	02033011
ČD Reality a.s.	100.00	100.00	Control	Prvního pluku 81/2a, 130 00 Prague 3	27195872
ČD Restaurant, a.s.	100.00	100.00	Control	Prvního pluku 81/2a, 130 11 Prague 3	27881415
VUZ Slovakia, s.r.o.	100.00	-	Control	Seberíniho 1, Bratislava - Ružinov 821 03, Slovakia	53156587
CD Cargo Germany GmbH*	100.00	100.00	Control	Niddastrasse 98-102, 60329 Frankfurt on Main, Germany*	HRB 73576
CD Cargo Austria GmbH *	100.00	100.00	Control	Rotenturmstraße 22/24, 1010 Wien, Austria	FN 291407s
CD Cargo Poland Sp. z o.o.*	100.00	100.00	Control	Ul. Grzybowska 4/3, 00-131 Warsaw, Poland	140769114
CD Cargo Slovakia, s.r.o.*	100.00	100.00	Control	Seberíniho 1, 821 03 Bratislava, Slovakia	44349793
CD Cargo Hungary Korlátolt Felelősségű Társaság*	100.00	100.00	Control	Keleti sor utca 26-4, 4150 Püspökladány, Hungary	09-09-031990
ČD Cargo Adria d.o.o.*	100.00	-	Control	Savska cesta 32, Zagreb, Croatia	081371623
ČD Cargo Logistics, a.s.**	100.00	100.00	Control	Opletalova 1284/37, 110 00 Prague 1	27906931
Terminal Brno, a.s.*	66.93	66.93	Control	K terminálu 614/11, 619 00 Brno	28295374
ČD-DUSS Terminál, a.s.*	51.00	51.00	Control	Lukavecká 1189, 410 02 Lovosice	27316106
RAILLEX, a.s.*	50.00	50.00	Joint Control	Americká 525/23, 120 00 Prague 2, Vinohrady	27560589
BOHEMIAKOMBI, spol. s r.o.*	30.00	30.00	Significant	Opletalova 921/6, 110 00 Prague 1	45270589
Ostravská dopravní společnost, a.s.*	50.00	50.00	Joint Control	U Tiskárny 616/9, 702 00 Ostrava	60793171
Ostravská dopravní společnost - Cargo, a.s.*	20.00	20.00	Significant	U Tiskárny 616/9, 702 00 Ostrava	05663041
České dráhy, a. s.	-	-	-	Nábřeží L.Svobody 12/1222, 110 15 Prague 1	70994226

\*Ownership interest is exercised through ČD Cargo, a.s.

### 1.6. RELATIONSHIP WITH SPRÁVA ŽELEZNIC AND ČEZ GROUP

The sole shareholder of the Company, České dráhy, a.s., is fully owned by the State. The parent company and the entire Group took the exemption from reporting related party information, as specified in paragraphs 25-27 of IAS 24. In respect of other state-controlled companies, groups and organisations, only transactions with Správa železnic, s.o. and ČEZ Group have been quantified in these financial statements, due to their significant impact on the Company's activities. The most significant transactions carried out with these entities include the use of infrastructure, purchase of electricity and revenues from freight transport. Detailed information about the relationships is disclosed in Notes 32.6 and 32.7.

### 1.7. ORGANISATIONAL STRUCTURE

The organisational structure is composed of departments directly reporting to the Chairman of the Board of Directors or directors of particular departments:

- Commercial Director Department,
- Operation Director Department,
- Finance Director Department,
- Executive Director's Department.

In addition, the organisational structure includes Operating Units, Repair Centres for Railway Wagons, Accounting of Carriage Revenues in Olomouc and the Operation Control in Česká Třebová.

### 1.8. STATUTORY BODIES OF THE COMPANY

The sole owner of the Company is České dráhy, a.s., exercising its powers as the only shareholder at the General Meeting, the supreme body of the Company. The statutory body of the Company comprises the three-member Board of Directors; the supervisory body is the six-member Supervisory Board. The Company established a three-member Audit Committee, the members of which were appointed by the sole shareholder.

The composition of ČD Cargo, a.s., Bodies as at 31 December 2021 was following:

#### Board of Directors

Chairman	Tomáš Tóth
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Member	Zdeněk Škvařil
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Member	Radek Dvořák
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#### Supervisory Body

Chairman	Václav Nebeský
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Member	Lukáš Týfa
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Member	Radek Nekola
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Member	Marta Urbancová
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Member	Jan Vrátník
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With effect from 31 December 2021, Mr. Pavel Kysilka resigned from the position of a member of the Supervisory Board of ČD Cargo, a.s.

#### Audit Committee

Chairman	Oldřich Vojř
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Member	Miroslav Zámečník
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Member	Libor Joukl
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## 2. Significant Accounting Policies

### 2.1. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter IFRS) as adopted by the European Union. The Separate Financial Statements are part of the Consolidated Financial Statements of the ČD Cargo Group.

The accounting policies applied in the reporting period are consistent with those used in prior periods, unless otherwise stated below.

### 2.2. BASIS OF PREPARATION

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

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. This also requires management to exercise judgment in the application of accounting policies. Areas with a high degree of judgment or complexity, or areas where assumptions and estimates are material to these financial statements are disclosed in Note 4.

### 2.3. REVENUE RECOGNITION

#### 2.3.1. Revenue from contracts with customers

All contracts with customers are initially analysed in order to identify obligations towards the customer. Subsequently, the transaction price is determined, which, in case of more separately identifiable transactions is allocated according to their relative standalone selling prices. Following this, the revenue from individual transaction is recognised in the appropriate amount either at a certain point in time or over the contract life on an ongoing basis (it may be reported over several accounting periods). Revenues are reduced by expected returns from customers, rebates and other similar discounts.

Revenue is recognised in the amount that reflects the consideration to which an entity expects to be entitled in exchange for services. Revenue is recognised net of value added tax. Revenue is recognised when the services are transferred to the customer at the transaction price.

#### Railway transportation services

Sales of railway transportation services are recognised in the accounting period in which the services are rendered based on the stage of completion of an individual transaction determined by the actual number of days of transportation spent in the reporting period relative to the total number days of transportation.

Transaction price has both fixed and variable considerations. The fixed part represents the transaction price fewer fees and penalties. If the price per service rendered by the Company is higher than the received payment for the service, the contract asset is booked. If the payment for the service is higher than the price of the service provided, the commitment is recognised. The variable consideration exists in the form of fees and penalties connected with the inappropriate fulfilment of the commitment by the Company to the customer i.e. transit time distortion, damages to the transported goods, etc. In case of variable consideration, revenues are recognised to the extent to which it is highly probable that the revenue item is not subject to significant reversal risk.



### 2.3.2. Other revenue

#### Dividend and interest income

Revenue from dividends is recognised when a legal entitlement to receive a payment occurs and when such payment is probable.

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

#### Revenues from lease of rolling stock

The Company leases rolling stock to third parties for a period varying from days to five years. Revenue from operating leases of rolling stock is recognised on a straight-line basis over the term of the lease.

### 2.4. LEASE

The Company in its financial statements for 2019 has applied IFRS 16 retrospectively with the cumulative effect at the date of initial application. The details of accounting policies under IFRS 16 are presented separately.

Assets held under finance leases are depreciated over their estimated useful lives as well as own assets. If there is insufficient assurance that a lessee will acquire ownership of an asset at the end of the lease term, that asset is depreciated over the lease term if less than its estimated useful life.

#### 2.4.1. The Company as a lessee

At the commencement of the lease, the Company determines whether it is lease contract or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability in respect of all lease agreements in which the Company is a lessee, except short-term leases (with a lease term of 12 months or less and containing no purchase options) and low-value asset lease (such as laptops and personal computers). For these leases, the Company recognises lease payments as operating expenses on a straight-line basis over the term of the lease, unless there is any other systematic basis which better reflects the allocation of lessee's benefits from the leased assets.

At the commencement date, the lease liability is initially measured at the present value of the lease payments that are not yet paid. The lease payments shall be discounted using the internal lease interest rate or, if that rate cannot be readily determined, incremental borrowing rate shall be used.

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

- fixed payments less any lease incentives receivable,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be paid by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Leases liabilities are presented within loans and borrowings in the statement of financial position.

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

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

- there is a change in the lease term or if there is a material event or change in circumstances that led to a change of the assessment of an option to purchase the underlying asset. In such a case, the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.
- there is a change in lease payments resulting from changes in an index or a rate, or change in the amounts expected to be payable under a residual value guarantee. In this case, the lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate.
- the lease contract is modified and the modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using the revised discount rate as at the effective date of the modification.

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

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

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

The Company uses IAS 36 to determine whether the right-of-use assets are impaired and account for any identified impairment losses as described in "Property, plant and equipment" policy.

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

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

#### 2.4.2. The Company as lessor

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

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment.

In general, the accounting policies applied by the lessor in the comparative period did not differ from those used in accordance with IFRS 16.

#### **2.4.3. Sale and leaseback**

A sale and leaseback transaction involve the sale of an asset and lease-back of the same asset. The lease payment and the sale price are usually interdependent, because they are negotiated in a single transaction. The accounting treatment of the transaction of sale and leaseback transaction depends on the type of lease, which is part of this transaction.

If the leaseback is a finance lease, the lessor provides the lessee with cash and the leased asset as guarantee. For this reason, the excess proceeds from the sale and the carrying amount is not considered as income. The Company recognises the collected funds as a financial liability (debt), which, together with interest is amortised by lease payments.

#### **2.5. FOREIGN CURRENCIES**

Given the economic substance of transactions and the environment in which the Company operates, the functional and presentation currency used is the Czech crown (CZK). The functional currency of the Company is CZK.

Transactions denominated in foreign currencies are translated at the rate prevailing on the transaction date, which is derived from the exchange rate published by the Czech National Bank. Monetary items denominated in foreign currencies are recalculated to Czech crowns at the Czech National Bank exchange rate on that date of issue of the individual financial statements. Non-monetary items that are measured at historical cost and were acquired in a foreign currency transaction are reported using the exchange rate at date of acquisition.

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

#### **2.6. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which, i.e. assets that necessarily take a substantial period of time to be ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

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

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

#### **2.7. GOVERNMENT GRANTS**

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

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

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

#### **2.8. EMPLOYEE BENEFIT COSTS**

The costs of employee benefits include, in particular, wage costs, employer's contributions to statutory health insurance and social and pension security, and costs of other employee benefits resulting from a collective agreement.

The employee benefit obligations and provisions recognised in the statement of financial position are their present value. Additions to these liabilities and provisions are recognised as an expense when the employees perform the services that entitle them to the contributions.

Provision for long-term employee benefits is recognised in the present value of future cash outflows that will be needed for their payment. The discount rate used is a market rate of return on government bonds at the balance sheet date, as there is no developed market for high quality corporate bonds denominated in Czech crowns. Currency and terms of these bonds are consistent with the currency and terms of the corresponding other long-term benefits. The value of this provision is determined annually based on independent qualified actuarial calculations. Gains or losses arising from changes in actuarial assumptions for retirement benefits are included in other comprehensive income, changes in provisions for other benefits are recognised in profit or loss.

#### **2.9. TAXATION**

The income tax includes current tax payable and deferred tax.

##### **2.9.1. Current income tax**

Current income tax is calculated from taxable profit for the year. The taxable profit differs from the profit as reported in the statements of profit or loss as it does not include items of income or expense that are taxable or deductible in other years or items that will not be taxable or deductible at any time. The Company's current tax payable is calculated using the statutory tax rates, resp. rates that has been enacted or substantively enacted by the end of the reporting period.

##### **2.9.2. Deferred tax**

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences

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that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 2.9.3. Current tax and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside of profit or loss (i.e. other comprehensive income or directly in equity). In such case the tax is also recognised outside of profit or loss.

### 2.10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost reduced by accumulated losses from impairment and accumulated depreciation applicable to items of plant and equipment. Land is not depreciated.

Items of property, plant and equipment in the course of construction are carried at cost, less any recognised impairment loss. The value of the equipment in the course of construction also includes advances provided for the acquisition of fixed assets. Spare parts for the replacement of components in the repair of higher grades of vehicles are also part of the equipment in the course of construction. Cost includes professional fees and, for qualifying assets, borrowing costs. Similarly to other items of property, plant and equipment, depreciation of these assets commences when they are ready for their intended use.

Depreciation is recognised in order to expense the cost of assets (other than freehold land and assets under construction) less their residual values over their useful lives, applying the straight-line method (with the exception of some components which are depreciated using the mileage method).

Since 2018, the Company has replaced the original components (main and first substantial repair), where the new components are considered to be R3, R2 and R1 type repairs for traction vehicles that are related to extending vehicle serviceability and extending technical parameters, equipment and usability of HDVs. The type R3 repair activities correspond in part to the previous repair under the 'main' scope, the type R2 repair activities correspond in part to the previous repair under the 'first substantial repair' scope. The type R1 repair activities correspond, to a lesser extent, to a previous repair under the scope of 'first substantial repair' and some activities carried out in the framework of normal maintenance activities. In addition, other types of repairs D3, D2 and D1 have been introduced in motor traction vehicles related to the restoration of serviceability and extension of technical parameters, equipment and usability of the HDV diesel combustion engine. The D3 repair represents the highest level of diesel engine repair and the D1 repair represents the lowest repair range. In 2019, a locomotive battery component was newly introduced for traction vehicles. Other components also include radio stations. For freight and passenger cars, the Company records as revision repair components, wheelsets, and in 2019, new wagon body and technical inspection components were introduced.

The Company determined a depreciation plan for components of railway vehicles which is based on a repair plan for R3, R2 and R1 traction vehicles and inspection repairs and replacement of wagon wheelsets for freight wagons. As for railway traction vehicles and freight wagons, the mileage depreciation is based on the actual mileage per month (i.e. actual kilometres covered). The amount of depreciation in the particular reporting period is calculated as the number of kilometres in the reporting period multiplied by the rate per one kilometre. The rate per one kilometre is determined as a ratio of the purchase price of the relevant component to maximum mileage determined for the R3, R2 and R1 repairs of railway traction vehicles and inspection repair and wheelsets of freight wagons. After reaching the maximum mileage, it is necessary to undertake a new major (R3) or substantial (R2) repair of a traction vehicle or a new inspection repair or replacement of wheelsets. For components D3, D2 and D1, a depreciation plan was determined on

the basis of operating hours. Radio stations are depreciated applying the straight-line method over their useful life.

Within the R3 repair type of railway traction vehicle there are activities that are parts of and relate to R2 repair type (first substantial repair), therefore activities falling within R2 repair are separated from R3 major repair. The same applies to R1 repair which is separated from R2 and R3 repairs.

As for modernising or reconstruction of freight wagons (extending their useful lives to 20 years) which also involves activities relating to inspection repairs, these activities are separated and recorded as new components of the relevant freight car. This approach also applies to wheelsets, technical inspections and wagon's body. Those components are subsequently depreciated in line with the accounting policy disclosed above.

Freight wagons and railway traction vehicles without components are depreciated to the estimated residual value. The estimated residual value means the estimated justifiable positive amount that the Company can acquire upon the expected disposal of assets after deducting the estimated costs associated with their disposal. The estimated residual value for freight wagons and railway traction vehicles is based on the scrap amount that could be received at disposal. The estimated useful lives, residual values and depreciation method are reviewed at each year-end and the effect of any changes in estimates is accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds from sale and the carrying amount of the asset and is recognised in profit or loss.

### 2.11. INTANGIBLE ASSETS

#### 2.11.1. Separately acquired intangible assets

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

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

### 2.12. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use, are tested for impairment at least once a year or when any indication of potential impairment occurs.

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

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

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

### 2.13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

A subsidiary is an entity that is controlled by the Company; the Company has the power to govern its financial and operating policies so as to benefit from its activities. The Company controls an investee when it is exposed to, or has the right to, variable returns due to its involvement in the investee and is able to influence those returns through its control over it, and if it has control over the investee. (i.e. holds existing rights based on which it is able to govern the activities that significantly impact the revenues of this entity).

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. In this case, the Company usually controls 20-50 % of the voting rights.

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

In the separate financial statements subsidiaries, associates and joint-ventures are stated at cost, unless held for sale.

Investments in subsidiaries are tested for impairment at least on an annual basis by comparing the fair value and the carrying amount of the equity investment.

### 2.14. INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined using the weighted-average method. The net realisable value represents the estimated selling price of inventories less all estimated cost to sell. Inventory is mainly held for own use rather than for re-sale. Spare parts for the replacement of components in the repair of higher grades of vehicles are also part of the equipment in the course of construction.

### 2.15. PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account

related risks and uncertainties. Where a provision is measured based on the cash flows estimated to settle the present obligation, its carrying amount equals the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognised when it is certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The provision can be only utilised in relation to expenses for which it was originally created. Change in provisions is allocated to specific expenses in profit or loss, the unused portion of provisions is recognised as other operating income.

### 2.16. LOANS, BORROWINGS AND BONDS

Loans, borrowings and bonds At initial recognition, borrowings are stated at fair value less transaction costs. In subsequent periods, loans are carried at amortized cost using the effective interest rate method; All differences between the consideration (less transaction costs) and the value of the instalments are recognized in the consolidated income statement over the period of the loan.

### 2.17. FINANCIAL INSTRUMENTS

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

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

Financial assets are classified in the following three categories: financial assets at amortised cost, financial assets at fair value through profit or loss, or financial assets at fair value through other comprehensive income. Classification depends on how the Company manages financial assets and on the nature of the contractual cash flows of a particular financial asset.

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

#### 2.17.1. Effective interest method

The effective interest method is a method for calculating the amortised cost of a debt instrument and allocating interest income/expense over the period. The effective interest rate is the interest rate that exactly discounts the estimated amount of future cash receipts/ expenditures (including any fees paid or received that are an integral part of the effective interest rate, transaction costs and other bonuses or discounts) over the expected life of the debt instrument to the net book value at initial recognition.

Income and expenses are recognised using the effective interest rate of debt instruments, except for financial assets and liabilities classified at fair value through profit or loss.

#### 2.17.2. Financial assets are measured at fair value through other comprehensive income

Financial assets which are measured at fair value in other comprehensive income are capital investments that are not held for trading. The Company designates equity investments that are not traded on an active market as measured at fair value through other comprehensive income. If the Company obtains the right to receive a dividend from such equity investments, the dividend income is recognised in profit and loss account.



**2.17.3. Financial assets at amortised costs**

Loans and receivables (including bank balances) are financial assets held under a business model which intends to collect contractual cash flows that represent only principal and interest payments on unpaid principal amounts. For this reason, the Company recognises these assets at amortised cost using the effective interest method, fewer impairment losses. These assets arise when the Company provides cash, goods or services directly to the borrower without planning to trade with the receivable.

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

**2.17.4. Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for expected credit loss at each time the asset is recorded in the accounts.

Full model (3 stage impairment model): At initial recognition, a financial asset is included in Tier 1 for which an impairment loss is recognised at the level of the expected 12-month credit loss. During the life of the financial asset, the Company identifies whether there has been a significant increase in credit risk. If so, such financial asset is transferred to Tier 2 for which an impairment loss is recognised at the level of the expected lifetime loss. In case of counterparty's default, such financial asset is transferred to Tier 3. At this level, interest income from a financial asset is recognised from the carrying amount of the asset less impairment into account applying the original effective interest rate.

For the purpose of determining the expected credit losses, the Company applies a simplified IFRS 9 approach that uses the lifetime expected loss measurement for all short-term receivables from both trade receivables and short-term finance lease receivables.

The simplified model is applied to short-term trade receivables that do not have a significant financing component. Based on impairment matrix that includes historical inputs and expected future inputs, the Company calculates provisions for each receivable portfolio.

In case of individually assessed receivables, the Company considers the following factors that affect the ability of the debtor to meet their obligations:

- Future outlook,
- Knowledge of customer,
- Payment discipline.

The Company considers the potential impairment of cash and cash equivalents to be insignificant due to the high credit quality of banks which the Company cooperates with, supported by external investment ratings.

Based on historical experience, the Company uses the following criteria to determine credit default:

- if information obtained from external sources indicates that the debtor is unlikely to pay their creditor in full (bankruptcy, insolvency proceedings),
- if the financial asset is more than 180 days past due, unless the Company has sufficient supporting information indicating that the delay is an appropriate default criterion.

**2.17.5. Derecognition of financial assets**

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

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

Upon derecognition of a financial asset in its entirety, the difference between the assets' carrying amount and the consideration received or receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

**2.17.6. Financial liabilities at fair value through profit and loss (FVTPL)**

Financial liabilities are classified as FVTPL when the financial liability is held for trading or it is designated as FVTPL.

The Company designates derivatives within this category which are recognised under other financial liabilities.

**2.17.7. Other financial liabilities at amortised cost**

Financial liabilities that are not held for trading or designated as financial liabilities at FVTPL are subsequently measured at amortised cost using the effective interest method.

**2.17.8. Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

**2.17.9. Derivative financial instruments**

The Company enters into financial derivative contracts in order to manage currency, interest rate and commodity risks.

Derivatives are measured at fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as a hedging instrument. In such case, the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

The Company classifies derivatives that do not qualify as hedging derivatives at FVTPL.

**2.17.10. Hedge accounting**

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

At the inception of the hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with risk management objectives and strategy for undertaking various hedge transactions. Since the inception, the Company documents and monitors on an ongoing basis, whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. The Company monitors the hedging ratio, sources of inefficiency and the effect of credit risk. Hedge accounting is consistent with the Company's risk management strategy. Under IFRS 9, the Company separates the time value of commodity options and basis spread from inter-currency interest rate swaps as collateral costs.

**2.17.11. Cash flow hedges**

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge fund. Under IFRS 9, the Company separates the costs of hedge accounting, when the conditions for recognising these costs in the other comprehensive income are met. The gain or loss relating to the ineffective portion is recognised directly in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period in which the hedged item is recognised in profit or loss, within the same line item as the recognised hedged item. However, if the hedging of the expected transaction subsequently results in recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income accumulated in equity are transferred from equity and are included in cost of the non-financial asset or non-financial liability.

The Company prospectively ceases hedge accounting only when the hedging relationship (or a portion of it) no longer meet the hedging criteria (after taking into account any rebalancing of the hedging relationship). This includes cases where the hedging instrument expires, is sold, terminated or settled. Any gain or loss that is recognised in other comprehensive income and accumulated in the cash flow hedge fund remains in equity and is reclassified to profit or loss when the forecast transaction occurs. If the expected transaction is no longer expected to occur, the gains or losses accumulated in the cash flow hedge fund are reclassified immediately to profit or loss.

**2.17.12. Financial derivatives held for trading**

All derivative transactions that the Company concludes are intended for hedging purposes, however, however some of them do not classify as hedging instruments due to formal reasons.

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

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

## 3. Adoption Of New And Revised International Financial Reporting Standards

**3.1. STANDARDS AND INTERPRETATIONS APPLICABLE FOR PERIODS ENDING 31 DECEMBER 2021**

During the year ended 31 December 2021 the following standards, amendments and interpretations came into force:

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	1 January 2021

The amendment to IFRS 9, IFRS 7 and IAS 39 issued following the interest rate benchmark reforms regulates the hedge accounting requirements in the period before the enactment of the reforms. It applies to all hedging relationships that are directly affected by the interest rate benchmark reform. The hedging relationship is affected if there is uncertainty due to the reform about the timing or the amount of interest rate benchmark-based cash flows of the hedged item or the hedging instrument. This amendment has no impact on the Company's financial statements.

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

**3.2. STANDARDS AND INTERPRETATIONS APPLIED BEFORE THEIR EFFECTIVE DATES**

The Company did not apply any standard or interpretations before their effective dates.

**3.3. STANDARDS AND INTERPRETATIONS THAT WERE PUBLISHED AND NOT YET APPLIED**

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

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 - Reference to the Conceptual Framework	1. January 2022
IFRS 10, IAS 28 - Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date will be determined *
IAS 1 - Amendments to IAS1 - Classification of Liabilities as Current or Non-current	1. January 2023*
IAS 1 - Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1. January 2023*
IAS 8 - Amendments to IAS 8 - Definition of Accounting Estimates	1. January 2023*
IAS 12 - Amendment to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1. January 2023*
IAS 16 - Amendments to IAS 16 - Proceeds before Intended Use	1. January 2022
Various standards - Annual Improvements to IFRS Standards 2018-2020 Cycle	1. January 2022

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

Amendments to IAS 1 Preparation and Presentation of Financial Statements and Opinions on the Application of IFRS No. 2 Significance Judgments - Disclosure of Accounting Policies.

The amendments change the requirements in IAS 1 regarding the disclosure of accounting policies. The amendments replace the term "significant accounting policies" with the term "material information about accounting policies". Information about accounting policies is material if, in conjunction with other information in the entity's financial statements, we can reasonably expect that it will have an influence on the decisions that primary users of the financial statements make based on their basis. At the same time, the supporting paragraphs in IAS 1 are amended to clarify that information about accounting policies that relate to immaterial transactions, other events or conditions is insignificant and does not need to be disclosed. Information about accounting policies may be material based on the nature of the related transactions, other events or conditions, even when the amounts are immaterial. However, not all information about accounting policies related to significant (material) transactions, other events or conditions is significant in itself. The Board has also prepared guidance and examples explaining and demonstrating the application of the "four-step significance process" described in Opinion on application of IFRS 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023; and they are applied prospectively. Earlier application is permitted by the IASB. Amendments to the Opinion on the Application of IFRS No. 2 do not contain an effective date or transitional provisions.

Amendments to IAS 12 Income Taxes - Deferred Tax related to assets and liabilities arising from a single Transaction.

The amendments introduce an additional exception on initial recognition. Under the amendments, an entity does not apply the initial recognition exception to transactions that result in the same taxable and deductible temporary differences. Depending on the applicable legislation, the same taxable and deductible temporary differences may arise on initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting or taxable profit. This may be the case, for example, when recognizing a lease liability and the related right of use in applying IFRS 16 at the inception of the lease. Based on the amendments to IAS 12, an entity shall recognize the related deferred tax asset or liability, and the recognition of any deferred tax asset is subject to the recoverability criteria in IAS 12. The IASB adds an illustrative example to IAS 12 that explains how the amendments will be applied. An entity will apply the adjustments to transactions that occurred at or after the beginning of the earliest comparative period presented. At the commencement date of the earliest comparative period presented, the entity also recognizes:

- a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be applied) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - the right of use and the lease liability,
  - the decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the price of the related asset.
- The cumulative effect of the initial application of the adjustments as an adjustment to the opening balance of retained earnings (or other components of equity) at that date. The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier adoption is permitted by the IASB.

Management of the Company assumes that the adoption of these standards, amendments and interpretations will not have a significant impact on the Company in subsequent periods.

## 4. Critical Accounting Judgements, Key Sources of Estimation Uncertainty and Change in Accounting Policy

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the car-

rying amounts of assets and liabilities that are not evidently apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

### 4.1. PROVISION FOR LITIGATION

The Company is involved in a number of litigation and out-of-court commercial disputes. Provided that the criteria for provisioning are met, the Company creates provisions for these litigations based on the best available information and estimates. However, the actual outcome of the disputes may differ from these estimates. For information on litigation see Note 16.

### 4.2. IMPAIRMENT OF ASSETS

The Company assesses the recoverable value of all asset components when there are indicators of their impairment (with the exception of intangible assets under construction, the recoverable value of which is assessed annually). This assessment is based on anticipated assumptions and may change in the future depending on situation development and availability of information. Impairment in the category of property, plant and equipment is disclosed in Note 5.

### 4.3. LEASING - DISCOUNT RATE AND LEASE TERM

The Company measures the initial lease obligation at the present value of the lease payments to be discounted using the implicit interest rate. Since the Company is unable to determine this rate reliably, it uses its incremental borrowing rate as the discount rate. In determining this, the degree of lease collateral and the length of the lease contracts were taken into account.

In addition, the Company uses an estimate to determine the lease term for contracts concluded for an indefinite period. This estimate considered the period and circumstances of the potential termination of individual contracts. The Company has determined the estimated lease term for contracts for indefinite period at 5 years for contracts for the lease of non-residential premises and 3 years for the lease of railway vehicles for the following reasons:

- the Company operates under a medium-term plan for a period of 5 years,
- based on past experience, there is sufficient assurance that these leases will not be terminated by either the Company or the lessor.

In addition, each significant contract is also assessed individually in terms of the individual provisions of the contract, the economic situation on the market of the asset and also the experience with this lessor in the past, and subsequently the lease period is adjusted according to these parameters. In total, the lease period for building and transport contracts in the total amount of CZK 204 million was thus extended for the period of 2021 (for the period of 2020 in the total amount of CZK 356 million). The carrying amount of lease liabilities arising from contracts for an indefinite period amounts to CZK 976 million as at 31 December 2021 and as at 31 December 2020 it was CZK 786 million.

## 5. Property, Plant and Equipment

Cost (CZK million)	Balance as at 1 Jan 2020	Additions	Disposals	Transfers	Balance as of 31 Dec 2020	Additions	Disposals	Transfers	Balance as at 31 Dec 2021
Land	117	-	-	-	117	-	-	-	117
Construction	1,703	15	(2)	14	1,730	52	-	1	1,783
Individual movable assets	38,954	2,512	(954)	269	40,781	2,827	(1,425)	416	42,599
- Machinery, equipment, and furniture and fixtures	445	5	(3)	5	452	12	(4)	21	481
- Vehicles <sup>a</sup>	36,317	2,507	(951)	344	38,217	2,815	(1,420)	(691)	38,921
- Leased vehicles	2,188	-	-	(80)	2,108	-	-	1086	3,194
- Other	4	-	-	-	4	-	(1)	-	3
Asset under construction	364	389	(6)	(283)	464	326	(15)	(148)	627
Advances	335	375	(341)	-	369	992	(771)	(274)	316
<b>Total</b>	<b>41,473</b>	<b>3,291</b>	<b>(1,303)</b>	<b>-</b>	<b>43,461</b>	<b>4,197</b>	<b>(2,211)</b>	<b>(5)</b>	<b>45,442</b>

Accumulated depreciation and impairment (CZK million)	Balance as at 1 Jan 2020	Additions	Disposals	Transfers	Impair- ment	Balance as of 31 Dec 2020	Additions	Eliminations	Disposals	Transfers	Impair- ment	Balance as at 31 Dec 2021
Construction	946	32	(2)	-	-	976	32	-	-	(1)	-	1,007
Individual movable assets	22,249	1,341	(954)	-	153	22,789	1,388	45	(1,425)	1	74	22,872
- Machinery, equipment, and furniture and fixtures	277	15	(3)	4	-	293	15	-	(4)	21	-	325
- Vehicles <sup>a</sup>	20,602	1,227	(951)	287	153	21,318	1,145	45	(1,420)	(127)	74	21,035
- Leased vehicles	1,366	99	-	(291)	-	1,174	228	-	-	107	-	1,509
- Other	4	-	-	-	-	4	-	-	(1)	-	-	3
Asset under construction	6	3	(3)	-	1	7	1	-	(1)	-	(1)	6
<b>Total</b>	<b>23,201</b>	<b>1,376</b>	<b>(959)</b>	<b>-</b>	<b>154</b>	<b>23,772</b>	<b>1,421</b>	<b>45</b>	<b>(1,426)</b>	<b>-</b>	<b>73</b>	<b>23,885</b>

Net book value (CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020	Balance as at 1 Jan 2020
Land	117	117	117
Constructions	776	754	757
Individual movable assets	19,727	17,992	16,705
- Machinery, equipment, and furniture and fixtures	156	159	168
- Vehicles <sup>a</sup>	17,886	16,899	15,715
- Leased vehicles	1,685	934	822
- Other	-	-	-
Assets under construction	621	457	358
Advances	316	369	335
<b>Total</b>	<b>21,557</b>	<b>19,689</b>	<b>18,272</b>

<sup>a</sup>Vehicles acquired under secured loan and are presented in the financial statements under the item „Vehicles“. Their net book value amounted to CZK 3,514 million as at 31 December 2021 and CZK 2,391 million as at 31 December 2020. Liabilities arising from these secured loan transactions are part of Note 15.2 „Secured loans“. The Company's liabilities from secured loan transactions are secured by the lessor against the leased assets.



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Properties are represented mainly by buildings and land. Land and buildings do not include railway route, which are owned by the Správy železnic, s.o.

Vehicles mainly comprise rail vehicles (railway traction vehicles, freight wagons) used for railway freight transport. As at 31 December 2021, an allowance is created for these items in the amount of the difference between the carrying amount and the recoverable amount of CZK 474 million (as at 31 December 2020: CZK 399 million).

Additions to movable tangible assets:

(CZK million)	2021	2020
Technical evaluation of railway traction vehicles	607	392
Repairs of type R and D (components) of railway traction vehicles	575	621
TRAXX 388 traction vehicles	459	-
Truck overhauls (components)	313	316
744 series traction vehicles	217	7
Eanos freight wagons	193	447
Sgnss freight wagons	186	-
Sggrrs freight wagons	-	108
753.6 series traction vehicles	-	127
Wheelsets (components) for freight wagons	95	181
Technical improvement of traction rail vehicles	68	72
Components Wagon box for trucks	44	93
Zacns freight wagons	-	41
Others	70	107
<b>Total</b>	<b>2,827</b>	<b>2,512</b>

The Company leases some of its assets that it does not currently use for its activities to external entities. The most significant leased assets are vehicles, especially freight wagons and some traction vehicles. The value of these leased assets is shown in the table below. No other significant assets are leased. None of the contracts is non-cancellable.

(CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020
Cost	3,194	2,108
Depreciation	(1,509)	(1,174)
<b>Net book value</b>	<b>1,685</b>	<b>934</b>

During 2021, the Company used part of the received subsidy advance for the implementation of the European Train Control System (ETCS) installed for locomotives of 742, 363 and 163 series; it was a total assets worth CZK 342 million. Furthermore, the Company received a subsidy for LL brake blocks (so-called 'silent brake blocks') in the amount of CZK 19 million.

Railway vehicles are depreciated according to the below useful lives to the estimated residual value. Components of these railway vehicles are depreciated by actual mileage. When calculating depreciation of other assets, the following useful lives were applied:

	Number of years
Buildings	20 – 50
Railway traction vehicles (without components)	20 – 35
Freight wagons (without components)	30
Machinery and equipment	8 – 20

The Company performed an evaluation of asset impairment indicators in relation to the effects of the Covid-19 pandemic. The assets used in the core business, i.e. the fleet of freight wagons and locomotives, were tested on the basis of one cash-generating unit. The fair value of these assets was determined in accordance with the requirements of IFRS 13 for Level 3 assets. As part of impairment testing, the market value of these assets was compared with their carrying amount. The market value of the freight wagons was determined on the basis of an expert opinion of a sample of wagons from each interval, respectively according to the recoverable amount in the physical disposal of trucks on the basis of their weight and the current price of scrap, in a proportion that corresponds to the structure of the fleet and its expected further use. The market value of the locomotives was determined by comparing the operational and technical parameters of the sub-series of locomotives with the most similar new locomotive currently traded on the market, with the expected further use, or according to the recoverable amount in the physical disposal of locomotives based on their weight and the current price of scrap for locomotives intended for scrapping. The model confirmed that the market value of these assets significantly exceeds their book value.

### 5.1. PLEDGED ASSETS

The Company's assets as at 31 December 2021 and 31 December 2020 were not pledged. The Company's liabilities from leaseback transactions and financial leasing are secured by the lessor right to the leased assets.

## 6. Intangible Assets

Cost (CZK million)	Balance as at 1 Jan 2020	Additions	Disposals	Transfers	Balance as at 31 Dec 2020	Additions	Disposals	Transfers	Balance as at 31 Dec 2021
Software	1,055	86	-	31	1,172	59	-	20	1,251
Royalties	154	9	-	12	175	1	-	8	184
Assets under construction	66	31	(1)	(43)	53	63	-	(23)	93
<b>Total</b>	<b>1,275</b>	<b>126</b>	<b>(1)</b>	<b>-</b>	<b>1,400</b>	<b>123</b>	<b>-</b>	<b>5</b>	<b>1,528</b>

Accumulated amortisation (CZK million)	Balance as at 1 Jan 2020	Additions	Disposals	Balance as at 31 Dec 2020	Additions	Disposals	Balance as at 31 Dec 2021
Software	562	84	-	646	71	-	717
Royalties	125	6	-	131	7	-	138
<b>Total</b>	<b>687</b>	<b>90</b>	<b>-</b>	<b>777</b>	<b>78</b>	<b>-</b>	<b>855</b>

Net book value (CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020	Balance as at 1 Jan 2020
Software	534	526	493
Royalties	46	44	29
Assets under construction	93	53	66
<b>Total</b>	<b>673</b>	<b>623</b>	<b>588</b>

Amortisation costs are recorded in the line depreciation and amortisation in the statement of profit or loss. The item assets under construction consists of items that are developed in cooperation with supplier companies and are not internally developed software.

As at 31 December 2021, intangible assets include royalties (licenses) in total net book value of CZK 46 million. The most significant items are Modular System licenses in the amount of CZK 17 million, Microsoft licenses in the amount of CZK 13 million, SAP licenses in the amount of CZK 7 million and Altworx licenses in the amount of CZK 6 million. In 2021, licenses in the total amount of CZK 9 million were activated.

The length of amortisation period of intangible assets:

	Number of years
Software	3 – 10
Royalties	6 – 10

### 6.1. SOFTWARE

Net book value (CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020	Balance as at 1 Jan 2020
Operational and business tasks under the project PROBIS	315	300	315
SAP	69	78	83
IT Security Program	13	15	21
Other	137	133	74
<b>Total</b>	<b>534</b>	<b>526</b>	<b>493</b>

Software predominantly includes the SAP system and the operational business tasks under PROBIS project. Software additionally includes the information system supporting freight transport, development of the SAP information system, the Microsoft Enterprise Agreement license, the OPT information system, system for the support of office work and other systems used by ČD Cargo, a.s.

Additions to software in 2021 consist mainly of modifications and upgrades of existing systems: Dispatching information system under the Unit Trains project in the amount of CZK 19 million, Altworx software for monitoring and evaluating the usage of basic capacity of the Company (operating personnel, traction vehicles and freight wagons) in the amount of CZK 9 million, development of System for operation of marshalling yards in the amount of CZK 9 million, ZEVO-O - management of vehicle capacity in the amount of CZK 9 million.

## 7. Investments In Subsidiaries And Associates

Category (CZK million)	Investment* as at 31 December 2021	Investment* as at 31 December 2020
Subsidiaries	533	499
Joint ventures and associates	43	40
<b>Total</b>	<b>576</b>	<b>539</b>

\*the value of the share represents the net value of the investment consisting of the acquisition price less any allowance

### 7.1. INFORMATION ON SUBSIDIARIES

Name of the entity (CZK million)	Registered office	Investment* as at 31 December 2021	Investment* as at 31 December 2020
CD Cargo Germany GmbH	Niddastrasse 98-102, 60329 Frankfurt am Main, Germany	1	1
CD Cargo Poland Sp. z o.o.	Grzybowska 4/3, 00-131 Warsaw, Poland	260	260
CD Cargo Austria GmbH	Rotenturmstraße 22/24, 1010 Vienna, Austria	-	-
CD Cargo Slovakia, s.r.o.	Seberínho 1, 821 03 Bratislava, Slovakia	171	138
CD Cargo Hungary Kft.	Keleti sor utca 26-4, 4150 Püspökladány, Hungary	-	-
ČD Cargo Adria d.o.o.**	Savska cesta 32, Zagreb, Croatia	2	-
Terminal Brno, a.s.	K Terminálu 614/11, 61900 Brno	49	49
ČD-DUSS Terminál, a.s.	Lukavecká 1189, 41002 Lovosice	2	2
ČD Cargo Logistics, a.s.	Opletalova 1284/37, 11000 Prague 1	48	49
Auto Terminal Nymburk, s.r.o. in liquidation***	Jankovcova 1569/2c, 170 00 Prague 7	-	-
<b>Total</b>		<b>533</b>	<b>499</b>

\* the value of the share represents the net value of the investment consisting of the acquisition price less any allowance

\*\*the new company in 2021

\*\*\*the company was liquidated in 2021 by removal from the Commercial Register

Name of the entity	Principal activities	Ownership interests as at 31 December 2021	Ownership interests as at 31 December 2020
CD Cargo Germany GmbH	Brokerage of freight transportation services on behalf of and for ČD Cargo, a.s. and freight forwarding.	100 %	100 %
CD Cargo Poland Sp. z o.o.	Brokerage of freight transportation services on behalf of and for ČD Cargo, a.s. and freight forwarding, operations of railway transport and lease of traction vehicles and wagons.	100 %	100 %
CD Cargo Austria GmbH	Brokerage of freight transportation services on behalf of and for ČD Cargo, a.s. and freight forwarding.	100 %*	100 %*
CD Cargo Slovakia, s.r.o.	Brokerage of freight transportation services on behalf of and for ČD Cargo, a.s. and freight forwarding.	100 %	100 %
CD Cargo Hungary Kft.	Rail freight transport, wholesale brokerage of raw materials and fuel, storage and other.	100 %**	100 %**
ČD Cargo Adria d.o.o.	Rail freight transport, wholesale brokerage of raw materials and fuel, storage and other	100 %	-
Terminal Brno, a.s.	Operations of combined transport terminal in Brno.	66.93 %	66.93 %
ČD-DUSS Terminál, a.s.	Operations of combined transport terminal in Lovosice.	51 %	51 %
ČD Cargo Logistics, a.s.	Freight forwarding.	100 %	100 %
Auto Terminal Nymburk, s.r.o. in liquidation***	Freight forwarding and technical transport activities.	0 %	100 %

\* the company is fully owned by CD Cargo Germany GmbH

\*\*the company is fully owned by CD Cargo Slovakia, s.r.o.

\*\*\*the company was liquidated in 2021 by removal from the Commercial Register

## 7.2. INFORMATION OF JOINT VENTURES

Name of the entity (CZK million)	Registered office	Investment <sup>o</sup> as at 31 December 2021	Investment <sup>o</sup> as at 31 December 2020
Ostravská dopravní společnost, a.s.	U Tiskárny 616/9, 702 00 Ostrava – Přívoz	15	12
RAILLEX, a.s.	Belgická 196/38, 120 00 Praha 2	1	1
<b>Total</b>		<b>16</b>	<b>13</b>

<sup>o</sup> the value of the share represents the net value of the investment composed of the acquisition price reduced by the eventual value of the provision

Name of the entity	Principal activities	Ownership interests as at 31 December 2021	Ownership interests as at 31 December 2020
Ostravská dopravní společnost, a.s.	Railway transportation and lease of traction vehicles and railway wagons	50%	50%
RAILLEX, a.s.	Cargo handling and technical services in transportation, freight forwarding.	50%	50%

## 7.3. INFORMATION OF ASSOCIATES

Name of the entity	Registered office	Investment <sup>o</sup> as at 31 December 2021	Investment <sup>o</sup> as at 31 December 2020
BOHEMIAKOMBI, spol. s r.o.	Opletalova 921/6, 110 00 Prague 1	-	-
Ostravská dopravní společnost – Cargo, a.s.	U Tiskárny 616/9, 70200 Ostrava - Přívoz	27	27
<b>Total</b>		<b>27</b>	<b>27</b>

<sup>o</sup>the value of the share represents the net value of the investment consisting of the acquisition price less any allowance

Name of the entity	Principal activities	Ownership interests as at 31 December 2021	Ownership interests as at 31 December 2020
BOHEMIAKOMBI, spol. s r.o.	Brokerage of transportation services except for the transportation by own vehicles.	30%	30%
Ostravská dopravní společnost – Cargo, a.s.	Railway transportation and lease of traction vehicles and railway wagons	20%	20%



## 7.4. SUMMARY OF FINANCIAL INFORMATION ON JOINT VENTURES AND ASSOCIATES

31 December 2021 (CZK million)	RAILLEX, a.s.	Ostravská dopravní společnost, a.s.	Total for joint ventures	BOHEMIAKOMBI, spol. s r.o.	Ostravská dopravní společnost – Cargo, a.s.	Total for associates
<b>Total assets</b>	<b>36</b>	<b>198</b>	<b>234</b>	<b>17</b>	<b>252</b>	<b>269</b>
Current assets	-	-	-	1	42	43
Non-current assets	36	198	234	16	210	226
<b>Total liabilities</b>	<b>18</b>	<b>167</b>	<b>185</b>	<b>8</b>	<b>34</b>	<b>42</b>
Current liabilities	-	-	-	-	-	-
Non-current liabilities	18	167	185	8	34	42
Net assets	18	31	49	9	218	227
<b>Share of net assets</b>	<b>9</b>	<b>15</b>	<b>24</b>	<b>-</b>	<b>44</b>	<b>44</b>

31 December 2020 (CZK million)	RAILLEX, a.s.	Ostravská dopravní společnost, a.s.	Total for joint ventures	BOHEMIAKOMBI, spol. s r.o.	Ostravská dopravní společnost – Cargo, a.s.	Total for associated parties
<b>Total assets</b>	<b>39</b>	<b>172</b>	<b>211</b>	<b>26</b>	<b>220</b>	<b>246</b>
Current assets	-	-	-	1	46	47
Non-current assets	39	172	211	25	174	199
<b>Total liabilities</b>	<b>22</b>	<b>147</b>	<b>169</b>	<b>16</b>	<b>31</b>	<b>47</b>
Current liabilities	-	-	-	-	-	-
Non-current liabilities	22	147	169	16	31	47
Net assets	17	25	42	10	189	199
<b>Share of net assets</b>	<b>8</b>	<b>13</b>	<b>21</b>	<b>-</b>	<b>38</b>	<b>38</b>

Joint ventures (CZK million)	2021	2020
Total income	904	734
Profit for the period	18	9
<b>Share of profit for the period</b>	<b>9</b>	<b>5</b>

Associated parties (CZK million)	2021	2020
Total income	270	305
Profit for the period	35	34
<b>Share of profit for the period</b>	<b>7</b>	<b>7</b>

## 8. Inventories

(CZK million)	31 Dec 2021	31 Dec 2020
Spare parts and other components for rail vehicles and traction vehicles	281	222
Spare parts for other machines, devices and equipment	6	9
Fuels, lubricants and other petroleum products	4	3
Work clothes, work shoes, protective devices	6	17
Other	46	46
<b>Total cost</b>	<b>343</b>	<b>298</b>
Write-down of inventories to their net realisable value	(10)	(6)
<b>Total net book value</b>	<b>333</b>	<b>292</b>

## 9. Trade Receivables

Trade receivables consist of the following items:

(CZK million)	Category	Before due date	Past due date (days)					Total overdue	Total
			1 - 30 days	31 - 90	91 - 180	181 - 365	over 365		
31 Dec 2021	Gross	1,550	104	33	13	3	82	235	1,785
	Allowances	(10)	(1)	(2)	(1)	(2)	(82)	(88)	(98)
	<b>Net</b>	<b>1,540</b>	<b>103</b>	<b>31</b>	<b>12</b>	<b>1</b>	<b>-</b>	<b>147</b>	<b>1,687</b>
31 Dec 2020	Gross	1,539	35	35	2	2	83	157	1,696
	Allowances	(54)	-	(1)	(1)	(2)	(83)	(87)	(141)
	<b>Net</b>	<b>1,485</b>	<b>35</b>	<b>34</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>1,555</b>

### 9.1. MOVEMENT OF ALLOWANCES FOR DOUBTFUL TRADE RECEIVABLES

Movement of allowances for doubtful trade receivables (CZK million)		
	2021	2020
<b>Allowances at 1 January</b>	<b>141</b>	<b>90</b>
Creation of allowances – trade receivables	35	56
Use of allowances – trade receivables	(66)	(4)
Write-offs – trade receivables	(12)	(1)
<b>Allowances at 31 December</b>	<b>98</b>	<b>141</b>

## 10. Other Financial Assets

(CZK million)	31 Dec 2021	31 Dec 2020
Lease receivables (see Note 10.1)	30	40
Hedging derivatives	8	29
Restricted cash (see Note 5)	-	-
Other financial assets	-	1
<b>Other non-current financial assets</b>	<b>38</b>	<b>70</b>
Lease receivables (see Note 10.1.)	13	12
Hedging derivatives	89	25
Group cash-pooling	2	3
Receivables for damages and losses	12	6
Receivables for damages and losses - allowances	(8)	(4)
Restricted cash (see Note 5)	-	76
Other financial assets	9	119
Other financial assets – allowances	(2)	(12)
<b>Other current financial assets</b>	<b>115</b>	<b>225</b>
<b>Total Other financial assets</b>	<b>153</b>	<b>295</b>

Hedging derivatives are measured at fair value, other financial assets are measured at amortised cost.

In relation to IFRS 9, there was no reason to create an allowance for any other financial assets due to the expected credit loss.

### 10.1. FINANCE LEASE RECEIVABLES

Company ČD Cargo, a.s. leased part of the building in the Lovosice logistics centre to Mondí Štětí a.s.

Disclosure required according to the IFRS 16

Analysis of maturity of receivables from leasing payments:

(CZK million)	31 Dec 2021	31 Dec 2020
1 year	14	13
2 year	14	13
3 year	14	13
4 year	3	13
5 year	-	3
More than 5 years	-	-
<b>Undiscounted lease payments</b>	<b>45</b>	<b>55</b>
Minus: Unrealised financial income	(2)	(3)
<b>Present value of lease payments receivable</b>	<b>43</b>	<b>52</b>
Impairment allowance	-	-
<b>Net investment in leasing</b>	<b>43</b>	<b>52</b>
In the statement of financial position as:		
Short-term lease receivables	13	12
Long-term lease receivables	30	40
<b>Total</b>	<b>43</b>	<b>52</b>

The amounts recognised in the statement of profit or loss:

(CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020
Net proceeds from financial investments	1	2

The Company applies a simplified approach in accordance with IFRS 9 to measure expected credit losses, using an allowance for expected losses over the useful lives for all finance lease receivables.

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

None of the finance lease receivables is overdue at the end of the reporting period, and taking into account past experience and future prospects of the industries in which the lessee operates, the management of the Company believes that no finance lease receivables are impaired.

The Company is not exposed to currency risk as a result of lease arrangements, as the lease is denominated in CZK. The risk of residual value of the leased building is not material.

## 11. Other Assets

(CZK million)	31 Dec 2021	31 Dec 2020
Advances granted	2	2
Other non-current assets	2	2
<b>Advances granted</b>	<b>56</b>	<b>51</b>
Tax receivables – VAT	43	42
Prepaid expenses	59	32
Subsidy	249	-
Other	15	4
<b>Other current assets</b>	<b>422</b>	<b>129</b>
<b>Total Other assets</b>	<b>424</b>	<b>131</b>

The line "Subsidy" represents an unquestionable entitlement to a part of the subsidy received by the Company within the subsidy project for equipping traction vehicles with on-board parts of the European Train Control System.

The line "Advances granted" represents amounts paid to domestic and foreign suppliers in connection with business relations.

## 12. Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost in the balance sheet and tested for impairment under IFRS 9. The Company considers the potential impairment of these items to be insignificant due to the high credit quality of the cash deposits held by reputable financial institutions with a high investment credit rating.

(CZK million)	31 Dec 2021	31 Dec 2020
Cash in hand and cash in transit	2	3
Cash at bank *	1,001	521
<b>Total**</b>	<b>1,003</b>	<b>524</b>

\*the contractual partners of the company are renowned banks with a high credit rating (required investment grade) with whom the Company cooperates on the basis of long-term and stable relationships

\*\*from the point of view of IFRS 9, impairment losses on the Company's cash and cash equivalents were evaluated as insignificant

For the calculation of cash flows for the year ended 31 December 2021, dividend income from subsidiary CD Cargo Germany GmbH in the amount of CZK 30 million (2020: CZK 25 million) was partly recognised as non-cash income and offset against their liabilities in the amount of CZK 10 million. The remaining part of CZK 20 million was fully paid.

Total final balances of the Company's accounts held in banking institutions:

Bank (CZK million)	Short-term rating *	Long-term rating *	31 Dec 2021	31 Dec 2020
Citibank Europe plc	P-1	Aa3	11	33
Česká spořitelna, a.s.	P-1	Aa3	1	1
Československá obchodní banka, a.s.	P-1	A1	434	279
ING Bank, N.V.	P-1	Aa3	67	71
Komerční banka, a.s.	P-1	A1	201	98
Raiffeisenbank a.s.	P-1	A2	63	2
UniCredit Bank Czech Republic and Slovakia a.s.	P-2	Baa1	15	5
Všeobecná úvěrová banka a.s.	P-1	A2	209	32
<b>Total</b>			<b>1,001</b>	<b>521</b>

\*Moody's bank rating is effective at the end of 2021

## 13. Equity

### 13.1. SHARE CAPITAL

As at 31 December 2021, the Company's the share capital amounted to CZK 8,494 million in the form of 100 pieces of dematerialised registered shares. The share capital was fully paid.

### 13.2. CAPITAL FUNDS

(CZK million)	31 Dec 2021	31 Dec 2020
Share premium	197	197
Statutory reserve fund	191	257
Cash flow hedging reserve	144	(35)
Actuarial losses	16	(2)
<b>Total</b>	<b>548</b>	<b>417</b>

The allocations to the statutory reserve fund are made in accordance with the internal rules of the Company.

#### 13.2.1. Share premium

The premium is the difference that arose between the nominal and issue price of shares when the company was established in the amount of CZK 197 million as at 1 December 2007.



**13.2.2. Reserve fund**

(CZK million)	2021	2020
<b>Balance as at 1 January</b>	<b>257</b>	<b>230</b>
Profit allocation to the reserve fund	-	27
Transfer from the reserve fund	(66)	-
<b>Balance as at 31 December</b>	<b>191</b>	<b>257</b>

In accordance with the company's internal rules, the allocation to the reserve fund amounts to CZK 27 million for 2020. In 2021, it was reduced by CZK 66 million due to the provision of employee benefits.

**13.2.3. Cash flow hedging reserve**

(CZK million)	2021	2020
<b>Balance at the beginning of the year</b>	<b>(35)</b>	<b>20</b>
Profit /(loss) from revaluation	230	(54)
Reclassification to profit or loss	(9)	(14)
<b>Total change in the cash flow hedging reserve</b>	<b>221</b>	<b>(68)</b>
Related income tax	(42)	13
<b>Balance at the end of the year</b>	<b>144</b>	<b>(35)</b>

The cash flow hedge fund represents accumulated gains and losses from effective cash flow hedging. It is primarily a hedging of currency risk arising from a change in the CZK/EUR exchange rate, which is hedged by currency forwards or swaps. Another component of cash flow hedging is hedging of commodity risk associated with fluctuations in the price of diesel. This effect is recognized in profit or loss when it is settled or when the derivative ceases to qualify for hedge accounting. Gains and losses reclassified during the year from equity are reported in the income statement on the lines Revenues, Services, Material and Energy Consumption and Financial Expenses, Financial Revenues.

**Reclassification from cash flow hedge reserve into profit or loss**

Currency forwards and swaps – hedging future income in foreign currencies (CZK million)		
	2021	2020
<b>Balance as at 1 January</b>	<b>40</b>	<b>12</b>
Change in the fair value of the hedging derivatives	32	44
Reclassification to the expenses and income	(25)	(10)
Related corporate income tax – change	(1)	(6)
<b>Balance as at 31 December</b>	<b>46</b>	<b>40</b>

Interest swaps – hedging loans and lease contracts with variable rate (CZK million)		
	2021	2020
<b>Balance as at 1 January</b>	<b>-</b>	<b>(27)</b>
Change in the fair value of the hedging derivatives	-	-
Reclassification to the expenses and income	-	34
Related corporate income tax – change	-	(7)
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>

Foreign currency leasing liabilities from IFRS 16 - hedging future revenue in foreign currencies (CZK million)		
	2021	2020
<b>Balance as at 1 January</b>	<b>(63)</b>	<b>-</b>
Change in the fair value of lease liability	173	(78)
Reclassification to the expenses and income	-	-
Related corporate income tax – change	(33)	15
<b>Balance as at 31 December</b>	<b>77</b>	<b>(63)</b>

Commodity forwards – hedging prices for the purchases of diesel and traction energy (CZK million)		
	2021	2020
<b>Balance as at 1 January</b>	<b>(12)</b>	<b>35</b>
Change in the fair value of the hedging derivatives	25	(20)
Reclassification to the expenses and income	16	(38)
Related corporate income tax – change	(8)	11
<b>Balance as at 31 December</b>	<b>21</b>	<b>(12)</b>

**13.2.4. Actuarial losses**

(CZK million)	2021	2020
<b>Balance as at 1 January</b>	<b>(2)</b>	<b>(12)</b>
Actuarial gains and losses	18	10
<b>Balance as at 31 December</b>	<b>16</b>	<b>(2)</b>

Actuarial losses represent the results of the revaluation of net liabilities (provisions for employee benefits) from such defined benefits, for more details see Note 16. Provisions.

## 14. Trade Payables

Year (CZK million)	Category	Before due date	Past due date (days)					Total past due date	Total
			1 - 30	31 - 90	91 - 180	181 - 365	over 365		
31 December 2021	Short-term	2,802	12	2	-	-	2	16	2,818
31 December 2020	Short-term	1,858	19	5	2	-	92	118	1,976

The Company does not recognise any long-term trade payables. Liabilities overdue for more than 365 days are part of litigation.

## 15. Loans, Borrowings And Bonds

(CZK million)	31 Dec 2021	31 Dec 2020
Long-term bank loans	4,032	2,434
Secured loans – long-term	1,625	946
Liabilities from leasing	2,593	2,601
Loans from České dráhy, a.s.	59	137
Issued bonds	4,253	4,260
<b>Total long-term</b>	<b>12,562</b>	<b>10,378</b>
Short-term bank loans	573	291
Secured loans – short-term	377	277
Liabilities from leasing	802	769
Loans from České dráhy, a.s.	71	75
Issued bonds	31	524
<b>Total short-term</b>	<b>1,854</b>	<b>1,936</b>
<b>Total</b>	<b>14,416</b>	<b>12,314</b>

As at 17 October 2016, the Company has drawn a borrowing from České dráhy, a.s., in the total amount of CZK 540 million for the purpose of financing the purchase of Vectron traction vehicles of 383 series. As at 31 December 2021, the remaining balance of the loan was divided into a long-term part in the amount of CZK 59 million and a short-term part in the amount of CZK 71 million.

Three investment loans were implemented with a total credit framework of CZK 3,000 million during 2020. As at 31 December 2020, CZK 2,800 million was drawn from this credit framework. During 2021, two more new investment loans were implemented with a total credit framework of CZK 1,500 million. As at 31 December 2021, this entire credit line was drawn. At the same time, an investment loan from 2020 in the amount of CZK 200 million was drawn during the year.

In December 2020, the Company signed a loan agreement with the European Investment Bank. According to the contractual conditions, the total amount of the loan framework is set at EUR 130 million. This credit line will be gradually used in the coming years to finance the Company's pre-selected investment projects. In 2021, the first tranche of CZK 500 million was drawn. For detailed information on investment loans see Note 33.8.

Portions of long-term loans and borrowings that are due within one year from the balance sheet date are recognised as short-term loans and borrowings.

The Company breached no loan covenants in the reporting period.

### 15.1. ISSUED BONDS

On 4 May 2011, the resolution of the Czech National Bank approved the bond programme of ČD Cargo, a.s. The highest volume of outstanding bonds issued under the bond programme may amount up to CZK 6,000 million with the term of the bond programme being ten years. The above resolution of the Czech National Bank took effect on 5 May 2011. Furthermore, from 5 May 2021, following the expiry of the first bond programme, a new bond programme with the term of 10 years is valid without a limit on the maximum amount of outstanding bonds.

Under the above-mentioned bond programme or under separate issuance conditions, the following bond issues exist as at 31 December 2021:

Administrator	Raiffeisenbank a.s.
Date of issue	17.6.2016
Total nominal value	CZK 500 million
Nominal value of the bond	CZK 0,1 million
Book value of bonds as at 31.12.2021	CZK 0 million
Book value of bonds as at 31.12.2020	CZK 503 million
Interest rate	fixed interest income 1,28 %
Issue rate	100 %
Payment of interest income	annually retrospectively
Date of interest payment	17.6. each year
Date of the final maturity	17.6.2021

## 14

Administrator	Unicredit Bank Czech Republic and Slovakia, a.s.
Date of issue	29.12.2016
Trading	Bonds admitted to trading on a regulated market of the Prague Stock Exchange
Total nominal value	CZK 500 million
Nominal value of the bond	CZK 5 million
Book value of bonds as at 31.12.2021	CZK 500 million
Book value of bonds as at 31.12.2020	CZK 499 million
Interest rate	fixed interest income 1.26 %
Issue rate	100 %
Payment of interest income	annually retrospectively
Date of interest payment	29.12. each year
Date of the final maturity	29.12.2023

Administrator	Komerční banka, a.s.
Issue manager	ING Bank, N.V.
Date of issue	20.7.2018
Trading	Bonds admitted to trading on a regulated market of the Prague Stock Exchange
Total nominal value	CZK 1,000 million
Nominal value of the bond	CZK 5 million
Book value of bonds as at 31.12.2021	CZK 1,010 million
Book value of bonds as at 31.12.2020	CZK 1,009 million
Interest rate	fixed interest income 2.55 %
Issue rate	100 %
Payment of interest income	annually retrospectively
Date of interest payment	20.7. each year
Date of the final maturity	20.7.2025

Administrator	Komerční banka, a.s.
Issue manager	ING Bank, N.V.
Date of issue	17.7.2019
Total nominal value	CZK 1,000 million
Nominal value of the bond	CZK 5 million
Book value of bonds as at 31.12.2021	CZK 1,008 million
Book value of bonds as at 31.12.2020	CZK 1,008 million
Interest rate	fixed interest income 2.17 %
Issue rate	100 %
Payment of interest income	annually retrospectively
Date of interest payment	17.7. each year
Date of the final maturity	17.7.2026

Administrator	Komerční banka, a.s.
Date of issue	18.11.2019
Total nominal value	CZK 770 million
Nominal value of the bond	CZK 5 million
Book value of bonds as at 31.12.2021	CZK 771 million
Book value of bonds as at 31.12.2020	CZK 770 million
Interest rate	fixed interest income 2.09 %
Issue rate	100 %
Payment of interest income	annually retrospectively
Date of interest payment	18.11. each year
Date of the final maturity	18.11.2026

Administrator	Československá obchodní banka, a.s.
Date of issue	31.7.2020
Total nominal value	CZK 1,000 million
Nominal value of the bond	CZK 10 thousand
Book value of bonds as at 31.12.2021	CZK 995 million
Book value of bonds as at 31.12.2020	CZK 995 million
Interest rate	fixed interest income 1.65 %
Issue rate	98.74 %
Payment of interest income	annually retrospectively
Date of interest payment	31.7. each year
Date of the final maturity	31.7.2027

**15.2. SECURED LOANS**

The Company concluded several secured loans related to railway vehicles. The duration of the leaseback liabilities is a maximum of 10 years. The Company has the option to repurchase the vehicle at the end of the contractual agreement, which it expects to do. These loans are guaranteed by the lessor's ownership of the leased assets.

The value of leaseback liabilities is as follows:

(CZK million)	Minimum lease payments		Present value of minimum lease payments	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Less than 1 year	424	310	377	277
From 1 to 5 years	984	724	883	678
5 years and more	780	275	742	268
<b>Total</b>	<b>2,188</b>	<b>1,309</b>	<b>2,002</b>	<b>1,223</b>
Less future financial costs	(186)	(86)	-	-
<b>Present value of min. leasing's repayments</b>	<b>2,002</b>	<b>1,223</b>	<b>2,002</b>	<b>1,223</b>
In the statement of financial position as:				
– short-term loans			377	277
– long-term loans			1,625	946
<b>Total</b>			<b>2,002</b>	<b>1,223</b>

Secured loans are presented within financial instruments in Note 33.2.

Movements on financial liabilities are described in Note 33.8.2.

**15.3. LEASE LIABILITIES**

The Group concluded several leasing agreements relating to railway vehicles and non-residential premises. The duration of the lease is a maximum of 10 years. The Group's leasing liabilities are guaranteed by the lessor's title to the leased assets.

The value of leasing liabilities is as follows:

(CZK million)	Minimum lease payments		Present value of minimum lease payments	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Less than 1 year	835	812	802	769
From 1 to 5 years	2,023	1,944	1,962	1,857
5 years and more	637	757	631	744
<b>Total</b>	<b>3,495</b>	<b>3,513</b>	<b>3,395</b>	<b>3,370</b>
Minus budoucí finanční náklady	(100)	(143)	-	-
<b>Současná hodnota min. leasingových splátek</b>	<b>3,395</b>	<b>3,370</b>	<b>3,395</b>	<b>3,370</b>
In the statement of financial position as:				
– short-term loans			802	769
– long-term loans			2,593	2,601
<b>Total</b>			<b>3,395</b>	<b>3,370</b>

Leasing liabilities are presented within financial instruments in Note 33.2.

Movements on financial liabilities are described in Note 33.8.2.



## 16. Provisions

(CZK million)	Balance as at 31 Dec 2020	Creation	Use	Cancellation	Balance as at 31 Dec 2021
Pension benefits provision	33	-	(4)	-	29
- of which long-term part	29				24
Provision for other employee benefits	127	23	(46)	-	104
- of which long-term part	67			-	58
<b>Provision for employee benefits total</b>	<b>160</b>	<b>23</b>	<b>(50)</b>	<b>-</b>	<b>133</b>
Provision for litigation	59	1	(30)	(29)	1
Restructuring provision	72	-	(53)	(19)	-
Other provisions	54	43	(38)	(14)	45
<b>Total provisions</b>	<b>345</b>	<b>67</b>	<b>(171)</b>	<b>(62)</b>	<b>179</b>
Long-term	96				82
Short-term	249				97

After careful consideration of all existing legal analyses and the outcome of the proceedings in existing litigation and after assessing all potential risks, potential development of disputes and in accordance with appropriate prudence, the Company's management decided to adjust the provision to cover potential litigation costs to CZK 1 million as at 31 December 2021 (as at 31 December 2020: CZK 59 million).

The provision for employee benefits represents the employees' entitlement to a financial contribution upon reaching the jubilee, to a financial contribution upon retirement and to the payment of medical expenses, including compensation for wages during fitness and convalescent stays. As at 31 December 2021, it was calculated at CZK 133 million (as at 31 December 2020 at CZK 160 million). Compared to 2020, there were no significant changes in the balance of the reserve. The reserve in 2021 consisted of a contribution on reaching the jubilee of CZK 50 million (2020: CZK 58 million), and a financial contribution on retirement of CZK 29 million (CZK 33 million in 2020), a contribution to the payment of medical expenses, including compensation of wages for fitness and healing stays in the amount of CZK 48 million (in 2020 in the amount of CZK 49 million) and other financial contributions amounted to CZK 6 million (in 2020 they amounted to CZK 20 million) CZK million). In calculating the provision for employee benefits, the company used an actuarial model based on current employee data (number of employees, date of old-age pension, average salary, amount of financial contribution) and expected parameters determined by a qualified estimate and publicly available statistical data such as: expected employee turnover, expected wage growth, expected inflation rate and the curve of disability and death according to the data of the Czech Statistical Office. Cash flows are discounted to present value using a discount rate derived from the government bond yield rate.

As at 31 December 2021, other reserves mainly include the company's reserves for complaints.

## 17. Other Financial Liabilities

(CZK million)	31 Dec 2021	31 Dec 2020
Hedging derivatives	15	4
Liability arising from supplier loans	1	2
<b>Other long-term financial liabilities</b>	<b>16</b>	<b>6</b>
Hedging derivatives	-	16
Liability arising from supplier loans	-	16
Liability from the terminated leasing contract	121	121
Other	9	26
<b>Other short-term financial liabilities</b>	<b>130</b>	<b>179</b>
<b>Total other financial liabilities</b>	<b>146</b>	<b>185</b>

Other financial liabilities are measured at amortised cost.

Three lease contracts on the sale and subsequent lease of 1,141 vehicles were concluded between the Company ČD Cargo, a.s., and company Financial Found, a.s. According to the contractual arrangements ČD Cargo, a.s., withdrew from the contract in 2019 and immediately paid the remaining leasing instalments in the amount of CZK 146 million. Since Financial Found, a.s., disagreed with the withdrawal, it returned the amount to back to ČD Cargo, a.s. account. In order to avoid the senseless forwarding of funds, ČD Cargo, a.s., informed Financial Found, a.s., that it had the funds ready and asked it to confirm that the company would accept them. Up to the current date, Financial Found, a.s. has not responded. In parallel, Financial Found, a.s., filed a lawsuit in the District Court for Prague 7 to determine the ownership of the 1,141 vehicles, and yet it has not been solved. As at 31 December 2021 net book value of these railway vehicles amounted to CZK 641 million, as at 31 December 2020 amounted to CZK 671 million. Financial Found, a.s., also unsuccessfully tried to rewrite the vehicles at the Rail Authority to their ownership. This means that ČD Cargo, a.s., is registered as the owner and holder of these vehicles. In accordance with the described information, the Company's management has decided to record the aforementioned vehicles in the Company's assets and to account for all related accounting transactions (segregation of components, accounting for depreciation, etc.). The liability arising from this terminated leasing contract amounts to CZK 121 million as at 31 December 2021 (amount excluding VAT), and as at 31 December 2020 this liability was also CZK 121 million.

## 18. Other Liabilities and Commitments

Other liabilities and commitments consist of following items:

(CZK million)	31 Dec 2021	31 Dec 2020
Subsidy received	-	-
Other liabilities	-	148
<b>Other long-term liabilities</b>	<b>-</b>	<b>148</b>
Payables to employees	474	314
Liabilities for social security and health insurance	160	144
Tax liabilities - tax withheld employees	31	48
Subsidy received	-	174
<b>Other short-term liabilities</b>	<b>665</b>	<b>680</b>
Commitments	7	-
Refunds liabilities	15	20
<b>Other short-term liabilities and commitments</b>	<b>687</b>	<b>700</b>
<b>Total Other liabilities and commitments</b>	<b>687</b>	<b>848</b>

In 2016, the Company received the subsidy in the amount of CZK 292 million within the subsidy project to equip traction vehicles with the on-board part of the European Train Control System (ETCS). During 2018, ČD Cargo, a.s., had received another part of the subsidy of CZK 68 million, and in 2018 and 2019 had already paid out part of the subsidy for the acquisition of the first prototypes of railway traction vehicles. The remaining funds in the amount of CZK 174 million were used for the supply of prototypes of selected series of locomotives in 2021. As at 31 December 2021 the advances for the subsidy was fully used.

Other long-term liabilities also include liabilities to employees arising from applicable collective agreement.

Short-term liabilities to employees represent a liability for unpaid December salaries.

The Company has no overdue liabilities to tax authorities, social security authorities and health insurance companies.

## 19. Lease Contracts

### 19.1. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company leases land, buildings (administrative and railway stations), equipment (innofreight technology) and vehicles (freight wagons, tanks and passenger cars). Lease contracts are usually concluded for a definite period (from 3 to 10 years). A minority of contracts are concluded for an indefinite period.

From 1 January 2019, operating leases are recognised as right-of-use assets and a corresponding liability from the date on which the leased asset is available for use for the Company.

Cost (CZK million)	Balance as at 1 Jan 2020	Additions	Change of lease period	Disposals	Balance as at 31 Dec 2020	Additions	Change of lease period	Disposals	Balance as at 31 Dec 2021
Buildings	359	94	48	(67)	435	24	41	(78)	422
- out of which Lovosice logistics centre	89	-	-	-	89	-	-	(56)	33
Equipment	592	140	20	(126)	626	261	15	(6)	896
- out of which Inno freight technologies	591	140	19	(126)	624	261	15	(6)	894
Vehicles	1,888	1,318	288	(746)	2,748	606	148	(209)	3,293
- out of which freight wagons	1,857	1,315	288	(742)	2,718	603	148	(205)	3,264
<b>Total</b>	<b>2,839</b>	<b>1,552</b>	<b>356</b>	<b>(939)</b>	<b>3,809</b>	<b>891</b>	<b>204</b>	<b>(293)</b>	<b>4,611</b>

Accumulated depreciation and impairment (CZK million)	Balance as at 1 Jan 2020	Depreciation	Disposals	Balance as at 31 Dec 2020	Depreciation	Disposals	Balance as at 31 Dec 2021
Buildings	71	60	(20)	111	100	(66)	145
- out of which Lovosice logistics centre	22	14	-	36	40	(56)	20
Equipment	75	116	(94)	97	132	-	229
- out of which Inno freight technologies	75	116	(94)	97	132	-	229
Vehicles	343	451	(190)	604	475	(82)	997
- out of which freight wagons	340	442	(189)	593	466	(80)	979
<b>Total</b>	<b>489</b>	<b>627</b>	<b>(304)</b>	<b>812</b>	<b>707</b>	<b>(148)</b>	<b>1,371</b>

Net book value (CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020	Balance as at 1 Jan 2020
Buildings	277	324	288
- out of which Lovosice logistics centre	13	53	67
Equipment	667	529	517
- out of which Inno freight technologies	665	527	515
Vehicles	2,296	2,144	1,545
- out of which freight wagons	2,285	2,125	1,517
<b>Total</b>	<b>3,240</b>	<b>2,997</b>	<b>2,350</b>

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

The item "Right-of-use assets" under IFRS 16 also includes the lease of storage space in the Lovosice Logistics centre. As this contract generates a loss for the Company of approximately CZK 59 million per year, the Company has created for this contract lease a provision for loss-making transactions. As a result of the adoption of IFRS 16, this lease was reclassified as an impairment of right-of-use asset. As at 1 January 2019, the value of this right-of-use was calculated at CZK 558 million and impaired by CZK 409 million. As at 1 January 2019, the resulting amount of CZK 149 million was recorded in the above table "Cost". In 2021, the value of the right-of-use decreased due to the lower profitability of the logistics centre. As at 31 December 2021, these right-of-use assets was recognised in the carrying amount of CZK 13 million (as at 31 December 2020, the value of the right-of-use was CZK 53 million).

The item "Buildings", in addition to the logistics centre in Lovosice, includes lease agreements of non-residential premises within the railway stations where our operating employees are responsible for the operation of the Company's rail transport.

The amount of impairment of the aforementioned right-of-use assets is determined by a reasonable estimate of the estimated net future commitment. The amount represents the difference between discounted net expected income and discounted expected expenditure.

The Company recognised the lease liability as follows:

(CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020
Short-term lease liabilities	802	769
Long-term lease liabilities	2,593	2,601
<b>Total lease liabilities</b> (see Note 15)	<b>3,395</b>	<b>3,370</b>

The amounts recognised in statement of profit or loss:

(CZK million)	2021	2020
Depreciation of right-of-use assets	(707)	(617)
Interest expense on lease liabilities	(40)	(56)
Short-term lease expenses	(240)	(88)
Low-value assets lease expenses	(14)	(15)
Variable lease payments (not included in the measurement of the lease liability) expenses	(18)	-
Proceeds from the sublease of right-of-use assets	-	-

Short-term lease and low-value assets lease expenditure that are not included in the above-mentioned short-term lease liabilities are included in statement of profit or loss under item Services, rental, material and energy consumption.

In 2021, total monetary expenses related to leases amounted to CZK 1,076 million (of which lease payments of CZK 764 million, interest expenses of CZK 40 million, short-term lease payments of CZK 240 million, low-value assets lease payments of CZK 14 million and variable lease payments of CZK 18 million).

In 2020, total monetary expenses related to leases amounted to CZK 904 million (of which lease payments of CZK 745 million, interest expenses of CZK 56 million, short-term lease payments of CZK 88 million, low-value assets lease payments of CZK 15 million).

## 20. Contractual Commitments For Expenditure

As at the balance sheet date, the Company has concluded contracts for the purchase of land, buildings and equipment and real estate investments in the amount of CZK 6,092 million. Of this, CZK 3,874 million relates to outstanding deliveries, of which CZK 3,553 million represents investments agreed for 2022 and CZK 322 million for deliveries agreed for subsequent years. The remaining CZK 2,217 million had already been paid as of 31 December 2021. A substantial part of the expenditure liabilities in the amount of CZK 3,763 million represents investments in railway rolling stock.

## 21. Contingent Assets

As at 31 December 2021, the Company does not record any contingent assets.



## 22. Received and Issued Bank Guarantees

### 22.1. BANK GUARANTEES ISSUED

Bank guarantees as at 31 December 2021 issued by Komerční banka, a.s., from the liability limit of CZK 50 million. This is a liability for liabilities. The table shows liabilities that are not on the balance sheet (e.g. leasing guarantees) or liabilities that may only arise (e.g. customs debt).

#### List of active bank guarantees issued by ČD Cargo, a.s. as at 31 December 2021

In behalf of	Type of guarantee	Amount	Currency	Termination date	Reason for bank guarantee
SCI Lighthouse Towers, s.r.o., Olivova 2096/4, 110 00 Prague 1	Warranty for rent	0.2 million	EUR	5.6.2022	Bank guarantee to fulfil all liabilities and obligations of the Lessee under the Lease Agreement with West Invest Waterfront Towers s.r.o. - Lighthouse.
P3 Lovosice s.r.o., Florenci 2116/15, 110 00 Prague 1	Warranty for rent	17 million	CZK	30.6.2022	Bank guarantee in the event that ČD Cargo, a.s. does not comply with the obligations under the Lease Agreement of buildings and land in the Logistics Centre in Lovosice.
Celní úřad pro Jihočeský kraj, Kasárenská 6, 370 21 České Budějovice	Customs guarantee	0.5 million	CZK	15.9.2022	Guarantor's undertaking - comprehensive guarantee; issued to the South Bohemian Region Customs Office to secure the customs debt and other charges
Celní úřad pro Jihočeský kraj, Kasárenská 6, 370 21 České Budějovice	Customs guarantee	3.5 million	CZK	15.9.2022	Warranty deed for the purpose of securing duties by a comprehensive principal by the customs agent, acting on the basis of direct representation; issued to the South Bohemian Region Customs Office

### 22.2. BANK GUARANTEES RECEIVED

The table shows receivables that are not on the balance sheet and to which ČD Cargo, a.s. would be entitled in the event of a significant breach of contract (e.g., non-compliance with the contractual conditions by the supplier).

#### List of active bank guarantees received by ČD Cargo, a.s. at of 31 December 2021

In behalf of	Guarantee provider	Amount	Currency	Termination date	Reason for bank guarantee
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	17 million	CZK	15.6.2022	Ensuring the supply of new diesel locomotives of the 753.6 series for securing line service in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	84 million	CZK	24.4.2022	Ensuring the supply of new diesel locomotives for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.110 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.111 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.112 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.113 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.114 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.120 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.121 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.122 series for securing railway operations in ČD Cargo, a.s.

In behalf of	Guarantee provider	Amount	Currency	Termination date	Reason for bank guarantee
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.123 series for securing railway operations in ČD Cargo, a.s.
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.123 series for securing railway operations in ČD Cargo, a.s.
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	99 million	CZK	26.1.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract "Implementation of the modernisation of 50 locomotives of 742 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	115 million	CZK	27.12.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract "Implementation of the modernisation of 50 locomotives of 742 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	1 million	EUR	31.3.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract "Implementation of the modernisation of 50 locomotives of 742 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	0.4 million	EUR	31.3.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract "Implementation of the modernisation of 50 locomotives of 742 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	1 million	EUR	9.12.2022	Securing the obligation during the Switch-off of phase of selected locomotive (prototype) from the public contract "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 753.7 series"
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	1.3 million	EUR	9.12.2022	Securing the obligation during the Switch-off of phase of selected locomotive (prototype) from the public contract "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 753.7 series"
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	0.1 million	EUR	20.11.2022	Securing the obligations related to compliance with the MTBF required by the customer "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 753.7 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	0.2 million	EUR	20.11.2022	Securing the supplier's obligations associated with guarantees in a third country "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 753.7 series".
<b>Siemens, s.r.o.,</b> Siemensova 1, 155 00 Prague 13	UniCredit Bank Czech Republik and Slovakia, a.s.	1 million	EUR	31.12.2022	In accordance with the purchase contract no. 6919-2018-O01 of 14 August 2018 securing the delivery of interoperable locomotives for the needs of ČD Cargo, a.s. for the installation of ETCS 3.6.0. version.
<b>Wagony Swidnica SP. O.Z.O.,</b> Strzelinska 35; 50-100 Swidnica, Poland	Citibank Europe plc, organizační složka	2 million	EUR	31.5.2023	Securing the delivery of 500 new railway freight wagons of EANOS series.
<b>ČD - Telematika a.s.,</b> Pernerova 2819/2a, 130 00 Prague 3 a <b>AŽD Praha s.r.o.,</b> Žirovnická 3146/2, 106 00 Prague 10	Česká spořitelna, a.s.	5 million	EUR	31.12.2022	Securing the realisation of the public contract "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 163 and 363 series" and Switch-off and Switch-on phases in the Czech and Slovak Republics.
<b>ČD - Telematika a.s.,</b> Pernerova 2819/2a, 130 00 Prague 3 a <b>AŽD Praha s.r.o.,</b> Žirovnická 3146/2, 106 00 Prague 10	Česká spořitelna, a.s.	1 million	EUR	31.12.2022	Securing the realisation of the public contract "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 163 and 363 series" and Switch-off and Switch-on phases in the Czech and Slovak Republics.
<b>TATRAVAGÓNKA, a.s.,</b> Štefánikova 887/53; 05801 Poprad, Slovakia	COMMERZBANK Aktiengesellschaft, pobočka Praha	0.4 million	EUR	31.5.2024	In accordance with the purchase contract No. 08476-2020-O1 of 27 October 2020, ensuring the delivery of 100 Sgnss freight wagons.
<b>Bombardier Transportation GmbH,</b> Eichhomstrasse 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellschaft, pobočka Praha	11 million	EUR	31.12.2021	In accordance with the purchase contract no. 6926-2018-O01 of 20 August 2018, ensuring the delivery of up to 50 Traxx MS3 locomotives (BZ for reserve for the first 10 locomotives).
<b>Bombardier Transportation GmbH,</b> Eichhomstrasse 3, 10785 Berlin, Germany	UniCredit Bank Czech Republik and Slovakia, a.s.	10 million	EUR	31.11.2022	In accordance with the purchase contract no. 8856-2021-O01 of 25 February 2021, ensuring the supply of 10 Traxx MS3 locomotives.
<b>Metrostav a.s.,</b> Koželušská 2450/4, 180 00 Prague 8	Raiffeisenbank a.s.	3 million	CZK	14.6.2024	In accordance with the contract for work no. 06695-2018-SOKV UNL of 28 April 2018, securing the construction of a new steel hall for cleaning railway vehicles in the Repair centres of the railway wagons (SOKV Ústí nad Labem).
<b>Českomoravská železniční opravná, s.r.o.,</b> Kojetinská 358/71, 750 02 Přerov	Česká spořitelna, a.s.	31 million	CZK	28.2.2023	Securing in accordance with the equipment of railway vehicles of 163 series with a another system for operation on the railway network with a traction supply system 25 kV / 50Hz.
<b>ŽOS Vrútky a.s.,</b> Dielenská Kružná 2, 03861 Vrútky, Slovenská republika	Slovenská sporiteľňa, a.s.	2 million	EUR	20.2.2023	In accordance with the contract for work no. 08623-2020-O01 of 7 January 2021 providing equipment for locomotives of 130 series with the ETCS system.
<b>ŽOS Vrútky a.s.,</b> Dielenská Kružná 2, 03861 Vrútky, Slovenská republika	Slovenská sporiteľňa, a.s.	0.2 million	EUR	31.12.2022	In accordance with the contract for work no. 08623-2020-O01 of 7 January 2021, ensuring the equipment for locomotives of 130 series with the ETCS system – proper completion in a third country.
<b>Siemens Mobility, s.r.o.</b> Siemensova 2715/1, 155 00 Prague 5	UniCredit Bank Czech Republik and Slovakia, a.s.	1 million	EUR	30.6.2025	In accordance with the purchase contract no. 09287-2021-O01 of 2 December 2021, providing supplies of interoperable locomotives for the needs of ČD Cargo, a.s. and serviceability under warranty.

## 23. Revenue

(CZK million)	2021	2020
<b>Revenue from freight transportation</b>	<b>10,772</b>	<b>10,185</b>
– Revenue from freight transportation – local	3,467	3,301
– Revenue from freight transportation – foreign	7,305	6,884
– Revenue from freight transportation – Germany	2,184	2,289
– Revenue from freight transportation – Austria	1,047	1,005
– Revenue from freight transportation – Poland	973	667
– Revenue from freight transportation – Slovakia	874	819
– Revenue from freight transportation – Ukraine	367	331
– Revenue from freight transportation – Romania	326	262
– Revenue from freight transportation – Italy	256	255
– Revenue from freight transportation – Slovenia	209	219
– Revenue from freight transportation – Russia	202	142
– Revenue from freight transportation – Hungary	178	197
– Revenue from freight transportation – other countries	689	698
<b>Other revenue from freight transportation*</b>		
– Other revenue from freight transportation – local	468	428
– Other revenue from freight transportation – foreign	136	136
<b>Other freight revenue recognised over time</b>	<b>604</b>	<b>564</b>
Other revenue related to transportation	236	200
<b>Total revenue from customer contracts</b>	<b>11,612</b>	<b>10,949</b>
Revenue from short-term lease	402	392
<b>Total revenue</b>	<b>12,014</b>	<b>11,341</b>

\* Other revenues from freight transport include mainly revenues from services performed at railway stations, additional services and siding agenda services

Revenue from leases includes revenues from short-term and occasional leases of freight wagons and railway traction vehicles.

The most significant local customers in terms of the volume of billed services are as follows:

- NH-TRANS, SE
- CARBOSPED, spol. s r.o.
- MORAVIA STEEL, a.s.
- ČD Cargo Logistics, a.s.
- Rail Cargo Logistics – Czech Republic s.r.o.
- WOOD & PAPER a.s.

The volume of invoiced services at any of the above customers does not exceed 10 % of the total services.

Foreign customers are mainly railway transportation companies (national carriers) and other companies. With respect to the volume of billed services, the most important are the following:

Railway transportation companies (national carriers)

- DB Cargo AG
- Železničná spoločnosť Cargo Slovakia, a.s.
- Rail Cargo Austria AG

Other companies

- STVA S.A.
- Maersk Line A/S
- BLG AutoRail GmbH

### 23.1. COMMITMENTS AND REFUNDS

Since 1 January 2018, the Company under IFRS 15 recognises following commitments (see also Note 18) and refund liabilities (see also Note 18) relating to revenue from customer contracts:

Refund liabilities (CZK million)	31 Dec 2021	31 Dec 2020
Refund liabilities	15	20
<b>Total refund liabilities</b>	<b>15</b>	<b>20</b>

### 23.2. REMAINING PERFORMANCE OBLIGATIONS

Remaining liabilities (CZK million)	31 Dec 2021	31 Dec 2020
Revenue from freight transport	12	14
Other revenue from freight transport	1	3
Other revenue additional services to transport	2	1
Other revenue from operating activity	-	2
<b>Total</b>	<b>15</b>	<b>20</b>

These are performance obligations from concluded contracts for which performance has not yet been completed by the company.

## 24. Other Operating Income

(CZK million)	2021	2020
Gain from sale of property, plant and equipment	53	60
Gain from disposal of unnecessary assets	85	38
Compensations for deficits and damage	46	52
Contractual penalties and default interest	13	2
Foreign exchange gains – operating	156	364
Change in provisions for receivables – income	50	-
Dividends received	79	149
Other	57	62
<b>Total other operating income</b>	<b>539</b>	<b>727</b>

## 25. Services, Rental, Material and Energy Consumption

(CZK million)	2021	2020
<b>Traction costs</b>	<b>(943)</b>	<b>(1,085)</b>
– Traction fuel (diesel)	(365)	(363)
– Traction electricity	(578)	(722)
<b>Payment for the use of railway route</b>	<b>(787)</b>	<b>(789)</b>
<b>Other purchased consumables and services</b>	<b>(3,484)</b>	<b>(3,294)</b>
– Consumed material	(239)	(231)
– Consumed other energy	(88)	(92)
– Consumed fuel	(8)	(8)
– Repairs and maintenance	(201)	(197)
– Travel costs	(41)	(38)
– Telecommunication, data and postal services	(56)	(55)
– Short-term rental	(240)	(88)
– RIV fees (provision of railway wagons)	(293)	(259)
– Transportation charges	(1,683)	(1,722)
– Services associated with the use of buildings	(48)	(45)
– Operational cleaning of rail vehicles	(3)	(3)
– Border area services	(156)	(185)
– Advertising and promotion costs	(7)	(9)
– Infrastructure capacity allocation	(30)	(28)
– IT	(152)	(149)
– Performances of fire brigade service	(1)	(1)
– Services in the field of ecology	(4)	(9)
– Other services	(227)	(175)
<b>Total services, rental, material and energy consumption</b>	<b>(5,214)</b>	<b>(5,168)</b>

The item traction electricity for the period from 1 January 2021 to 31 December 2021 includes mainly traction electricity purchased from Správa železnic, s.o, in the amount of CZK 578 million (in 2020: CZK 722 million).

Other services mainly include costs incurred in the area of health care, consulting, costs of commissions for representation abroad and other individually insignificant items.

Cost of services provided by the Company's statutory auditor – PricewaterhouseCoopers Audit, s.r.o., and other entities within the PricewaterhouseCoopers network are presented in following table:

(CZK million)	2021	2020
Statutory audit of annual financial statements	(2)	(1)
Other non-audit services (including subsidiaries)	(2)	(3)
<b>Total</b>	<b>(4)</b>	<b>(4)</b>

\* services relating in particular to the Digitization of Traction Vehicle Maintenance project

## 26. Employee Benefit Costs

(CZK million)	2021	2020
Payroll costs	(3,061)	(2,982)
Severance pay	-	(91)
Pension benefits	(692)	(701)
Contribution to supplementary pension insurance	(73)	(108)
Contribution to supplementary life insurance	(21)	(24)
Other social security and health insurance	(346)	(341)
Emoluments to key management	(28)	(24)
Other employee benefit costs	(19)	(50)
<b>Total employee benefit costs</b>	<b>(4,240)</b>	<b>(4,320)</b>

Other employee benefit costs mainly include employee training costs.

Average recalculated total number of employees:

	2021	2020
Employees	6,285	6,681
Key management	12	12
<b>Total average recalculated total number of employees</b>	<b>6,297</b>	<b>6,693</b>

Key management consists of the Board of Directors, the Supervisory Board and the Audit Committee. More detailed information is disclosed in Note 1.8.

Key management compensation:

(CZK million)	2021	2020
Short-term benefits	(21)	(18)
Pension benefits	(5)	(4)
Other social and health contributions	(2)	(2)
<b>Total key management compensation</b>	<b>(28)</b>	<b>(24)</b>



## 27. Depreciation and Amortisation

(CZK million)	2021	2020
Depreciation of plant and equipment and vehicles (Note 5)	(1,421)	(1,323)
Depreciation of lease – IFRS 16	(707)	(617)
Amortisation of intangible assets (Note 6)	(78)	(90)
<b>Total depreciation and amortisation</b>	<b>(2,206)</b>	<b>(2,030)</b>

## 28. Other Operating Expenses

(CZK million)	2021	2020
Impairment losses on receivables	-	(50)
Change in impairment for property, plant and equipment	(73)	(154)
Change in inventory provisions	(4)	-
Costs of contractual penalties and default interest	(1)	(7)
Taxes and fees	(5)	(6)
Foreign exchange losses – operating	(139)	(336)
Insurance premium	(83)	(81)
Shortage, damages	(14)	(35)
Other	(28)	(65)
<b>Total other operating expenses</b>	<b>(347)</b>	<b>(734)</b>

## 29. Financial Expenses

(CZK million)	2021	2020
Interest on bank overdraft accounts and loans	(81)	(25)
Interest on finance lease payables and leasebacks	(39)	(47)
Interest on lease obligations – IFRS 16	(36)	(56)
Interest expense – bonds	(81)	(63)
Other interest expense	(1)	(4)
Unwinding of the discount of provisions	(4)	(2)
Exchange rate losses – financing	(28)	(47)
Bank expenditures	(1)	(2)
Other financial expenses	(2)	-
<b>Total financial expenses</b>	<b>(273)</b>	<b>(246)</b>

## 30. Financial Income

(CZK million)	2021	2020
Exchange rate gains – financing	14	52
Interest received	3	3
<b>Total financial income</b>	<b>17</b>	<b>55</b>

## 31. Income Tax

### 31.1. INCOME TAX RECOGNISED IN PROFIT OR LOSS

(CZK million)	2021	2020
Current income tax for the period recognised in the statement of profit or loss	(33)	37
- of which income tax relating to previous periods	(1)	(77)
Deferred tax recognised in the statement of profit or loss	(30)	33
<b>Total income tax expense</b>	<b>(63)</b>	<b>70</b>

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

(CZK million)	2021	2020
Profit (+)/loss (-) before tax	290	(384)
Statutory tax rate on corporate income in the Czech Republic	19 %	19 %
Expected income tax expense	(55)	73
<b>Adjustments:</b>		
Income on dividends	15	28
Non-deductible expenses	(55)	(23)
Non-taxable income	48	2
Taxes paid abroad	(15)	-
Income tax related to prior periods	(1)	(77)
Impact on deferred tax from the previous period	-	67
<b>Income tax recognised in profit or loss</b>	<b>(63)</b>	<b>70</b>

**31.2. DEFERRED TAX**

(CZK million)	Non-current assets	Provisions	Leases	Receivables	Other	Total
<b>Balance 1 January 2020</b>	<b>1,210</b>	<b>(132)</b>	<b>626</b>	<b>(7)</b>	<b>4</b>	<b>1,701</b>
Deferred tax recognised in statement of profit or loss	(44)	(19)	50	(9)	(11)	(33)
Deferred tax recognised in other comprehensive income	-	-	(15)	-	2	(13)
<b>Balance 31 December 2020</b>	<b>1,166</b>	<b>(151)</b>	<b>661</b>	<b>(16)</b>	<b>(5)</b>	<b>1,655</b>
Deferred tax recognised in statement of profit or loss	(63)	46	23	12	12	30
Deferred tax recognised in other comprehensive income	-	-	33	-	9	42
<b>Balance 31 December 2021</b>	<b>1,103</b>	<b>(105)</b>	<b>717</b>	<b>(4)</b>	<b>16</b>	<b>1,727</b>

**32. Related Party Transactions****32.1. TRADE RECEIVABLES AND PAYABLES AT THE END OF REPORTING PERIOD**

31 December 2021 (CZK million)	Receivables	Payables
České dráhy a.s.	7	152
<b>Parent Company</b>	<b>7</b>	<b>152</b>
CD Cargo Germany GmbH	21	38
CD Cargo Austria GmbH	12	1
CD Cargo Poland Sp. z o.o.	24	41
CD Cargo Slovakia, s.r.o.	43	30
CD Cargo Hungary Kft.	2	1
ČD Cargo Logistics, a.s.	108	16
ČD-DUSS Terminal, a.s.	1	-
Terminal Brno, a.s.	-	2
<b>Subsidiaries</b>	<b>211</b>	<b>129</b>
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	15	-
Ostravská dopravní společnost – Cargo, a.s.	3	11
<b>Joint ventures and associated companies</b>	<b>22</b>	<b>11</b>
ČD - Telematika a.s.	-	81
ČD - Informační Systémy, a.s.	-	91
DPOV, a.s.	1	8
ČD relax s.r.o.	-	1
Dopravní vzdělávací institut, a.s.	-	1
Výzkumný Ústav Železniční, a.s.	10	-
<b>Other companies in the České dráhy Group</b>	<b>11</b>	<b>182</b>
<b>Total</b>	<b>251</b>	<b>474</b>

31 December 2020 (CZK million)	Receivables	Payables
České dráhy a.s.	3	112
<b>Parent Company</b>	<b>3</b>	<b>112</b>
CD Cargo Germany GmbH	18	44
CD Cargo Austria GmbH	9	1
CD Cargo Poland Sp. z o.o.	19	49
CD Cargo Slovakia, s.r.o.	20	27
CD Cargo Hungary Kft.	1	-
ČD Cargo Logistics, a.s.	117	24
ČD-DUSS Terminal, a.s.	1	1
Terminal Brno, a.s.	-	4
<b>Subsidiaries</b>	<b>185</b>	<b>150</b>
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	22	-
Ostravská dopravní společnost – Cargo, a.s.	2	16
<b>Joint ventures and associated companies</b>	<b>28</b>	<b>16</b>
ČD - Telematika a.s.	-	27
ČD - Informační Systémy, a.s.	-	88
DPOV, a.s.	1	45
Výzkumný Ústav Železniční, a.s.	9	-
<b>Other companies</b>	<b>10</b>	<b>160</b>
<b>Total</b>	<b>226</b>	<b>438</b>

Related party transactions took place at normal market prices, taking into account the quantity of goods purchased. Outstanding balances are not secured and will be paid by non-cash payment system or by offsetting. The maturity is set at 30 or 60 days. No guarantees were given or accepted.

**32.2. INCOME FROM RELATED PARTIES TRANSACTIONS**

2021 (CZK million)	Sale of assets	Sale of services	Other income	Financial income	Total
České dráhy a.s.	-	24	4	-	28
ČD - Telematika, a.s.	2	-	-	-	2
DPOV, a.s.	-	3	-	-	3
Výzkumný Ústav Železniční, a.s.	-	55	-	-	55
CD Cargo Germany GmbH	-	244	-	1	245
CD Cargo Austria GmbH	-	122	2	2	126
CD Cargo Poland Sp. z o.o.	-	103	-	2	105
CD Cargo Slovakia, s.r.o.	57	126	-	1	184
CD Cargo Hungary Kft.	-	20	-	-	20
ČD Cargo Logistics, a.s.	-	611	-	1	612
ČD-DUSS Terminal, a.s.	-	6	-	-	6
RAILLEX, a.s.	-	15	-	-	15
BOHEMIAKOMBI, spol. s r.o.	-	10	-	-	10
Ostravská dopravní společnost, a.s.	-	63	-	-	63
Ostravská dopravní společnost – Cargo, a.s.	-	22	-	-	22
<b>Total</b>	<b>59</b>	<b>1,424</b>	<b>6</b>	<b>7</b>	<b>1,496</b>

Revenues from the sale of services mainly include revenues from the international and domestic transport of wagon consignments, revenues from combined transport and revenues from the performance of locomotive crews.

2020 (CZK million)	Sale of assets	Sale of services	Other income	Financial income	Total
České dráhy a.s.	1	26	1	-	28
DPOV, a.s.	-	4	-	-	4
Výzkumný Ústav Železniční, a.s.	-	40	-	-	40
CD Cargo Germany GmbH	-	297	-	4	301
CD Cargo Austria GmbH	-	94	2	2	98
CD Cargo Poland Sp. z o.o.	-	92	5	3	100
CD Cargo Slovakia, s.r.o.	-	193	-	1	194
CD Cargo Hungary Kft.	-	7	-	-	7
ČD Cargo Logistics, a.s.	-	577	-	3	580
ČD-DUSS Terminal, a.s.	-	8	-	-	8
RAILLEX, a.s.	-	17	-	-	17
BOHEMIAKOMBI, spol. s r.o.	-	9	-	-	9
Ostravská dopravní společnost, a.s.	-	56	-	-	56
Ostravská dopravní společnost – Cargo, a.s.	-	23	-	-	23
<b>Total</b>	<b>1</b>	<b>1,443</b>	<b>8</b>	<b>13</b>	<b>1,465</b>

Revenues from the sale of services mainly include revenues from the international and domestic transport of wagon consignments, revenues from combined transport and revenues from the performance of locomotive crews.

**32.3. PURCHASE FROM RELATED PARTIES**

2021 (CZK million)	Assets	Material and energy	Services	Other expenses	Financial expenses	Total
České dráhy a.s.	60	463	112	10	4	649
ČD - Telematika a.s.	295	3	17	-	1	316
ČD - Informační Systémy, a.s.	39	2	124	-	-	165
DPOV, a.s.	28	4	18	-	-	50
JLV, a.s.	-	-	1	-	-	1
CD Cargo Germany GmbH	-	-	83	-	-	83
CD Cargo Austria GmbH	-	-	7	-	-	7
CD Cargo Poland Sp. z o.o.	-	-	405	-	1	406
CD Cargo Slovakia, s.r.o.	-	-	257	1	1	259
CD Cargo Hungary Kft	-	-	3	-	-	3
ČD Cargo Logistics, a.s.	-	1	128	-	1	130
ČD-DUSS Terminal, a.s.	-	-	-	-	-	-
Terminal Brno, a.s.	-	-	18	-	-	18
RAILLEX, a.s.	-	-	3	-	-	3
Ostravská dopravní společnost - Cargo, a.s.	-	-	72	-	-	72
<b>Total</b>	<b>422</b>	<b>473</b>	<b>1,248</b>	<b>11</b>	<b>8</b>	<b>2,162</b>

Purchases of assets mainly represent the ETCS locomotive security system, component repairs and modernization of traction rail vehicles and IT investments.

Purchases of services mainly include the costs of purchased railway services, IT services, repairs and maintenance of traction vehicles, rents for railway wagons and border services in freight transport.

Purchases from České dráhy, a.s. in 2021 mainly represent diesel fuel worth CZK 370 million and purchased spare parts worth CZK 68 million or other inventories.

2020 (CZK million)	Assets	Material and energy	Services	Other expenses	Financial expenses	Total
České dráhy a.s.	48	422	107	7	6	590
ČD - Telematika a.s.	111	2	18	-	1	132
ČD - Informační Systémy, a.s.	65	5	115	-	-	185
DPOV, a.s.	67	6	10	-	-	83
ČD travel, s.r.o.	-	-	5	-	-	5
ČD relax s.r.o.	-	-	9	-	-	9
Dopravní vzdělávací institut, a.s.	-	-	15	-	-	15
Výzkumný Ústav Železniční, a.s.	-	-	3	1	-	4
JLV, a.s.	-	-	2	-	-	2
CD Cargo Germany GmbH	-	-	134	-	1	135
CD Cargo Austria GmbH	-	-	2	-	-	2
CD Cargo Poland Sp. z o.o.	-	-	365	-	8	373
CD Cargo Slovakia, s.r.o.	-	-	172	1	3	176
ČD Cargo Logistics, a.s.	-	1	132	-	3	136
ČD-DUSS Terminal, a.s.	-	-	16	-	-	16
Terminal Brno, a.s.	-	-	26	-	-	26
RAILLEX, a.s.	-	-	5	-	-	5
Ostravská dopravní společnost - Cargo, a.s.	-	-	67	-	-	67
<b>Total</b>	<b>291</b>	<b>436</b>	<b>1,203</b>	<b>9</b>	<b>22</b>	<b>1,961</b>

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Purchases of assets mainly represent the ETCS locomotive security system, component repairs and modernization of traction rail vehicles and IT investments.

Purchases of services mainly include the costs of purchased railway services, IT services, repairs and maintenance of traction vehicles, rents for railway wagons and border services in freight transport.

Purchases from České dráhy, as in 2020 mainly represent diesel fuel worth CZK 328 million and purchased spare parts worth CZK 71 million or other inventories.

### 32.4. PURCHASES AND SALES OF INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS WITH RELATED PARTIES

#### 32.4.1. Sales

In 2021, 120 freight wagons were sold to CD Cargo Slovakia, s.r.o. in the total amount of CZK 55 million. In 2020, no significant sales to related parties were made.

#### 32.4.2. Purchases

Purchases (CZK million)	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	2021	2021	2020	2020
České dráhy, a.s.	-	60	-	48
ČD - Telematika a.s.	-	295	-	111
ČD - Informační Systémy, a.s.	39	-	60	5
DPOV, a.s.	-	28	-	67
<b>Total</b>	<b>39</b>	<b>384</b>	<b>60</b>	<b>231</b>

Purchases of assets mainly represent the ETCS locomotive security system, component repairs and modernization of traction rail vehicles and IT investments.

### 32.5. LOANS FROM RELATED PARTIES

On 17 October 2016, the Company drew a loan from České dráhy, a.s., in the total amount of CZK 540 million to finance the purchase of Vectron locomotives of 383 series. As at 31 December 2020, the loan balance is divided into a long-term portion of CZK 137 million and a short-term portion of CZK 75 million. As at 31 December 2021, the remaining balance of the loan is divided into a long-term portion of CZK 59 million and a short-term portion of CZK 71 million. The loan is disclosed in Note 15 "Loans, borrowings and bonds".

ČD Cargo, a.s. has contractually secured with the parent company České dráhy, a.s., the possibility of drawing financial resources up to CZK 700 million (above the group cash pooling limit, which is CZK 300 million). The cash pooling credit line is operated by Komerční banka. During 2021, this financial resource was not used.

### 32.6. RELATIONS WITH SPRÁVA ŽELEZNIC

In the accounting period 2021 and 2020, the costs incurred in relation to Správa železnic, s.o., predominantly include the fees for the allocation of capacity and use of the railway route. Furthermore, the Company also purchased electric traction energy from Správa železnic, s.o. The costs for the accounting periods 2021 and 2020 are disclosed in Note 25.

In 2021, the income of the Company includes mainly sales from intrastate wagon consignment in the amount of CZK 21 million. In 2020 it was CZK 13 million.

Expenses and income of the Company resulting from the transactions conducted with Správa železnic, s.o. in 2021 and 2020 were as follows:

31 December 2021 (CZK million)	Expenses	Income
Operation of railway route	1	-
Use of the railway route and allocated route capacity	800	-
Property rental	13	-
Electric traction energy	626	-
Revenue from freight transportation	-	21
Performance of firefighter emergency services	1	-
Telecommunication services	42	-
Compensation of damages	7	-
Extraordinary events investigation	3	-
Repairs and maintenance	2	-
Other	13	24
<b>Total</b>	<b>1,508</b>	<b>45</b>

31 December 2020 (CZK million)	Expenses	Income
Operation of railway route	1	-
Use of the railway route and allocated route capacity	796	-
Property rental	12	-
Electric traction energy	687	-
Revenue from freight transportation	-	13
Performance of firefighter emergency services	1	-
Telecommunication services	41	-
Contractual fines and default interest	4	-
Compensation of damages	10	4
Extraordinary events investigation	3	-
Repairs and maintenance	2	-
Other	16	3
<b>Total</b>	<b>1,573</b>	<b>20</b>

As a result of the activities above, the Company records receivables and payables to Správa železnic, s.o.:

Receivables (CZK million)	31 Dec 2021	31 Dec 2020
Revenue from freight transportation	2	2
Estimated payables	23	8
Other	6	51
<b>Total</b>	<b>31</b>	<b>61</b>



Payables (CZK million)	31 Dec 2021	31 Dec 2020
Use of railway route and allocated capacity of the railway – freight transport	175	94
Uncollected capacity ŽDC*	-	4
Electric traction energy	19	31
Court settlement – traction energy	-	-
Settlement Agreement – exclusions	-	-
Radio communication technology	13	5
Other	2	4
Estimated payables	63	148
Use of railway route and allocated capacity of the railway – freight transport	-	68
Compensation of damaged caused by extraordinary events	5	4
Uncollected capacity ŽDC*	-	-
Electric traction energy	52	65
Radio communication technology	-	4
Heat supply	-	5
Other estimated payables	6	2
<b>Total</b>	<b>272</b>	<b>286</b>

\* unbundled capacity of the railway route

### 32.7. RELATIONS WITH THE ČEZ GROUP

The expenses incurred in relation to the ČEZ Group primarily include the purchased railway services and payments for heat energy. The income primarily includes the sales of freight transportation.

31 December 2021 (CZK million)	Expenses	Revenue
Use of railway route and allocated capacity of the railway	1	-
Revenue from freight transportation	-	89
Purchased railway services	36	-
Heat energy	10	-
<b>Total</b>	<b>47</b>	<b>89</b>

31 December 2020 (CZK million)	Expenses	Revenue
Use of railway route and allocated capacity of the railway	1	-
Revenue from freight transportation	-	107
Purchased railway services	12	-
Heat energy	9	-
Other	1	-
<b>Total</b>	<b>23</b>	<b>107</b>

Given the activities above, the Company records receivables from the ČEZ Group:

Receivables (CZK million)	31 Dec 2021	31 Dec 2020
Revenue from freight transportation	22	19
<b>Total</b>	<b>22</b>	<b>19</b>

Given the activities above, the Company records payables to ČEZ Group:

Payables (CZK million)	31 Dec 2021	31 Dec 2020
Purchased railway services	11	7
Other	-	1
Estimated payables	-	1
Heat supply	-	1
<b>Total</b>	<b>11</b>	<b>9</b>

### 32.8. RELATIONS WITH OTHER RELATED PARTIES

As part of other relationships with the state, state-owned companies and organisations, the Company undertook transactions mainly relating to taxes and fees (VAT, tax payable, customs duties and charges, etc.).

## 33. Financial Instruments

### 33.1. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue to operate as a healthy company while optimizing the ratio between external and own resources. According to banking requirements, the maximum target ratio between external and own resources is 75 % to 25 %.

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

(CZK million)	Note	31 Dec 2021	31 Dec 2020
Loans, borrowings and bonds	15	14,416	12,314
Cash and cash equivalents	12	(1,003)	(524)
<b>Total net debt</b>		<b>13,413</b>	<b>11,790</b>

(CZK million)	Note	31 Dec 2021	31 Dec 2020
Share capital	13	8,494	8,494
Capital funds	13	548	417
Retained earnings		620	393
<b>Total equity</b>		<b>9,662</b>	<b>9,304</b>

The Company is not subject to any capital requirements imposed by external entities.

The Board of Directors and the Supervisory Board of the Company are regularly informed about the development of debt. Any additional debt is subject to approval by the Company's statutory bodies, i.e. Board of Directors and Supervisory Board.

## 33.2. CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial assets under IFRS 9 (CZK million)	Classes of financial assets	Note	31 Dec 2021	31 Dec 2020
Financial assets at amortised cost	Cash and cash equivalents	12	1,003	524
	Trade receivables	9	1,687	1,555
	Other financial assets	10	56	241
<b>Total</b>			<b>2,746</b>	<b>2,320</b>

Categories of financial assets under IFRS 9 (CZK million)	Classes of financial assets	Note	31 Dec 2021	31 Dec 2020
Financial liabilities at amortised cost	Secured loans	15	2,002	1,223
	Lease liabilities	15	3,395	3,370
	Issued bonds	15	4,284	4,784
	Loans	15	4,735	2,937
	Trade payables	14	2,818	1,976
	Liabilities arising from supplier loans	17	-	18
	Liabilities from settlement agree-ments	17	-	-
	Other financial liabilities	17	131	147
<b>Celkem</b>			<b>17,365</b>	<b>14,455</b>

Categories of financial assets under IFRS 9 (CZK million)	Classes of financial assets	Note	31 Dec 2021	31 Dec 2020
Financial assets at fair value pre-sented in statement of profit or loss	Financial assets at fair value presented in statement of profit or loss	10	97	54
Financial liabilities at fair value presented in statement of profit or loss	Other financial liabilities - derivatives used in hedge accounting	17	15	20

Financial instruments are measured at fair value (level 2) as described in Note 33.10.3.

Income from individual classes of financial assets is as follows:

Class of financial asset (CZK million)	2021	2020	Presented in profit or loss statement
Interest on cash and cash equivalents	2	3	Financial income
Interest on receivables of financial leasing	1	-	Financial income
Dividends on available-for-sale financial assets	79	149	Other operating income
<b>Total</b>	<b>82</b>	<b>152</b>	

Impairment losses on financial assets are presented in the Note "Trade receivables" (Note 9) and "Other financial assets" (Note 10). No impairment was noted with regard to any other class of financial assets.

**33.3. FINANCIAL RISK MANAGEMENT OBJECTIVES**

The Department of Financial Management and Risks monitors and manages the financial risks related to the operations of the Company. Financial risks include market risks (currency, interest rate and commodity risk), credit risk and liquidity risk.

**33.4. INTEREST RATE RISK MANAGEMENT**

The company is not exposed to the risk of changes in interest rates, as it has loans and credits with fixed interest rates.

**33.5. CURRENCY RISK MANAGEMENT**

The Company, in the context of its market position and business strategy, is in a position where inputs are purchased primarily in CZK, but services (particularly on income from international transport) are widely sold in foreign currency, primarily in EUR. This leads to disproportion between monetary inputs and outputs (surplus of EUR). Company in accordance with the risk management strategy concludes currency forwards, par-forwards and options to cover future payments received (monetary balance) denominated in foreign currencies.

The carrying amounts of the Company's foreign currency denominated monetary assets, net of the impact of currency hedging, at the end of the reporting period are as follows:

31 Dec 2021 (CZK million)	EUR	USD	Other	Total
Financial assets	1,514	3	-	1,517
Financial liabilities	(936)	-	(2)	(938)
<b>Total</b>	<b>578</b>	<b>3</b>	<b>(2)</b>	<b>579</b>

31 Dec 2020 (CZK million)	EUR	USD	Other	Total
Financial assets	1,101	3	-	1,104
Financial liabilities	(845)	-	(2)	(847)
<b>Total</b>	<b>256</b>	<b>3</b>	<b>(2)</b>	<b>257</b>

**33.5.1. Foreign currency sensitivity analysis**

The exposure to currency risks is measured by a sensitivity analysis. The Company is exposed to the currency risk due to:

- changes in the value of unhedged cash items denominated in foreign currencies;
- changes in the fair value of concluded financial derivatives.

The following table shows the impact that the strengthening of the Czech currency by CZK 1 with regard to the relevant foreign currencies would have on the profit and other comprehensive income. A positive value indicates an increase in the profit and other comprehensive income, negative value indicates a decrease in the profit and other comprehensive income:

(CZK million)	2021	2020
Translation of items denominated in foreign currencies at the end of the period	(23)	(10)
Change in the fair value of derivatives at the end of the period	-	(7)
<b>Total impact on the profit for the period</b>	<b>(23)</b>	<b>(17)</b>
Change in the fair value of derivatives at the end of the period	80	84
<b>Total impact on other comprehensive income</b>	<b>80</b>	<b>84</b>

If the Czech currency weakened by CZK 1, the values would be the same with the opposite sign only.

**33.5.2. Currency forwards and options**

The Company in accordance with the risk management strategy concludes currency forwards, par-forwards and options to cover future payments received (monetary balance) denominated in foreign currencies with a predetermined hedging ratio of 1:1. The hedge ratio is determined by comparing the amount of the hedged item and the hedging instrument used. This calculation is based on a currency par-forward contract that reduces the currency risk resulting from the exchange rate fluctuation of the national currencies and the planned revenues in EUR generated by the Company. The hedge ratio is regularly monitored in relation to the risk management objectives.

The effectiveness of hedging is regularly measured on the basis of a comparison of key terms (critical terms). In the case of currency hedging, it is mainly the nominal value. The control against „reinsurance“ of currency risk is monitored on the basis of the above-mentioned hedge report and is fulfilled thanks to the Financial Risk Management Strategy and the determination of the maximum amount of hedging of expected income.

The nominal value of currency forwards is lower than the future expected balance in EUR, i.e. more than 25% of the estimated revenue in EUR is never secured. The CZK/EUR exchange rate is provided, which then transforms foreign currency income (EUR) into the functional currency (CZK). As at 31 December 2021, the maximum volumes for hedging are set by the Financial Risk Management Strategy in ČD Cargo, a.s., as follows:

- for 2022, maximum 25% of EUR revenues;
- for 2023, maximum 20% of EUR revenues;
- for 2024, maximum 15% of EUR revenues.

As at 31 December 2020, the maximum volumes for hedging were set by the Financial Risk Management Strategy in ČD Cargo, a.s., as follows:

- for 2021, maximum 25% of EUR revenues;
- for 2022, maximum 20% of EUR revenues;
- for 2023, maximum 15% of EUR revenues.

Monetary hedging was contracted under regular market conditions (without premium payment), the fair value of derivatives was nil as at the hedge date. Based on the above, the Company expects that the hedging relationship will be effective for its entire period. The result of the transaction is a predictable (fixed) amount of the CZK/EUR exchange rate obtained from the sale of EUR revenues of the Company.

The effectiveness of hedging will be measured by comparing critical terms. As credit risk is not part of the hedged risk, credit risk affects only changes in the value of the hedging instrument. Credit risk arises from the credit rating of the Company and the bank, which is the counterparty of currency par forward. The credit risk is associated with both the bank and the Company and is considered minimal and will be reassessed when a significant change in circumstances occurs in one of the parties.

Potential causes of possible inefficiencies may arise on the basis of the spread. Another factor may be time discrepancy. The Company does not hedge specific business cases, but only the volume of the planned revenues. The above points are considered by the Company to be insignificant or highly unlikely, and hence considers currency hedging to be effective.

The table shows outstanding foreign currency forwards and options for the sale of the foreign currency as at:

(CZK million)	Average hedged currency exchange rate	Foreign currency	Nominal value in	Fair value
31 Dec 2021	27.118	EUR	2,278	61
31 Dec 2020	27.048	EUR	2,272	54

Open foreign currency forwards and options to purchase foreign currency were not closed in 2021. No foreign currency forwards and options to purchase foreign currency were concluded in 2020.

#### Expected realisation of hedged items by foreign currency forwards and options

Expected cash flows of hedged future sales in EUR have the following structure:

31 December 2021 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 year - 5 years	5 years and more	Total
Hedged future sales in EUR	75	149	671	1,193	-	2,088

31 December 2020 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 year - 5 years	5 years and more	Total
Hedged future sales in EUR	105	210	945	945	-	2,205

#### 33.6. CREDIT RISK MANAGEMENT

The Company is exposed to credit risk, which involves the risk that one party to the financial instrument will cause financial loss to the other party by failing to meet its obligation. Credit risk arises as a result of the Company's business activities (trade receivables) and financial transaction related activities. Credit risk quantification is based on a number of basic criteria, with a major measure being the risk associated with the counterparty default risk in a transaction that may negatively affect the economic result and the cash-flow of the Company. For the analysis of counterparties, the Company uses external information services in addition to supporting internal departments. Any insolvency of a partner may lead to immediate losses with undue influence on the Company's performance.

As a source of credit risk associated with the counterparty's default risk in the transaction:

- corporate customers,
- financial institutions.

For this reason, approval of business activities with new counterparties is subject to standardised approval procedures by authorised departments. Credit risk management includes asset management and receivable management, where standard financial market instruments such as advance payments and bank guarantees are used to reduce risks.

Financial assets that expose the Company to possible credit risk consist of cash and cash equivalents, trade receivables and derivative financial instruments. The Company's cash is deposited at domestic reputable financial institutions. In terms of the business, the Company is mainly exposed to these types of credit risk:

- direct credit risk,
- credit equivalents risk.

Direct credit risk is the most common form of receivables from ordinary business relationships, which include the provision of trade loans, bills of exchange, retention and financial assistance to companies outside the Company. The customer's credit quality is evaluated individually, taking into account its financial position, customer experience, and other factors.

At the same time, the development of the number of receivables, revenues and transport performance by individual companies is monitored using reports. The overview shows the payment discipline of individual customers according to the selected period of time.

Expected credit loss rates are determined under the payment profile and sales for the 6-year prior period until 1 December 2021, respectively 31 December 2021 on the basis of historical actual credit losses. Historical credit loss rates are adjusted to take into account future expected developments in macroeconomic variables that impact on customer solvency. The Company investigated a number of variables (GDP, industry indexes, etc.) and their possible correlation with the solvency of customers. As no reliable correlation has been identified, the Company focuses on an individual assessment of customer credibility and, above all, their future ability and willingness to meet its obligations to the Company. The analyses were conducted on the basis of conditions and expectations as at 31 December 2021.

## Overview of impairment for short-term receivables

31 December 2021 (CZK million)	Before due date		Past due date (days)				Total
		1 - 30	31 - 90	91 - 180	181 - 365	over 365 days	
Expected credit loss rate *	1%	1%	6%	8%	67%	100%	5%
Short-term trade receivables - gross residual value	1,550	104	33	13	3	82	1,785
<b>Expected credit loss</b>	<b>(10)</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</b>	<b>(2)</b>	<b>(70)</b>	<b>(86)</b>
Individual expected credit loss	-	-	-	-	-	(12)	(12)
<b>Expected credit loss total</b>	<b>(10)</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</b>	<b>(2)</b>	<b>(82)</b>	<b>(98)</b>
<b>Net value of receivables</b>	<b>1,540</b>	<b>103</b>	<b>31</b>	<b>12</b>	<b>1</b>	<b>-</b>	<b>1,687</b>

\* impairment matrix = % of allowance from historical developments + % of considered future development = % of total allowance

31 December 2020 (CZK million)	Before due date		Past due date (days)				Total
		1 - 30	31 - 90	91 - 180	181 - 365	over 365 days	
Expected credit loss rate *	3.5%	0%	3%	50%	100%	100%	8%
Short-term trade receivables - gross residual value	1,539	35	35	2	2	83	1,696
<b>Expected credit loss</b>	<b>(53)</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>	<b>(83)</b>	<b>(140)</b>
Individual expected credit loss	(1)	-	-	-	-	-	(1)
<b>Expected credit loss total</b>	<b>(54)</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>	<b>(83)</b>	<b>(141)</b>
<b>Net value of receivables</b>	<b>1,485</b>	<b>35</b>	<b>34</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1,555</b>

\* impairment matrix = % of allowance from historical developments + % of considered future development = % of total allowance

Movement of allowances for doubtful debts (CZK million)	2021	2020
<b>Allowances as at 1 January</b>	<b>141</b>	<b>90</b>
Creation of allowances - trade receivables	35	56
Use of allowances - trade receivables	(66)	(4)
Write-offs - trade receivables	(12)	(1)
<b>Allowances as at 31 December</b>	<b>98</b>	<b>141</b>

The Company seeks to trade only with creditworthy counterparties whom the Company reviews on an ongoing basis using publicly available information and internal data. The Company's exposure and credit ratings of its counterparties are continuously monitored.

Standard instruments (deposits, payment terms, customer tracking, internal tools etc.) are used in various combinations for additional hedge of potential risk receivables. The offsetting policy for receivables and liabilities is being actively applied to improve the liquidity of ČD Cargo, a.s. At the same time, ČD Cargo, a.s., is applying continuous monitoring of individual receivables by individual companies and by default periods with special attention to receivables with more than 15 days overdue. Individual responsible employees of the Parent Company and the senior staff of the Receivables Commission

are continuously engaged in past due receivables development. There is no significant concentration of credit risk from the perspective of customers, industries or regions.

Credit quality of the receivables not overdue, which are not subject to any impairment, is good and its value corresponds to its book value. Receivables not overdue were assessed based on its credit risk with regard to the IFRS 9. The Company evaluates receivables not overdue according to historical experience, which has been adjusted for randomness, and also reflected the macroeconomic impact on the development of payment morale of customers. The percentage of net allowance was set at 0.4% for overdue receivables (0.4% in 2020).

Amount of receivables (CZK million)	2021	2020
Percentage of net allowance creation	0.4%	0.4%
Gross receivables – not overdue	1,550	1,539
<b>Allowance – not overdue</b>	<b>(6)</b>	<b>(6)</b>

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned (the investment grade is required), see Note 12.



### 33.7. COMMODITY RISK MANAGEMENT

The Company is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically diesel and electricity, is a significant cost item of the Company. The Company manages this risk using a combination of several instruments as follows:

- conclusion of mid-term hedging derivatives for diesel purchase,
- the risk arising from the purchase of electricity from the relevant supplier is eliminated by the purchase of the annual consumption at the fixed contractual price.

#### 33.7.1. Analýza citlivosti na změny ceny komodit

The exposure to the change in the price of commodities is measured by the sensitivity analysis. The Group is exposed to the risk of changes in prices of commodities due to change in the fair value of concluded financial derivatives.

The following table shows the impact that an increase in the diesel price of 10 % would have on the profit and other comprehensive income. A positive value indicates the increase in the profit and other comprehensive income, a negative value indicates a decrease in the profit and other comprehensive income:

(CZK million)	2021	2020
Change in the fair value of derivatives at the end of the period	7	11
<b>Total impact on other comprehensive income</b>	<b>7</b>	<b>11</b>

If the diesel price was reduced by 10 %, the values would be the same with the opposite sign only.

#### 33.7.2. Commodity derivatives

In line with the requirements for managing commodity risk, the Company has entered into contracts to secure fluctuations in traction diesel prices. The hedge was made in the form of a commodity swap, which consists in determining the fixed price of traction diesel.

The hedge ratio of the hedging relationship is the same as the ratio between the amount of the hedged item and the hedging instrument used, in this case the ratio is 1:1. The hedging ratio is determined by comparing the amount of the hedged item and the hedging instrument used. This calculation is based on a commodity swap agreement that compensates for the purchase of the hedged volume of planned consumption under the approved Financial Risk Management Strategy. The Company is aware that risk components such as excise duties, merchant margins, etc. are included in the hedge ratio calculation, but their effect on the amount is insignificant. The hedge ratio is regularly monitored in relation to the risk management objectives.

The economic relationship between the hedging instrument and the hedged item is described using the following parameters.

The effectiveness of hedging will be measured by comparing critical terms. According to the fact that the key characteristics of the hedging instrument fully correspond to the characteristics of the hedged item, the management of ČD Cargo, a.s. expects a high efficiency of hedging. A correlation test is performed at the same time, which compares the actual purchase prices of diesel per litre and the cost of the hedging instrument. The correlation coefficient in 2021 was 98.08 %, thus confirming the high efficiency of the derivative.

The nominal value of guaranties is lower than the future projected volumes of purchased diesel, i.e. never more than 80 % of the prepaid volume of purchased diesel is secured. The commodity Platts ULSD 10ppm FOB Barge Rotterdam is secured. The guarantee is also

carried out in CZK, eliminating the risk arising from the CZK/USD exchange rate fluctuation. The maximum hedging volumes as at 31 December 2021 are set in the Financial Risk Management Strategy of ČD Cargo, a.s., then:

- for 2022, a maximum of 80% of the underlying asset (expected volume of diesel purchased);
- for 2023, a maximum of 65% of the underlying asset (expected volume of diesel purchased);
- for 2024, a maximum of 50% of the underlying asset (expected volume of diesel purchased).

The maximum hedging volumes were as at 31 December 2020:

- for 2021, a maximum of 80% of the underlying asset (expected volume of diesel purchased);
- for 2022, a maximum of 65% of the underlying asset (expected volume of diesel purchased);
- for 2023, a maximum of 50% of the underlying asset (expected volume of diesel purchased).

Commodity hedging was contracted under regular market conditions (without premium payment), the fair value of derivatives was nil as at the trade date. Based on the above, the Company expects that the hedging relationship will be effective for its entire period. The result of the transaction is the predictable amount of the price of the purchased volume of diesel.

As credit risk is not part of the hedged risk, credit risk affects only changes in the value of the hedging instrument. Credit risk arises from the credit rating of the Company and the bank, which is counterparty of commodity swap. The credit risk is associated with both the bank and the Company and is considered minimal and will be reassessed when a significant change in circumstances occurs in one of the parties.

Potential causes of potential inefficiency may arise due to unsecured components of the total diesel price (i.e. various surcharges, the impact of biodiesel prices, excise duty, etc.) and a significant decline in the counterparty's creditworthiness. In this case, the Company carries out a correlation test for the diesel price. The Company provides the Platts ULSD 10ppm FOB Barge Rotterdam with the total purchase diesel price, and as collateral is carried out in CZK, the currency risk of the USD / CZK pair is also eliminated. Other items that make up the price of diesel are fixed or have very low volatility. The above points are considered by the Company to be insignificant or highly unlikely and therefore considers commodity security to be effective.

The table shows outstanding commodity contracts for the purchase of diesel as at the end of the accounting period:

Purchase of diesel	Hedged average price (CZK/mt*)	Volume of contract (mt*)	Fair value (CZK million)
31 December 2021	10,214	4,800	21
31 December 2020	10,964	12,000	(20)

\* mt = metric ton

**Expected realisation of hedged items by commodity derivatives**

The following table shows the expected cash flows of the hedged future purchases of diesel:

31 December 2021 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Hedged future purchases of diesel	6	12	53	-	-	71

31 December 2020 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Hedged future purchases of diesel	5	11	48	43	-	107

**33.8. LIQUIDITY RISK MANAGEMENT**

The liquidity risk in ČD Cargo, a.s., managed with regard to the permanent provision of a sufficient volume of available funds necessary for the settlement of financial liabilities.

The Company manages its capital to ensure that it is able to continue as a going concern while optimising the debt and equity balance between liabilities and equity (more information regarding the open lines of credit is described in the section 33.8.2).

On a daily basis, the Company assesses the available funds and cash flows and liquidity development. Pursuant to these assessments, the Company decides on an optimal use of operating financial sources, consisting primarily of overdraft loans and the cash-pool limit. In order to strengthen its financial stability, the Company secures long-term financial sources on a continuous basis.

As at 31 December 2021, the Company issued bonds in the aggregate volume of CZK 4,270 million. The Company has also a promissory note programme available in the aggregate amount of CZK 1,500 million and has contracted the possibility of drawing funds of up to CZK 700 million beyond the cash-pooling limit (CZK 300 million) from the Parent Company České dráhy, a.s. During the years 2020 and 2021, the promissory note programme was not used by the Company. The total overdraft limit has a credit framework of CZK 1,800 million. It was the same as at 31 December 2020.

Investment loans (CZK million)	Raiffeisenbank	UniCredit Bank	ING Bank	EIB	Total
Framework as of 31 Dec 2019	-	-	-	-	-
Unused amount as of 31 Dec 2019	-	-	-	-	-
Change in framework in 2020	-	2,000	1,000	3,427	6,427
Exchange rate change	-	-	-	(15)	(15)
Framework as of 31 Dec 2020	-	2,000	1,000	3,412	6,412
Unused amount as of 31 Dec 2020	-	200	-	3,412	3,612
Change in framework in 2021	1,000	-	500	-	1,000
Change in exchange rate	-	-	-	(180)	(180)
Framework as of 31 Dec 2021	1,000	2,000	1,500	3,232	7,732
Unused amount as of 31 Dec 2021	-	-	-	2,732	2,732

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During 2020, three new investment loans with a total credit framework of CZK 3,000 million were implemented. As at 31 December 2020, CZK 2,800 million was drawn from this credit framework.

During 2021, two new investment loans were implemented with a total credit framework of CZK 1,500 million. As at 31 December 2021, the entire credit line was drawn. At the same time, an investment loan from 2020 in the amount of CZK 200 million was drawn down during the year.

In December 2020, a loan agreement was signed with the European Investment Bank. According to the contractual conditions, the total amount of the loan facility is set at EUR 130 million (CZK 3,427 million). This credit line will be gradually used in the coming years to finance the company's pre-selected investment projects. In 2021, the first tranche of CZK 500 million was drawn. The balance of the undrawn amount of the investment loan as at 31 December 2021 is CZK 2,732 million.

Overview of investment loans:

Bank: UniCredit Bank, a.s.
Date of agreement: 13 March 2020
Loan amount: CZK 1,000 million
Drawn: CZK 1,000 million (18 March 2020)
Interest rate: 2.05 %
Payments: quarterly, linear
1. payment: 30 June 2020
Maturity date: 29 March 2030

Bank: ING Bank NV
Date of agreement: 7 September 2020
Loan amount: CZK 1,000 million
Drawn: CZK 1,000 million (23 November 2020)
Interest rate: 1.53 %
Payments: semi-annual, annuity
1. payment: 31 August 2021
Maturity date: 31 August 2027

Bank: UniCredit Bank, a.s.
Date of agreement: 9 September 2020
Loan amount: CZK 1,000 million
Drawn: CZK 800 million (CZK 600 million has been drawn as at 22 December 2020, CZK 200 million has been drawn as at 30 December 2020)
Interest rate: 1.79 %
Payments: quarterly, linear
1. payment: 31 March 2021
Maturity date: 31 December 2027

Bank: ING bank, a. s.
Date of agreement: 27 April 2021
Loan amount: CZK 500 million
Drawn: CZK 500 million (11 June 2021)
Interest rate: 2.46 %
Payments: semi-annual
1. payment: 30 June 2022
Maturity date: 30 June 2028

Bank: Raiffeisenbank, a. s.
Date of agreement: 8 September 2021
Loan amount: CZK 1,000 million
Drawn: CZK 1,000 million (14 September 2021)
Interest rate: 2.97 %
Payments: semi-annual
1. payment: 30 June 2022
Maturity date: 30 June 2031

EIB loan - first tranche
Date of agreement: 15 December 2020
Amount of the first tranche: CZK 500 million
Interest rate: 2.384 %
Payments: quarterly with a 2-year delay
1. payment: 2 July 2023
Maturity date: 2 July 2031

**33.8.1. Liquidity risk tables**

The following tables present the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

31 Dec 2021 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Trade payables and other financial liabilities not covered below	1,357	933	659	1	-	2,950
Hedging derivatives – net	-	-	-	15	-	15
Gross outgoing cash flows	-	-	-	715	-	715
Gross incoming cash flows	-	-	-	(700)	-	(700)
Secured loans	5	103	316	984	780	2,188
Lease liabilities	3	206	626	2,023	637	3,495
Variable interest rate instruments – loan	3	165	574	2,831	1,600	5,173
Fixed interest rate instruments – bonds	7	15	97	3,541	1,011	4,671
<b>Total</b>	<b>1,375</b>	<b>1,422</b>	<b>2,272</b>	<b>9,395</b>	<b>4,028</b>	<b>18,492</b>

31 Dec 2020 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Trade payables and other financial liabilities not covered below	1,405	604	131	2	-	2,142
Hedging derivatives – net	1	3	12	4	-	20
Gross outgoing cash flows	1	3	12	4	-	20
Gross incoming cash flows	-	-	-	-	-	-
Secured loans	-	78	233	724	275	1,310
Lease liabilities	-	220	592	1,944	757	3,513
Variable interest rate instruments – loan	4	75	328	1,739	992	3,138
Fixed interest rate instruments – bonds	-	-	616	1,821	2,826	5,263
<b>Total</b>	<b>1,410</b>	<b>980</b>	<b>1,912</b>	<b>6,234</b>	<b>4,850</b>	<b>15,386</b>

The following tables present the Company's expected maturity for its financial assets. The tables have been drawn up based on the undiscounted residual maturities of financial assets. The tables include both interest and principal cash flows.

31 Dec 2021 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Financial assets at amortised cost	2,217	485	14	30	-	2,746
Hedging derivatives	8	17	64	8	-	97
<b>Total</b>	<b>2,225</b>	<b>502</b>	<b>78</b>	<b>38</b>	<b>-</b>	<b>2,843</b>

31 Dec 2020 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Financial assets at amortised cost	1,687	465	128	40	-	2,320
Hedging derivatives	2	4	18	30	-	54
<b>Total</b>	<b>1,689</b>	<b>469</b>	<b>146</b>	<b>70</b>	<b>-</b>	<b>2,374</b>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

**33.8.2. Financing facilities**

Changes in financing commitments including changes not only from cash flows but also from non-monetary changes are presented in the following table:

(CZK million)	Loans – short-term	Loans – long-term	Lease liabilities – short term	Lease liabilities – long-term	Secured loans – short-term	Secured loan – long-term	Issued bonds – short-term	Issued bonds – long-term	Total
<b>Liabilities from financing activities as at 1 Jan 2020</b>	<b>323</b>	<b>205</b>	<b>595</b>	<b>2,187</b>	<b>285</b>	<b>1,140</b>	<b>1,026</b>	<b>3,765</b>	<b>9,526</b>
Cash flows from financing activities	(401)	2,800	(745)	-	(344)	48	(1,000)	987	1,345
<i>Credit, loans and bonds drawings</i>	-	2,800	-	-	-	48	-	987	3,835
<i>Credit, loans and bonds repayments</i>	(401)	-	(745)	-	-	-	(1,000)	-	(2,146)
<i>Lease payments</i>	-	-	-	-	(344)	-	-	-	(344)
<b>Non-monetary flows</b>									
Consequences of changes in exchange rates	1	9	60	-	18	-	-	-	88
Loans and credits classified as at 1 January 2019 as long-term, which became short-term during 2020	443	(443)	722	(722)	317	(317)	500	(500)	-
Other non-monetary movements	-	-	137	1,136	-	76	(2)	8	1,355
<b>Liabilities from financing activities as at 31 Dec 2020</b>	<b>366</b>	<b>2,571</b>	<b>769</b>	<b>2,601</b>	<b>276</b>	<b>947</b>	<b>524</b>	<b>4,260</b>	<b>12,314</b>
Cash flows from financing activities	(394)	2,200	(780)	-	(280)	1,082	(500)	-	1,328
<i>Credit, loans and bonds drawings</i>	-	2,200	-	-	-	1,082	-	-	3,282
<i>Credit, loans and bonds repayments</i>	(394)	-	(780)	-	-	-	(500)	-	(1,674)
<i>Lease payments</i>	-	-	-	-	(280)	-	-	-	(280)
<b>Non-monetary flows</b>									
Consequences of changes in exchange rates	(8)	-	(149)	-	(23)	-	-	-	(181)
Loans and credits classified as at 31 December 2020 as long-term, which became short-term during 2021	680	(680)	958	(958)	365	(365)	7	(7)	-
Other non-monetary movements	-	-	4	950	39	(39)	-	-	954
<b>Liabilities from financing activities as at 31 Dec 2021</b>	<b>644</b>	<b>4,091</b>	<b>802</b>	<b>2,593</b>	<b>377</b>	<b>1,625</b>	<b>31</b>	<b>4,253</b>	<b>14,416</b>

\*other non-monetary movements in the lease liability columns are due to the recalculation of the value of the lease contract for an indefinite period as at 31 December 2020, the increase in new contracts and the disposal of contracts for the period under IFRS 16

The Company uses the following financing facilities:

(CZK million)	31 Dec 2021	31 Dec 2020
Cash pooling:		
– loan facility at	300	300
Overdraft loans:		
– loan facility at	1,800	1,800
Promissory note programme*		
– loan facility at	1,500	1,500
<b>Total</b>	<b>3,600</b>	<b>3,600</b>

\*the internal promissory note programme is approved for a maximum of CZK 1,500 million, with framework agreements in amount of CZK 2,000 million approved for individual banks

Neither of these credit lines were drawn as at 31 December 2021.



### 33.9. STRATEGY FOR THE COMPANY'S FINANCING IN SUBSEQUENT YEARS

#### 33.9.1. Secured loans

In 2019, a secured loan was concluded with ČSOB Leasing, a.s. for the purpose of financing 4 Siemens Vectron traction vehicles (traction vehicles of 383 series). The contractual loan term is 120 months and the fixed interest rate is 1.34% p.a. The loan was made in EUR. In the same year, a secured loan was concluded with ČSOB Leasing, a.s. to finance 4 Effishunter traction vehicles (traction vehicles of 744 series). The loan term is 120 months with the fixed interest rate of 1.91% p.a. The loan was made in CZK. With the same parameters, another loan was implemented in January 2020 with ČSOB Leasing a.s., in order to finance 1 Effishunter railway traction vehicle (traction vehicles of line 744). In 2021, a secured loan was concluded with Raiffeisen leasing, a.s., for the purpose of financing 254 wagons of Sggrs series. The contractual term of the loan is 120 months. A fixed interest rate was agreed at 2.31% p.a. The loan was made in CZK. Another secured loan was concluded with SGEF for the purpose of financing 127 wagons of Sggrs/Sgmmrs series. The contractual term of the loan is 120 months. A fixed interest rate was agreed at 2.29% p.a. The loan was made in CZK. Other secured loans were concluded with Raiffeisen leasing to finance 4 Effishunter traction vehicles (traction vehicles of 744 series). The contractual term of the loans is 120 months. A fixed interest rate was agreed at 2.92% p. A. The loans were made in CZK.

In connection with the planned investments, it is expected that the Company will be using financing in the form of financial lease in the in subsequent years.

#### 33.9.2. Operating bank loans

In funding its operating needs, the Company ČD Cargo, a.s. has overdraft limits on loans in the maximum amount of CZK 1,800 million provided by five banks. The stratification of the lending to several financing entities sufficiently diversifies related risks.

#### 33.9.3. Promissory note programme

The Company has the possibility to use the promissory note programme approved by the Supervisory Board, if needed. The promissory note programme is approved in the amount of CZK 1,500 million. The promissory note programme can be covered by a combination of possible issuance of promissory notes from two banks in the total amount up to CZK 2,000 million (ČSOB CZK 500 million and Komerční banka CZK 1,500 million). The supervisory Board of ČD Cargo, a.s., must be informed about the intention of drawing over CZK 1,000 million. During 2020 and 2021, the promissory note programme was not used, however the promissory note framework is left as a form of short-term financing provision, directly independent of bank resources.

#### 33.9.4. Loan provided by the Parent Company České dráhy, a.s.

ČD Cargo, a.s. has contractually secured with the Parent Company České dráhy, a.s., the possibility to draw up financial resources of up to CZK 700 million (beyond the limit of group cash pooling). During 2021, this financial resource was not used.

#### 33.9.5. Bonds

With a view to securing the mid-term and long-term resources of funding to increase the stability of the Company's cash flows, the relevant bodies of ČD Cargo, a.s. approved the bond programme in the aggregate amount of CZK 6 billion for 10 years, which was updated in 2015 to the current legal status (effective for new issuance). Subsequently, in 2021, a new bond programme, valid for another 10 years, was issued. On the basis of the first bond programme, the first, second and third issues were gradually realised in 2011 with the aggregate nominal value of CZK 2,000 million. In 2012, a second issue of bonds was realised by the issuance of two tranches of bonds with a total nominal value of CZK 500 million. In 2015, a new, fourth bonds issue was realised with the total nominal value of CZK 1,000 million and maturing bonds of CZK 1,000 million were redeemed. In

2016, the fifth issue of bonds in the amount of CZK 500 million was issued and the sixth issue was issued in the amount of CZK 500 million. The sixth bond issue was carried out under separate issuance conditions and these bonds were tradable on a regulated market of the Prague Stock Exchange. The remaining part of the first bond issue in the amount of CZK 658.3 million and also part of the third issue in the nominal amount of CZK 500 million were repaid in 2016. No issue of bonds was carried out in 2017. In 2018, the seventh wave of issue was made in the nominal amount of CZK 1,000 million, on the basis of separate issue conditions and these bonds were admitted to trading on the regulated market of the Prague Stock Exchange. In 2019, another two bond issues were carried out, the eighth and ninth. The eighth issue was realised in the total nominal amount of CZK 1,000 million, followed by the ninth issue in the nominal value of bond of CZK 770 million. In 2020, the fourth bond issue in the total amount of CZK 1,000 million was repaid. At the same time, issue number ten was realised in the same year in the total nominal amount of CZK 1,000 million. In 2021, the fifth bond issue in the total amount of CZK 500 million was repaid.

As at 31 December 2021, the Company ČD Cargo, a.s., has issued bonds worth CZK 4,270 million. Funding in the form of bonds increases the liquidity and financial stability of the Company. In accordance with the planned investments, it is expected that the Company ČD Cargo, a.s., will continue to use bond financing.

#### 33.9.6. Supplier loans

The Company plans to use supplier loans for individual investments where this form of financing will be effective.

#### 33.9.7. Investment loans

Three investment loans were implemented with a total credit framework of CZK 3,000 million during 2020. As at 31 December 2021, CZK 2,800 million was drawn from this credit framework.

During 2021, two new investment loans were implemented with a total credit framework of CZK 1,500 million. As at 31 December 2021, the entire credit line was drawn. At the same time, an investment loan from 2020 in the amount of CZK 200 million was drawn during the year.

Due to the planned capital expenditures in the coming years, the Company plans to continue to use external financing through financial loans.

#### 33.9.8. Other loans

In December 2020, a loan agreement was signed with the European Central Bank. According to the contractual conditions, the total amount of the loan is set at up to EUR 130 million. This credit framework will be gradually used (according to the conditions and possibilities arising from the contract) in the coming years to finance the Company's pre-determined and approved by the European Investment Bank investment projects.

In 2021, the first tranche of CZK 500 million was drawn from the total limit.

#### 33.9.9. Summary

The above mentioned current and planned funding structure creates a desired framework that allows the ČD Cargo, a.s., to maintain financial stability with the possibility of flexible use of individual forms according to actual needs and convenience.

Based on the planned funding structure, the Company will achieve a sufficient volume of available sources for funding its operating and investment activities with a sufficient reserve for potential unfavourable developments (shortfall in sales, change in the payment discipline, payment terms, legislative changes, etc.).

**33.10. FAIR VALUE OF FINANCIAL INSTRUMENTS****33.10.1. Fair values of financial instruments carried at amortised cost**

The carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values, except liabilities from leases, secured loans, investment loans and bonds.

As at 31 December 2021, the fair values of lease liabilities amounted to CZK 3,379 million and investment loans to CZK 4,284 million. This fair value is determined by conversion according to the rate, which is based on the current market interest rate valid at the end of the year plus the average margin from the company's external financial resources. This rate is then used to recalculate the remaining amount of lease liabilities and investment loans realized at a fixed rate. As at 31 December 2020, the fair value of the lease liability was CZK 3,374 million and of investment loans was CZK 2,670 million.

The fair value of secured loans as at 31 December 2021 is CZK 1,959 million. The fair value of secured loans is determined by conversion according to the current rate. This current rate is determined on the basis of the interest rate of the last realized secured loans, and this subsequently discounted the remaining liability from the secured loans calculated at a fixed rate. As at 31 December 2020, it amounted to CZK 1,228 million.

As at 31 December 2021, the fair value of bonds of the Company ČD Cargo, a.s., amounted to CZK 4,003 million, as at 31 December 2020 amounted to CZK 4,845 million. The fair value of bonds is recalculated based on the up-to date issue rate published by individual banks.

Financial assets (CZK million)	Level	Fair value as at 31 Dec 2021	Book value as at 31 Dec 2021	Fair value as at 31 Dec 2020	Book value as at 31 Dec 2020
Financial derivatives used in hedge accounting	Level 2	97	97	54	54
<b>Total</b>		<b>97</b>	<b>97</b>	<b>54</b>	<b>54</b>

Financial liabilities (CZK million)	Level	Fair value as at 31 Dec 2021	Book value as at 31 Dec 2021	Fair value as at 31 Dec 2020	Book value as at 31 Dec 2020
Financial derivatives used in hedge accounting	Level 2	15	15	20	20
Bonds issued	Level 2	4,003	4,284	4,845	4,784
Secured loans	Level 2	3,379	3,394	3,374	3,370
Leasing liabilities	Level 2	1,959	2,002	1,228	1,223
Investment loans	Level 2	4,284	4,605	2,670	2,725
<b>Total</b>		<b>13,640</b>	<b>14,300</b>	<b>12,137</b>	<b>12,122</b>

Cash and cash equivalents, trade receivables and payables and other financial liabilities were not included in the table above because their fair value is equal to the carrying value, due to their short-term maturity. Furthermore, the table does not include a loan from České dráhy, a.s., due to the fair value is also the same as the book value due to its short-term maturity.

**33.10.2. Valuation techniques applied for the purposes of measuring fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices,
- the fair values of other financial assets and financial liabilities (except for financial derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions, dealer quotes for similar instruments and an appropriate yield curve with the corresponding duration as appropriate,
- the fair values of financial derivatives are calculated using quoted prices. If these prices are not available, linear derivatives are measured using discounted cash flows by means of quoted foreign exchange currency rates, quoted prices of commodities and an appropriate yield curve corresponding to the validity of contracts. An options valuation model is used for derivatives that include an option.

**33.10.3. Fair value measurements recognised in the statement of financial position**

Financial instruments measured at fair value are divided into Levels from 1 to 3, based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments measured at fair value recognised by the Company as at 31 December 2021 and 31 December 2020 were included in Level 2.

**34. Post Balance Sheet Events**

At the end of February 2022, continuing political tensions between Russia and Ukraine escalated into a conflict with Russia's military invasion of Ukraine. The worldwide response to Russia's violations of international law and aggression against Ukraine has been the imposition of extensive sanctions. We consider these facts to be non-adjusting subsequent events. For the time being, the situation has manifested itself primarily in increased volatility in the financial and commodity markets. Business risks, including the adverse effects of economic sanctions on Russia, business disruptions (including supply chains), increased cyber-attacks, the risk of breaches of legal and regulatory rules, and much more, are difficult to assess at this time. However, the company is not currently aware of any significant facts that would have a significant negative impact on it.

On 15 February 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to dismiss Jan Vrátník from the position of a member of the Supervisory Board of ČD Cargo, a.s., and at the same time approved the resignation of Václav Nebeský from the position of Chairman and Member of the Supervisory Board with effect from 15 February 2022.

On 15 February 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to elect Jitka Frischholzová, Josef Pašek and Pavel Kohoutek to the position of members of the Supervisory Board of ČD Cargo, a.s., with effect from 16 February 2022.

On 15 March 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to dismiss Jitka Frischholzová, Josef Pašek, Pavel Kohoutek and Lukáš Týfa, from the position of members of the Supervisory Board of ČD Cargo, a.s., with effect from 15 March 2022.

On 15 March 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to elect Michal Kraus, Tomáš Vrbík, Jana Kasal and Drago Sukalovský to the position of members of the Supervisory Board of ČD Cargo and at the same time decided on the election of Michal Kraus to the position of Chairman of the Supervisory Board of ČD Cargo, a.s., effective as of 16 March 2022.

**35. Approval Of The Financial Statements**

These financial statements will be approved by the Board of Directors and authorised for issue on 12 April 2021.



## Consolidated Financial Statements for the year 2021

### Consolidated Financial Statements for the year 2021

Prepared in accordance with IFRS as adopted by the EU



#### Consolidated Financial Statements for the Year Ended 31 December 2021

Prepared in accordance with IFRS as adopted by the EU

Name of the Group: ČD Cargo  
 Name of the Parent Company: ČD Cargo, a.s.  
 Registered Office: Praha 7, Holešovice, Jankovcova 1569/2c, 170 00  
 Legal Form: Joint Stock Company  
 Corporate ID: 281 96 678

#### Components of the Consolidated Financial Statements:

Statement of Financial Position (Balance Sheet)  
 Statement of Profit or Loss  
 Statement of Comprehensive Income  
 Statement of Changes in Equity  
 Cash Flow Statement  
 Notes to the Financial statements

In Prague on 12 April 2022

Ing. Robert Heděnce  
 Chief Financial Officer

#### Statutory body of the reporting entity:

Ing. Tomáš Tóth  
 Chairman of the Board of Directors

Ing. Radek Dvořák  
 Member of the Board of Directors

#### ■ CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2021

(CZK million)		31 Dec 2021	31 Dec 2020
Property, plant and equipment	5	22,291	20,315
Intangible assets	6	676	625
Right-of-use assets	19	3,457	3,114
Investments in joint-ventures and associates	7	68	59
Other financial assets	10	71	69
Other assets	11	2	3
<b>Total non-current assets</b>		<b>26,565</b>	<b>24,185</b>
Inventories	8	332	291
Trade receivables	9	1,810	1,700
Income tax prepayments		21	9
Cash and cash equivalents	12	1,147	686
Other financial assets	10	124	126
Other assets	11	473	175
<b>Total current assets</b>		<b>3,907</b>	<b>2,987</b>
<b>TOTAL ASSETS</b>		<b>30,472</b>	<b>27,172</b>
Share capital	13	8,494	8,494
Capital funds	13	498	413
Retained earnings		755	470
<b>Equity attributable to owners of the Company</b>		<b>9,747</b>	<b>9,377</b>
Non-controlling interest	34	45	42
<b>Total equity</b>		<b>9,792</b>	<b>9,419</b>
Loans, borrowings and bonds	15	13,005	10,614
Deferred tax liability	32	1,704	1,644
Provisions	16	82	96
Other financial liabilities	17	16	6
Other liabilities	18	8	155
<b>Total non-current liabilities</b>		<b>14,815</b>	<b>12,515</b>
Trade payables	14	2,877	1,988
Loans, borrowings and bonds	15	1,993	2,051
Income tax payable		29	30
Provisions	16	111	262
Other financial liabilities	17	132	182
Other liabilities and commitments	18	723	725
<b>Total current liabilities</b>		<b>5,865</b>	<b>5,238</b>
<b>TOTAL LIABILITIES</b>		<b>30,472</b>	<b>27,172</b>



### ■ CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

(CZK million)		Year ended 31 Dec 2021	Year ended 31 Dec 2020
Revenue	24	12,899	12,266
Other operating income	25	450	636
Services, leases, material and energy consumption	26	(5,547)	(5,558)
Employee benefit costs	27	(4,523)	(4,517)
Depreciation and amortisation	28	(2,246)	(2,056)
Other operating expenses	29	(399)	(849)
<b>Profit (loss) from operating activities</b>		<b>634</b>	<b>(78)</b>
Financial expenses	30	(290)	(269)
Financial income	31	28	59
Share in the profit of associates and joint-ventures	7	16	12
<b>Profit (loss) before tax</b>		<b>388</b>	<b>(276)</b>
Income tax	32	(99)	28
<b>Profit (loss) for the period</b>		<b>289</b>	<b>(248)</b>
Attributable to equity holders of the Parent Company		286	(254)
Attributable to non-controlling interests		3	6

### ■ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(CZK million)		Year ended 31 Dec 2021	Year ended 31 Dec 2020
<b>Profit (loss) for the period</b>		<b>289</b>	<b>(248)</b>
Actuarial gains / losses on liabilities related to employee benefits	13	18	10
<b>Other comprehensive income for the year (items that are not subsequently reclassified to profit or loss)</b>		<b>18</b>	<b>10</b>
Foreign currency translation reserve fund	13	(41)	(17)
Cash flow hedging	13	215	(65)
Relating deferred income tax	32	(42)	13
<b>Other comprehensive income for the year before tax (items that may be reclassified to profit or loss)</b>		<b>132</b>	<b>(69)</b>
<b>Total comprehensive income for the year</b>		<b>439</b>	<b>(307)</b>
Attributable to equity holders of the Parent Company		436	(313)
Attributable to non-controlling interests		3	6

### ■ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(CZK million)	Share capital	Share premium <sup>a</sup>	Reserve fund <sup>a</sup>	Cash flow hedge reserve <sup>a</sup>	Actuarial gains/ losses <sup>a</sup>	Other funds <sup>a</sup>	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance as at 1 January 2020</b>	<b>8,494</b>	<b>197</b>	<b>258</b>	<b>20</b>	<b>(12)</b>	<b>(18)</b>	<b>751</b>	<b>9,690</b>	<b>36</b>	<b>9,726</b>
Loss for the period	-	-	-	-	-	-	(254)	(254)	6	(248)
Other comprehensive income for the period	-	-	-	(52)	10	(17)	-	(59)	-	(59)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52)</b>	<b>10</b>	<b>(17)</b>	<b>(254)</b>	<b>(313)</b>	<b>6</b>	<b>(307)</b>
Allocation to the reserve fund	-	-	27	-	-	-	(27)	-	-	-
Transactions with owners for the period	-	-	27	-	-	-	(27)	-	-	-
<b>Balance as at 31 December 2020</b>	<b>8,494</b>	<b>197</b>	<b>285</b>	<b>(32)</b>	<b>(2)</b>	<b>(35)</b>	<b>470</b>	<b>9,377</b>	<b>42</b>	<b>9,419</b>
Profit for the period	-	-	-	-	-	-	286	286	3	289
Other comprehensive income for the period	-	-	-	173	18	(41)	-	150	-	150
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173</b>	<b>18</b>	<b>(41)</b>	<b>286</b>	<b>436</b>	<b>3</b>	<b>439</b>
Allocation to the reserve fund	-	-	1	-	-	-	(1)	-	-	-
Use of the reserve fund	-	-	(66)	-	-	-	-	(66)	-	(66)
Transactions with owners for the period	-	-	(65)	-	-	-	(1)	(66)	-	(66)
<b>Balance as at 31 December 2021</b>	<b>8,494</b>	<b>197</b>	<b>220</b>	<b>141</b>	<b>16</b>	<b>(76)</b>	<b>755</b>	<b>9,747</b>	<b>45</b>	<b>9,792</b>

<sup>a</sup>in the statement of financial position these items are included under 'Capital funds' (see Note 13.2.)

## ■ CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(CZK million)		Year ended 31 Dec 2021	Year ended 31 Dec 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (loss) for the year before tax		388	(276)
Revenue from dividends and profit sharing		(5)	(5)
Financial expenses	30	248	204
Profit from sale and disposal of non-current assets	25	(90)	(95)
Depreciation and amortisation of non-current assets	28	2,246	2,056
Changes in impairment of non-current assets	29	62	165
Changes in allowances for doubtful accounts		(37)	64
Change in provisions		(147)	142
Foreign exchange rate gains		23	17
Other		12	7
<b>Cash flows from operating activities before changes in working capital</b>		<b>2,700</b>	<b>2,279</b>
Change in trade receivables		(121)	(182)
Change in inventories		(54)	(54)
Change in other assets		58	292
Change in trade payables		121	(112)
Change in other payables	18	(272)	(27)
<b>Total changes in working capital</b>		<b>(268)</b>	<b>(83)</b>
<b>Cash flows from operating activities</b>		<b>2,431</b>	<b>2,196</b>
Interests paid	30	(251)	(198)
Income tax paid	32	(93)	(39)
Dividends received		5	5
<b>Net cash flow from operating activities</b>		<b>2,093</b>	<b>1,964</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment	5	(3,129)	(3,081)
Income from property, plant and equipment sold		92	112
Payments for intangible assets	6	(47)	(75)
Received subsidies for acquisition of assets	5	83	71
Interest received		2	3
<b>Net cash flows from investing activities</b>		<b>(2,999)</b>	<b>(2,970)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issued bonds	15	-	987
Bonds repayments	15	(500)	(1,000)
Drawing of loans and borrowings	15	3,501	2,849
Repayments of loans and borrowings	15	(766)	(823)
Lease payments under IFRS 16	15	(846)	(791)
<b>Net cash flows from financing activities</b>		<b>1,389</b>	<b>1,222</b>
The effect of exchange rate changes on cash balances		(22)	(1)
<b>Net increase/decrease in cash and cash equivalents</b>		<b>461</b>	<b>215</b>
Cash and cash equivalents at the beginning of the period	12	686	471
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>1,147</b>	<b>686</b>

## 1. General Information

### 1.1. GENERAL INFORMATION

ČD Cargo, a.s. (hereinafter the „Parent Company“ or „ČDC“) was established following its registration in the Commercial Register held by the Municipal Court in Prague, File B, Insert 12844 on 1 December 2007 through the investment of a business part of České dráhy, a.s.

The legal form of the Parent Company is a joint stock company. The Parent Company has its registered office at Jankovcova 1569/2c, Prague 7 – Holešovice, the Czech Republic.

As at 31 December 2021, the Parent Company's registered share capital amounted to CZK 8,494 million and it was fully paid.

The sole shareholder and the ultimate parent company of ČD Cargo, a.s. is České dráhy, a.s. The ultimate controlling party is the Czech Republic.

ČD Cargo, a.s. is the Parent Company of ČD Cargo Group (hereinafter the "Group"). The consolidated financial statements of the Group were prepared as at 31 December 2021. The reporting period is the calendar year from 1 January 2021 to 31 December 2021.

### 1.2. PRINCIPAL ACTIVITIES

The principal activity of the Group is railway transportation of goods with and with a complex of related services. The aim of the Group is to improve its leading position and to be the driving force on the rail freight transport market both in the Czech Republic and the Central Europe.

The principal business activity of the Group – railway transport of goods – is structured into three principal units:

- Operation of freight transport (transport of unit trains, individual wagon consignments),
- Lease of railway vehicles,
- Additional transport services offered to customers.

The above units are structured by the type of transport as follows:

- Local,
- Export,
- Import,
- Transit.

### 1.3. RELATED PARTIES

In accordance with IAS 24 Related Party Disclosures, an entity shall ensure that its financial statements include disclosures necessary to identify the possibility that its financial position and profit or loss is affected by the existence of related parties and transactions and outstanding balances, including liabilities from such parties. In line with this standard, such relationships are described in detail in Note 33.

**1.3.1. České dráhy Group**

ČD Cargo, a.s. is a part of České dráhy Group, which is led by České dráhy, a.s.

In the reporting period 2021, České dráhy consolidation group consists of the following companies.

During 2021, the company Autoterminál Nymburk, s.r.o. in liquidation was removed from the Commercial Register. New companies ČD Cargo Adria d. o. o. and VUZ Slovakia, s.r.o. were established within the České dráhy Group.

Name of the entity	Ownership of ČD, a. s. 2021 (%)	Ownership of ČD, a. s. 2020 (%)	Type of influence	Registered office	Corporate ID
ČD - Informační Systémy, a.s.	100.00	100.00	Control	Pernerova 2819/2a, 130 00 Prague 3	24829871
ČD-Telematika a. s.	70.96	70.96	Control	Pernerova 2819/2a, 130 00 Prague 3	61459445
Výzkumný Ústav Železniční, a.s.	100.00	100.00	Control	Novodvorská 1698/138b, 142 00 Prague 4	27257258
JLV, a. s.	38.79	38.79	Significant	Chodovská 228/3, Michle, 141 00 Prague 4	45272298
DPOV, a. s.	100.00	100.00	Control	Husova 635/1b, 751 52 Pířerov	27786331
ČD Cargo, a. s.	100.00	100.00	Control	Jankovcova 1569/2c, 170 00 Prague 7 – Holešovice	28196678
Dopravní vzdělávací institut, a.s.	100.00	100.00	Control	Prvního pluku 621/8a, Karlín, 186 00 Prague 8	27378225
ČD travel, s.r.o.	51.72	51.72	Control	28.října 372/5, Staré město, 110 00 Prague 1	27364976
ČD relax s. r.o.	51.72	51.72	Control	28.října 372/5, Staré město, 110 00 Prague 1	05783623
ODP-software, spol.s r.o.	100.00	100.00	Control	Pernerova 2819/2a, Žižkov, 130 00 Prague 3	61683809
CHAPS spol. s r.o.	100.00	100.00	Control	Bráfova 1617/21, Žabovřesky, 616 00 Brno	47547022
ČSAD SVT Praha, s.r.o.	100.00	100.00	Control	Křížkova 4-6, Prague 8	45805202
SVT Slovakia s.r.o.	80.00	80.00	Control	Partizánska cesta 97, 974 01 Banská Bystrica, Slovakia	36620602
INPROP, s.r.o.	100.00	100.00	Control	Rosinská cesta 12, 010 08 Žilina, Slovakia	31609066
Smíchov Station Development, a.s.	51.00	51.00	Joint Control	U Sluncové 666/12a, Karlín, 186 00 Prague 8	27244164
Žižkov Station Development, a.s.	51.00	51.00	Joint Control	U Sluncové 666/12a, Karlín, 186 00 Prague 8	28209915
Masaryk Station Development, a.s.	34.00	34.00	Significant	Na Florenci 2116/15, 110 00 Prague 1	27185842
Tramex Rail s.r.o.	100.00	100.00	Control	Brněnská 1748/21b, 678 01 Blansko	26246422
Smart Ticketing, s.r.o.	100.00	100.00	Control	Pernerova 2819/2a, Žižkov, 130 00 Prague 3	02033011
ČD Reality a.s.	100.00	100.00	Control	Prvního pluku 81/2a, Žižkov, 130 00 Prague 3	27195872
ČD Restaurant, a.s.	100.00	100.00	Control	Prvního pluku 81/2a, 130 11 Prague 3	27881415
VUZ Slovakia, s.r.o.	100.00	-	Control	Seberíniho 1, Bratislava - Ružinov 821 03, Slovakia	53156587
CD Cargo Germany GmbH*	100.00	100.00	Control	Niddastrasse 98-102, 60329 Frankfurt on Main, Germany	HRB 73576
CD Cargo Austria GmbH *	100.00	100.00	Control	Rotenturmstraße 22/24, 1010 Wien, Austria	FN 291407s
CD Cargo Poland Sp. z o.o.*	100.00	100.00	Control	Grzybowska 4/3, 00-131 Warsaw, Poland	140769114
CD Cargo Slovakia, s.r.o.*	100.00	100.00	Control	Seberíniho 1, 821 03 Bratislava, Slovakia	44349793
CD Cargo Hungary Korlátolt Felelősségű Társaság*	100.00	100.00	Control	Keleti sor utca 26-4, 4150 Püspökladány, Hungary	09-09-031990
ČD Cargo Adria d.o.o.*	100.00	-	Control	Savska cesta 32, Zagreb, Croatia	081371623
ČD Cargo Logistics, a.s.*	100.00	100.00	Control	Opletalova 1284/37, 110 00 Prague 1 – Nové Město	27906931
Terminal Brno, a.s.*	66.93	66.93	Control	K terminálu 614/11, Horní Heršpice, 619 00 Brno	28295374
ČD-DUSS Terminál, a.s.*	51.00	51.00	Control	Lukavecká 1189, 410 02 Lovosice	27316106
RAILLEX, a.s.*	50.00	50.00	Joint Control	Belgická 196/38, 120 00 Prague 2, Vinohrady	27560589
BOHEMIAKOMBI, spol. s r.o.*	30.00	30.00	Significant	Opletalova 921/6, Nové Město, 110 00 Prague 1	45270589
Ostravská dopravní společnost, a.s.*	50.00	50.00	Joint Control	U Tiskárny 616/9, 702 00 Ostrava	60793171
Ostravská dopravní společnost - Cargo, a.s.*	20.00	20.00	Significant	U Tiskárny 616/9, 702 00 Ostrava	05663041
České dráhy, a. s.	-	-	-	Nábřeží L.Svobody 1222, 110 15 Prague 1	70994226

\*ownership interest is exercised through ČD Cargo, a.s.

ČD Cargo Group is defined in Note 1.6. Mutual relations within the Group are excluded in the consolidated financial statements

**1.3.2. Key management**

Term 'key management' mainly relates to the members of the Board of Directors and Supervisory Board of the Parent Company and statutory bodies of individual companies in the Group. Information about individual boards has been listed in in Note 1.5.

**1.3.3. Relationship with Správa železnic and ČEZ Group**

The sole shareholder of the Parent Company, České dráhy, a.s., is fully owned by the State. ČD Cargo, a.s. and the entire ČD Cargo Group took the exemption from reporting related party information, as specified in paragraphs 25-27 of IAS 24. In respect of other state-controlled companies, groups and organisations, only transactions with Správa železnic, s.o. and ČEZ Group have been quantified in these financial statements due to their significant impact on the Group's activities. The most significant transactions carried out with these entities include the use of infrastructure, purchase of electricity and revenues from freight transport. Detailed information about the relationships is disclosed in Notes 33.6 and 33.7.

**1.4. ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY ČD CARGO, A.S.**

The organisational structure is composed of departments directly reporting to the Chairman of the Board of Directors or directors of particular departments:

- Commercial Director Department,
- Operation Director Department,
- Finance Director Department,
- Executive Director's Department.

In addition, the organisational structure includes Operating Units, Repair Centres for Railway Wagons, Accounting of Carriage Revenues in Olomouc and the Operation Control in Česká Třebová.

**1.5. STATUTORY BOARD OF THE PARENT COMPANY ČD CARGO, A.S.**

This section discusses the bodies of the Parent Company of the Group. The sole owner of the Company is České dráhy, a.s., which, as the sole shareholder, exercises the powers afforded to the General Meeting, the supreme body of the Company. The statutory body of the Company comprises the three-member Board of Directors; the supervisory body is the six-member Supervisory Board. The Company established a three-member Audit Committee, the members of which were appointed by the sole shareholder.

The composition of ČD Cargo, a.s. Statutory Board as at 31 December 2021 was following:

**Board of Directors**

Chairman	Tomáš Tóth
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Member	Zdeněk Škvařil
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Member	Radek Dvořák
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**Supervisory Board**

Chairman	Václav Nebeský
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Member	Lukáš Týfa
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Member	Radek Nekola
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Member	Marta Urbancová
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Member	Jan Vrátník
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With effect from 31 December 2021, Mr. Pavel Kysilka resigned from the position of a member of the Supervisory Board of ČD Cargo, a.s.

**Audit Committee**

Chairman	Oldřich Vojíř
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Member	Miroslav Zámečník
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Member	Libor Joukl
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## 1.6. ENTITIES INCLUDED IN THE ČD CARGO CONSOLIDATION GROUP

Name of the company	Main activity	Ownership percentage	Degree of influence
ČD Cargo, a. s.	Brokerage of services in freight transportation and freight forwarding		Parent Company
CD Cargo Germany GmbH	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. freight forwarding	100	Control
CD Cargo Austria GmbH	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. freight forwarding	100	Control
CD Cargo Poland Sp. z o.o.	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. freight forwarding	100	Control
CD Cargo Slovakia, s.r.o.	Brokerage of services in freight transportation on behalf of and for ČD Cargo, a.s. freight forwarding	100	Control
CD Cargo Hungary Kft.	Rail freight transport, wholesale brokerage of raw materials and fuel, storage and other	100	Control
ČD Cargo Adria d.o.o.	Rail freight transport, wholesale brokerage of raw materials and fuel, storage and other	100	Control
Terminal Brno, a.s.	Operations of the combined transport terminal in Brno	66.93	Control
ČD-DUSS Terminál, a.s.	Operations of the container terminal in Lovosice	51	Control
ČD Cargo Logistics, a.s.	Freight forwarding	100	Control
RAILLEX, a.s.	Cargo handling and technical services in transportation, freight forwarding	50	Joint Control
BOHEMIAKOMBI, spol. s r.o.	Brokerage of services in transportation, except for the transportation by own vehicles	30	Significant
Ostravská dopravní společnost, a.s.	Railway transportation and lease of traction railway vehicle and wagons	50	Joint Control
Ostravská dopravní společnost – Cargo, a.s.	Railway transportation and lease of traction railway vehicle and wagons	20	Significant

## 2. Significant Accounting Policies

### 2.1. STATEMENT OF COMPLIANCE

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

The accounting policies in the reporting period are consistent with the accounting policies used in prior periods, unless otherwise stated below.

### 2.2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Unless otherwise stated, all values are expressed in millions of Czech crowns.

#### 2.2.1. Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Parent Group and entities controlled by the Group (its subsidiaries). The Group controls those entities in which it has the power to control relevant activities that significantly affect their revenue and has exposure, or rights, to variable returns and has ability to use its power to affect the amount of the returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the acquisition date to the date of loss of control. The total comprehensive income is attributed to the Parent Company's owners and non-controlling interests even if the result represents negative balance of non-controlling interests.

The financial statements of subsidiaries, joint ventures and associates have been adjusted, as appropriate, to align their accounting policies with those applied by other companies within the Group.

All intragroup transactions, balances, revenues and costs were excluded from consolidation.

#### 2.2.2. Business combinations

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

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

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

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

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



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

Subsequent accounting for changes in the fair value of contingent consideration that cannot be considered as changes within the measurement period depend on the classification of contingent consideration. Contingent consideration classified as equity is not reassessed at the date of the subsequent financial statements and its subsequent payment is charged to equity. Contingent consideration classified as an asset or liability is remeasured at the date of the subsequent financial statements, in accordance with relevant standards IFRS 9 and IAS 37 Provisions, contingent liabilities and contingent assets, with related gain or loss recognised in profit or loss.

If the business combination is achieved in stages, the shares in the acquiree, previously owned by the Group, are revalued to fair value at the acquisition date (i.e. the date the Group acquires control) and any resulting gain or loss is recognised in profit or loss. The amounts resulting from shares in the acquiree before the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, if such a procedure is correct, if the share was sold.

Unless the initial accounting for a business combination is resolved by the end of the reporting period in which the combination took place, the Group recognises an outstanding item in the provisional value. That provisional amount is adjusted during the measurement period (see above) or additional assets and liabilities are captured, in order to reflect new information obtained about new facts and circumstances that existed at the acquisition date and which, if it were known, affected the amounts provided at that date.

## 2.3. REVENUE RECOGNITION

### 2.3.1. Revenue from contracts with customers

All contracts with customers are initially analysed in order to identify obligations towards the customer. Subsequently, the transaction price is determined, which, in case of more separately identifiable transactions is allocated according to the relative separate selling prices. Following this, the revenue from an individual transaction is recognised in the appropriate amount either at a certain point in time, or over the contract life on an ongoing basis (it may be reported over several accounting periods). Revenues are reduced by the expected returns from customers, rebates and other similar discounts.

Revenue is recognised in the amount that reflects the consideration to which the Group expects to be entitled in exchange for services and is recognised net of value added tax. Revenue is recognised when the services are transferred to the customer at the transaction price.

### Railway transportation services

The sale of railway transportation services is recognised in the accounting period in which the services are rendered based on the stage of completion of an individual transaction determined by the actual number of days of transportation spent in the reporting period relative to the total number days of transportation.

The transaction price has both fixed and variable considerations. The fixed part represents the transaction price less fees and penalties. If the amount of service rendered by the Group is higher than the received payment for the service, the contract asset is booked. If the payment for the service is higher than the amount of the service provided,

the contract liability is recognised. The variable consideration exists in the form of fees and penalties connected with the inappropriate fulfilment of the contractual obligation by the Group to the customer i.e. transit time distortion, damages to the transported goods, etc. In case of variable consideration, revenues are recognised to the extent to which it is highly probable that the revenue item is not subject to significant reversal risk.

### 2.3.2. Other revenue

#### Dividend and interest income

Revenue from dividends is recognised when a legal entitlement to receive a payment occurs and when such payment is probable.

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

#### Revenues from lease of rolling stock

The Group leases rolling stock to third parties for a period varying from days to five years. Revenue from operating leases of rolling stock is recognised on a straight-line basis over the term of the lease.

### 2.4. LEASE

The Group in its financial statements for 2019 has applied IFRS 16 retrospectively with the cumulative effect at the date of initial application. The details of accounting policies under IFRS 16 are presented separately.

Assets under finance leases are depreciated over their estimated useful lives in the same way as own assets. If there is insufficient assurance that a lessee will acquire ownership of an asset at the end of the lease term, that asset is depreciated over the lease term if it is less than its estimated useful life.

#### 2.4.1. The Group as a lessee

At the commencement of the contract, the Group determines whether it is a lease contract or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability in respect of all lease agreements in which the Group is a lessee, except short-term leases (with a lease term of 12 months or less and containing no purchase options) and low-value asset leases (such as laptops and personal computers). For these leases, the Group recognises lease payments as operating expenses on a straight-line basis over the term of the lease, unless there is any other systematic basis which better reflects the allocation of lessee's benefits from the leased assets.

At the commencement date, the lease liability is initially measured at the present value of the lease payments that are not yet paid. The lease payments shall be discounted using the internal lease interest rate or, if that rate cannot be readily determined, incremental borrowing rate shall be used.

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

- fixed payments less any lease incentives receivable,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be paid by the Group as the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease liabilities are presented within Loans and borrowings in the statement of financial position.

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

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

- there is a change in the lease term or if there is a material event or change in circumstances that led to a change the assessment of an option to purchase the underlying asset. In such a case, the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.
- there is a change in lease payments resulting from a changes in an index or a rate, or change in the amounts expected to be payable under a residual value guarantee. In this case, the lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate.
- the lease contract is modified and the modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using the revised discount rate as at on the effective date of the modification.

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

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

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

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

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

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

#### 2.4.2. Group as lessor

Leases under which the Group is a lessor are classified as finance or operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset were classified as finance leases. All other leases are classified as operating leases.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment.

In general, the accounting policies applied by the Group in the role of the lessor in the comparative period did not differ from those used in accordance with IFRS 16.

#### 2.4.3. Sale and leaseback

A sale and leaseback transaction involve the sale of an asset and lease-back of the same asset. The lease payment and the sale price are usually interdependent, because they are negotiated in a single transaction. The accounting treatment of the transaction of sale and leaseback transaction depends on the type of lease, which is part of this transaction.

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

#### 2.5. FOREIGN CURRENCIES

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

Transactions denominated in foreign currencies are translated at the rate prevailing on the transaction date, which is derived from the exchange rate published by the Czech National Bank. Monetary items denominated in foreign currencies are recalculated to Czech Crowns using the exchange rate as stated by the Czech National Bank on the date of issue of the consolidated financial statements. Income and expense items are recalculated according to the above methodology. Non-monetary items that are measured at historical cost and were acquired in a foreign currency transaction are reported using the exchange rate at date of acquisition.

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

For the purposes of presentation in the consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated into CZK using the Czech National Bank exchange rates prevailing as at the balance sheet date. Income and expense items denominated in foreign currencies are translated at the average exchange rates for the period. If the exchange rates fluctuated significantly during the period, the exchange rate prevailing at the date of the transaction shall be used. If any exchange differences arise, they are recognised in the other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

#### 2.6. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which, i.e. assets that necessarily take a substantial period of time to be ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

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

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

## 2.7. GOVERNMENT GRANTS

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

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

Other government grants are systematically recognised as revenue over the period, which is necessary to match the grants with the costs for which they are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or are received as immediate financial support without future related costs are recognised in profit or loss in the period in which they become receivable.

## 2.8. EMPLOYEE BENEFIT COSTS

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

Liabilities and provisions for employee benefits recognised in the statement of financial position represent their present value. Accruals for these liabilities and provisions are recognised as an expense when employees perform the services that entitle them to the contributions.

Provision for long-term employee benefits is recognised in the present value of future cash outflows that will be needed for their payment. The discount rate used is a market rate of return on government bonds at the balance sheet date, as there is no developed market for high quality corporate bonds denominated in Czech crowns. Currency and terms of these bonds are consistent with the currency and terms of the corresponding other long-term benefits. The amount of this provision is determined annually based on independent qualified actuarial calculations. Gains or losses arising from changes in actuarial assumptions for retirement benefits are included in other comprehensive income, changes in provisions for other benefits are recognised in profit or loss.

## 2.9. TAXATION

The income tax includes current tax payable and deferred tax.

### 2.9.1. Current income tax

Current income tax is calculated from taxable profit for the year. The taxable profit differs from the profit as reported in the statements of profit or loss as it does not include items of income or expense that are taxable or deductible in other years or items that will not be taxable or deductible at any time. The Group's current tax payable is calculated using the statutory tax rates, resp. rates that has been enacted by the end of the reporting period.

### 2.9.2. Deferred tax

Deferred tax is recognised based on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. In accordance with the initial recognition exemption, deferred taxes are not recorded for

temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit or loss.

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

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

### 2.9.3. Current tax and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside of profit or loss (i.e. other comprehensive income or directly in equity). In such case the tax is also recognised outside of profit or loss.

## 2.10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost reduced by accumulated losses from impairment and accumulated depreciation applicable to items of plant and equipment. Land is not depreciated.

Investments in progress are recorded at cost less impairment losses. Acquisition costs include fees for professional services and, in the case of an eligible asset, borrowing costs. The value of unfinished investments also includes provided advances for the acquisition of fixed assets. Spare parts for the replacement of components in the repair of higher grades of vehicles are also part of the unfinished investment. Depreciation of such an asset, as well as the depreciation of other assets, begins when the asset is ready for its intended use.

Depreciation is recognised in such a way that the entire cost of the asset (excluding land owned by the Group and unfinished investments) less its residual value is allocated over the useful life of the asset using the straight-line method (with the exception of some components which are depreciated using the method based on the actual mileage output).

Since 2018, the Group has replaced the original components (main and first substantial repair), where the new components are considered to be R3, R2 and R1 type repairs for traction vehicles (HDV) that are related to extending vehicle serviceability and extending technical parameters, equipment and usability of HDVs. The type R3 repair activities correspond in part to the previous repair under the 'main' scope, the type R2 repair activities correspond in part to the previous repair under the 'first substantial repair' scope and the type R1 repair activities correspond, to a lesser extent, to a previous repair under the scope of 'first substantial repair' and some activities carried out in the framework of normal maintenance activities. In addition, other types of repairs D3, D2 and D1 have been introduced in motor traction vehicles related to the restoration of serviceability and extension of technical parameters, equipment and usability of the HDV diesel combustion engine. The D3 repair represents the highest level of diesel engine repair and the D1 repair represents the lowest repair range. In 2019, a locomotive battery component was newly introduced for traction vehicles. Other components also include radio stations. For freight and passenger cars, the Group records as revision repair components, wheelsets, and in 2019, new wagon body and technical inspection components were introduced.

The Group determined a depreciation plan for components of railway vehicles which is based on a repair plan for R3, R2 and R1 traction vehicles and inspection repairs and replacement of wagon wheelsets for freight wagons. As for railway traction vehicles and

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freight wagons, the mileage depreciation is based on the actual mileage per month (i.e. actual kilometres covered). The amount of depreciation in the particular reporting period is calculated as the number of kilometres in the reporting period multiplied by the rate per one kilometre. The rate per one kilometre is determined as a ratio of the purchase price of the relevant component to maximum mileage determined for the R3, R2 and R1 repairs of railway traction vehicles and inspection repair and wheelsets of freight wagons. After reaching the maximum mileage, it is necessary to undertake a new major (R3) or substantial (R2) repair of a traction vehicle or a new inspection repair or replacement of wheelsets. For components D3, D2 and D1, a depreciation plan was determined on the basis of operating hours. For the radio station component, locomotive battery, car body and technical inspection, the depreciation is calculated in time based on the set useful life.

Within the R3 repair type of railway traction vehicle there are activities that are parts of and relate to R2 repair type (first substantial repair), therefore activities falling within R2 repair are separated from R3 major repair. The same applies to R1 repair which is separated from R2 and R3 repairs.

As for modernising or reconstruction of freight wagons (extending their useful lives to 20 years) which also involves activities relating to inspection repairs, these activities are separated and recorded as new components of the relevant freight car. This approach also applies to wheelsets, technical inspections and wagon's body. Those components are subsequently depreciated in line with the accounting policy disclosed above.

Freight wagons and railway traction vehicles without components are depreciated to the estimated residual value. The estimated residual value means the estimated justifiable positive amount that the Group can acquire upon the expected disposal of assets after deducting the estimated costs associated with their disposal. The estimated residual value for freight wagons and railway traction vehicles is based on the scrap amount that could be received at disposal. The estimated useful lives, residual values and depreciation method are reviewed at each year-end and the effect of any changes in estimates is accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds from sale and the carrying amount of the asset and is recognised in profit or loss, in the period in which the asset is derecognised.

### 2.11. INTANGIBLE ASSETS

#### 2.11.1. Separately acquired intangible assets

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

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

#### 2.12. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of their diminution in value. If any such indication exists, the recoverable amount is determined in order

to assess the amount of impairment. When it is not possible to determine the recoverable amount of an individual asset, The Group determines the recoverable amount of the cash-generating unit to which the asset belongs. Group assets are allocated to individual cash-generating unit, if reasonable and consistent basis of allocation can be determined. Otherwise, corporate assets are allocated to the smallest groups of cash-generating units for which it is possible to determine a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use, are tested for impairment at least once a year or when any indication of potential impairment occurs.

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

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

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

### 2.13. INVESTMENTS IN JOINT-VENTURES AND ASSOCIATES

A joint venture is a contractual arrangement whereby the Company and other parties undertake a business activity that is subject to joint control (i.e. contractually agreed sharing of control of an arrangement which exists when the decisions about the relevant activities require the unanimous consent of the parties sharing control).

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. In this case, the Group usually controls 20-50 % of the voting rights.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates.

Provision that reduces the carrying amount of the investment to the recoverable amount is recognised in the situation when the carrying amount of the investment in the joint venture or associate is greater than its recoverable amount. The provision is calculated as the difference between the carrying amount and the recoverable amount of the share in the joint venture or associate.

However, when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

If the Group's entities trade with a joint venture or with an associate of the Group, profits and losses arising from transactions with joint venture or associate are recognised in the consolidated financial Statements of the Group in the amount of shares in joint ventures or associated companies that do not belong to the Group.

#### 2.14. INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined using the weighted arithmetic average method. Net realizable value includes the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are held mainly for own use rather than for resale. Spare parts for the replacement of components in the repair of higher grades of vehicles are also part of the unfinished investment.

#### 2.15. PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account related risks and uncertainties. If a provision is measured based on the cash flows estimated to settle the present obligation, its carrying amount equals the present value of those cash flows.

When it is expected that some or all economic benefits which are necessary for the settlement are to be recovered from a third party, an asset amount is recognised in case, if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

The provision can be only utilised in relation to expenses for which it was originally created. Change in provisions is allocated to specific expenses in profit or loss, the unused portion of provisions is recognised as other operating income.

#### 2.16. LOANS, BORROWINGS AND BONDS

On initial recognition, loans are stated at fair value less transaction costs. In subsequent periods, loans are carried at amortized cost using the effective interest rate method; All differences between the consideration (less transaction costs) and the value of the installments are recognized in the consolidated income statement over the period of the loan.

#### 2.17. FINANCIAL INSTRUMENTS

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

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

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

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

##### 2.17.1. Effective interest rate method

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the interest rate that exactly discounts the estimated amount of future cash receipts/ expenditures (including any fees paid or received that form an integral part of the effective interest rate, transaction costs and other bonuses or discounts) over the expected life of the debt instrument to the net book value at initial recognition.

Income and expenses are recognised using the effective interest rate of debt instruments, except for financial assets and liabilities classified as fair value through profit or loss.

##### 2.17.2. Financial assets are measured at fair value through other comprehensive income

Financial assets which are measured at fair value in other comprehensive income are capital investments that are not held for trading. The Group designates equity investments that are not traded on an active market as measured at fair value through other comprehensive income. If the Group obtains the right to receive a dividend from such equity investments, the dividend income is recognised in profit and loss account.

##### 2.17.3. Financial assets at amortised costs

Loans and receivables (including bank balances) are financial assets held under a business model which intends to collect contractual cash flows that represent only principal and interest payments on unpaid principal amounts. For this reason, the Group recognises these assets at amortised cost using the effective interest method, less impairment losses. These assets arise when the Group provides cash, goods or services directly to the borrower without planning to trade with the receivable.

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

##### 2.17.4. Impairment of financial assets

Financial assets, except those at fair value recognised in profit or loss, are assessed for expected credit loss at the time the asset is recognised in the accounts.

Full model (3 stage impairment model): At initial recognition, a financial asset is included in Tier 1 for which an impairment loss is recognised at the level of the expected 12-month credit loss. During the life of the financial asset, the Group identifies whether there has been a significant increase in credit risk. If it has taken place, such financial asset is transferred to Tier 2 for which an impairment loss is recognised at the level of the expected lifetime loss. In case of counterparty's credit default, such financial asset is transferred to Tier 3. At this level, interest income from a financial asset is recognised based on the carrying amount of the asset after deducting impairment applying the original effective interest rate.

For the purpose of determining the expected credit losses, the Group applies a simplified IFRS 9 approach that uses the lifetime expected loss measurement for all short-term receivables from both trade receivables and short-term finance lease receivables.

The simplified model is applied to short-term trade receivables that do not have a significant finance component. Based on impairment matrix that includes historical inputs and expected future inputs, the Group calculates provisions for each receivable portfolio.

In case of individually assessed receivables, the Group considers the following factors that affect the ability of the debtor to meet their obligations:

- Future outlook,
- Knowledge of customer,
- Payment discipline.



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The Group considers the potential impairment of cash and cash equivalents to be insignificant due to the high credit quality of banks which the Group cooperates with, supported by external investment ratings.

Based on historical evidence, the Group uses the following criteria to determine credit default:

- if information obtained from external sources indicates that the debtor is unlikely to pay their creditor in full (bankruptcy, insolvency proceedings),
- if the financial asset is more than 180 days past due, unless the Group has sufficient supporting information indicating that the delay is an appropriate default criterion.

### 2.17.5. Derecognition of financial assets

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

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

Upon derecognition of a financial asset in its entirety, the difference between the assets' carrying amount and the consideration received or receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

### 2.17.6. Financial liabilities at fair value through profit and loss (FVTPL)

Financial liabilities are classified as financial liabilities at fair value through profit or loss if they are held for trading or are designated as at fair value through profit or loss.

In this category, the Group reports financial derivatives reported under other financial liabilities.

### 2.17.7. Other financial liabilities at amortised costs

Financial liabilities that are not held for trading or designated as financial liabilities at FVTPL are subsequently measured at amortised cost using the effective interest method.

### 2.17.8. Derecognition of financial liabilities

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

### 2.17.9. Derivative financial instruments

The Group enters into financial derivative contracts in order to manage currency, interest rate and commodity risks.

Derivatives are initially measured at fair value at the time the contract is concluded and subsequently measured at fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as a hedging instrument. In such case, the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

The Group classifies derivatives that do not qualify as hedging derivatives as FVTPL.

### 2.17.10. Hedge accounting

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

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with risk management objectives and strategy for undertaking various hedge transactions. Since the emergence of collateral, the Group documents and monitors, whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. The Group monitors the hedging ratio, sources of inefficiency and the effect of credit risk. Hedge accounting is consistent with the Group's risk management strategy. Under IFRS 9, the Group separates the time value of commodity options and basis spread from inter-currency interest rate swaps as collateral costs.

### 2.17.11. Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge fund. Under IFRS 9, the Group does separate the costs of hedge accounting, when the conditions for recognising these costs in the other comprehensive income are met. The gain or loss relating to the ineffective portion is recognised directly in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period in which the hedged item is recognised in profit or loss, within the same line item as the recognised hedged item. However, if the hedging of the expected transaction subsequently results in recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income accumulated in equity are transferred from equity and are included in cost of the non-financial asset or non-financial liability.

The Group prospectively ceases hedge accounting only when the hedging relationship (or a portion of it) no longer meets the hedging criteria (after taking into account any rebalancing of the hedging relationship). This includes cases where the hedging instrument expires, is sold, terminated or settled. Any gain or loss, which has been recognised in other comprehensive income and accumulated in the cash flow hedge fund, remains in equity and is reclassified to profit or loss, if the forecasted transaction occurs. If the expected transaction is no longer expected to occur, the gains or losses accumulated in the cash flow hedge fund are immediately reclassified to profit or loss.

### 2.17.12. Financial derivatives held for trading

All derivative transactions that the Group concludes are intended for hedging purposes, however some of them are not classified as hedging instruments.

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

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

### 3. Adoption of New and Revised International Financial Reporting Standards

#### 3.1. STANDARDS AND INTERPRETATIONS EFFECTIVE FOR ANNUAL PERIODS ENDED 31 DECEMBER 2021

During the year ended 31 December 2021 the following standards, amendments and interpretations came into force:

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	1 January 2021

The amendment to IFRS 9, IFRS 7 and IAS 39 issued following the interest rate benchmark reforms regulates the hedge accounting requirements in the period before the enactment of the reforms. It applies to all hedging relationships that are directly affected by the interest rate benchmark reform. The hedging relationship is affected if there is uncertainty due to the reform about the timing or the amount of interest rate benchmark-based cash flows of the hedged item or the hedging instrument. This amendment has no impact on the Group's financial statements.

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

#### 3.2. STANDARDS AND INTERPRETATIONS APPLIED BEFORE THEIR EFFECTIVE DATES

The Group did not apply any standard or interpretations before their effective dates.

#### 3.3. STANDARDS AND INTERPRETATIONS THAT WERE PUBLISHED BUT NOT YET APPLIED BY THE GROUP

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

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 - Reference to the Conceptual Framework	1. January 2022
IFRS 10, IAS 28 - Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date will be determined *
IAS 1 - Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1. January 2023*
IAS 8 - Amendments to IAS 8 - Definition of Accounting Estimates	1. January 2023*
IAS 12 - Amendment to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1. January 2023*
IAS 16 - Amendments to IAS 16 - Proceeds before Intended Use	1. January 2022
Various standards - Annual Improvements to IFRS Standards 2018-2020 Cycle	1. January 2022

\*standards, amendments and interpretations has not yet been approved for use in the EU

Amendments to IAS 1 Preparation and Presentation of Financial Statements and Opinions on the Application of IFRS No. 2 Significance Judgments - Disclosure of Accounting Policies.

The amendments change the requirements in IAS 1 regarding the disclosure of accounting policies. The amendments replace the term "significant accounting policies" with the term "material information about accounting policies". Information about accounting policies is significant if, in conjunction with other information in the entity's financial statements, we can reasonably be expected to influence the decisions that primary users of the financial statements make based on them. At the same time, the supporting paragraphs in IAS 1 are amended to clarify that information about accounting policies that relate to insignificant transactions, other events or conditions is insignificant and does not need to be disclosed. Information about accounting policies may be material based on the nature of the related transactions, other events or conditions, even when the amounts are immaterial. However, not all information about accounting policies related to significant (material) transactions, other events or conditions is significant in itself. The Board has also prepared guidance and examples explaining and demonstrating the application of the "four-step significance process" described in Opinion on IFRS 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023; and they are applied prospectively. Earlier application is permitted by the IASB. Amendments to the Opinion on the Application of IFRS No. 2 do not contain an effective date or transitional provisions.

Amendments to IAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities arising from a single transaction.

The amendments introduce an additional exception on initial recognition. Under the amendments, an entity does not apply the initial recognition exception to transactions that result in the same taxable and deductible temporary differences. Depending on the applicable legislation, the same taxable and deductible temporary differences may arise on initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting or taxable profit. This may be the case, for example, when recognizing a lease liability and the related right of use in applying IFRS 16 at the inception of the lease. Based on the amendments to IAS 12, an entity shall recognize the related deferred tax asset or liability, and the recognition of any deferred tax asset is subject to the recoverability criteria in IAS 12. The IASB adds an illustrative example to IAS 12 that explains how the amendments will be applied. use. An entity shall apply the adjustments to transactions that occurred at or after the beginning of the earliest comparative period presented. At the commencement date of the earliest comparative period presented, an entity shall also report:

- a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - the right to use and the liability from the lease,
  - decommissioning, restoration and similar liabilities and corresponding amounts recognized as part of the price of the related asset.
- The cumulative effect of the initial application of the adjustments as an adjustment to the opening balance of retained earnings (or other components of equity) at that date. The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier adoption is permitted by the IASB.

Management of the Parent Company assumes that the adoption of these standards, amendments and interpretations will not have a significant impact on the Group in subsequent periods.

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not evidently apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

### 4.1. PROVISIONS FOR LITIGATION

The Group is involved in a number of litigation and out-of-court commercial disputes. Provided that the criteria for provisioning are met, the Group creates provisions for these litigations based on the best available information and estimates. However, the actual outcome of the disputes may differ from these estimates. For information on litigation see Note 16.

### 4.2. IMPAIRMENT OF ASSETS

The Company assesses the recoverable value of all asset components when there are indicators of their impairment (with the exception of intangible assets under construction, the recoverable value of which is assessed annually). This assessment is based on anticipated assumptions and may change in the future depending on situation development and availability of information (see Note 5).

### 4.3. LEASING - DISCOUNT RATE AND LEASE TERM

The Group measures the initial lease obligation at the present value of the lease payments to be discounted using the implicit interest rate. Since in a number of leases the Group does not possess the information to reliably determine the implicit interest rate it is using its incremental borrowing rate as the discount rate. In determining this, the degree of lease collateral and the length of the lease contracts were taken into account.

In addition, the Group uses an estimate to determine the lease term for contracts concluded for indefinite period. This estimate considered the period and circumstances of the potential termination of individual contracts. The Group has determined the estimated lease term for contracts for indefinite period at 5 years for contracts for the lease of non-residential premises and 3 years for contracts for the lease of railway vehicles for the following reasons:

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

In addition, each significant contract is also assessed individually in terms of the individual provisions of the contract, the economic situation on the market of the asset and also the experience with this lessor in the past, and subsequently the lease period is adjusted according to these parameters. In total, the lease period for building and transport contracts in the total amount of CZK 236 million was thus extended for the period of 2021 (for the period of 2020 in the total amount of CZK 390 million). The carrying amount of lease liabilities arising from contracts of indefinite duration amounts to CZK 1,146 million as at 31 December 2021 and as at 31 December 2020 it was CZK 968 million.

## 5. Property, Plant and Equipment

Cost (CZK million)	Balance as at 1 Jan 2020	Additions	Disposals	Transfers	Exchange rate differences	Balance as of 31 Dec 2020	Additions	Disposals	Transfers	Exchange rate differences	Balance as at 31 Dec 2021
Land	153	-	-	-	-	153	-	-	-	-	153
Construction	1,760	23	(1)	14	-	1,796	56	-	1	(1)	1,852
Individual movable assets	40,748	2,625	(983)	269	(35)	42,624	3,081	(1,548)	416	(41)	44,532
- Machinery, equipment, and furniture and fixtures	457	10	(3)	5	-	469	12	(4)	21	-	498
- Vehicles*	37,071	2,615	(980)	225	(35)	38,896	3,069	(1,544)	185	(41)	40,565
- Leased vehicles	3,212	-	-	39	-	3,251	-	-	210	-	3,461
- Other	8	-	-	-	-	8	-	-	-	-	8
Asset under construction	374	451	(64)	(283)	-	478	529	(183)	(148)	(1)	675
Advances	335	375	(341)	-	-	369	993	(772)	(274)	-	316
<b>Total</b>	<b>43,370</b>	<b>3,474</b>	<b>(1,389)</b>	<b>-</b>	<b>(35)</b>	<b>45,420</b>	<b>4,659</b>	<b>(2,503)</b>	<b>(5)</b>	<b>(43)</b>	<b>47,528</b>

Accumulated depreciation and impairment (CZK million)	Balance as at 1 Jan 2020	Additions	Disposals	Transfers	Impair- ment	Balance as of 31 Dec 2020	Additions	Disposals	Eliminations	Transfers	Impair- ment	Balance as at 31 Dec 2021
Construction	969	35	(2)	-	-	1,002	34	-	-	(1)	-	1,035
Individual movable assets	23,513	1,400	(982)	-	165	24,096	1,445	141	(1,549)	1	62	24,196
- Machinery, equipment, and furniture and fixtures	283	16	(3)	4	-	300	17	0	(4)	21	-	334
- Vehicles*	21,491	1,181	(979)	294	165	22,152	1,161	141	(1,544)	(287)	62	22,259
- Leased vehicles	1,732	203	-	(298)	-	1,637	266	-	-	(307)	-	1,596
- Other	7	-	-	-	-	7	1	-	(1)	-	-	7
Asset under construction	6	-	-	-	1	7	-	-	-	-	(1)	6
<b>Total</b>	<b>24,488</b>	<b>1,435</b>	<b>(984)</b>	<b>-</b>	<b>166</b>	<b>25,105</b>	<b>1,594</b>	<b>141</b>	<b>(1,549)</b>	<b>-</b>	<b>61</b>	<b>25,237</b>

Net book value (CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020	Balance as at 1 Jan 2020
Land	153	153	153
Constructions	817	794	791
Individual movable assets	20,336	18,528	17,235
- Machinery, equipment, and furniture and fixtures	164	169	174
- Vehicles*	18,306	16,744	15,580
- Leased vehicles	1,865	1,614	1,480
- Other	1	1	1
Assets under construction	669	471	368
Advances	316	369	335
<b>Total</b>	<b>22,291</b>	<b>20,315</b>	<b>18,882</b>

\* Vehicles acquired on loan with collateral are reported in the financial statements under the item „Means of transport“. Their residual value is CZK 3,774 million as at 31 December 2021 and CZK 2,534 million as at 31 December 2020. The value of these secured loans is included in Chapter 15.2. „Secured loans“. The Group's secured loans are guaranteed by the lessor's title to the leased assets.

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Properties are represented mainly by buildings and land. Land and buildings do not include railway route, which are owned by the Správy železnic, s.o.

Means of transport are mainly represented by rail vehicles (traction rail vehicles, lorries) used for the operation of rail freight transport. A provision is made for these items in the amount of the difference between the carrying amount and the recoverable amount of CZK 474 million as at 31 December 2021 (CZK 412 million as at 31 December 2020).

In addition, during the accounting period the following assets were acquired:

(CZK million)	2021	2020
Technical evaluation of traction rail vehicles	607	392
Type R and D repairs (components) of traction rail vehicles	575	621
TRAXX 388 series traction vehicles	459	-
Overhaul repairs (components) of trucks	526	404
744 series traction vehicles	217	7
Freight wagons Eanos type	193	447
Freight wagons Sgnss type	186	-
Freight wagons Sggrrs type	-	108
753.6 series traction vehicles	-	127
Wheelsets (components) for trucks	95	181
Technical inspections (components) for freight wagons	89	93
Freight wagons body components	44	93
Freight wagons Zacns type	-	41
Other	90	111
<b>Total</b>	<b>3,081</b>	<b>2,625</b>

The Group leases some of its assets that it does not currently use for its activities to external entities. The most significant leased assets are vehicles, especially freight wagons and some traction vehicles. The value of these leased assets is shown in the table below. No other significant assets are leased. None of the contracts is non-cancellable.

(CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020
Cost	3,461	3,251
Depreciation	(1,596)	(1,637)
<b>Net book value</b>	<b>1,865</b>	<b>1,614</b>

During 2021, the Group used part of the received subsidy advance for the implementation of the European Train Control System (ETCS) installed for locomotives of 742, 363 and 163 series; it was a total assets worth CZK 342 million. Furthermore, the Group received a subsidy for LL brake blocks (so-called 'silent brake blocks') in the amount of CZK 19 million.

Railway vehicles are depreciated according to the below useful lives to the estimated residual value. Components of these railway vehicles are depreciated by actual mileage. When calculating depreciation of other assets, the following useful lives were applied:

	Number of years
Buildings	20 – 50
Railway traction vehicles (without components)	20 – 25
Freight wagons (without components)	30
Machinery and equipment	8 – 20

The Group assessed asset impairment indicators in response to the effects of the Covid-19 pandemic. Assets from the fleet of lorries and locomotives were tested on the basis of a comparison of the current book and market value of individual means of transport. The fair value of these assets was determined in accordance with the requirements of IFRS 13 for Level 3 assets. As part of impairment testing, the market value of these assets was compared with their carrying amount. The market value of trucks was determined on the basis of an expert opinion of a sample of trucks from each interval, or according to the recoverable amount in the physical disposal of trucks based on their weight and current scrap price, in a ratio that corresponds to the fleet structure and its expected further use. The market value of locomotives was determined by comparing the operational and technical parameters of the locomotive subcategories, including their expected residual life, with the most similar new locomotive currently traded on locomotives with anticipated reuse, or recoverable amount for locomotive physical disposal based on weight and current scrap prices for locomotives intended for scrapping. The model confirmed that the market value of these assets significantly exceeds their book value.

### 5.1. PLEDGED ASSETS

The Company's assets as at 31 December 2021 and 31 December 2020 were not pledged. The Company's liabilities from leaseback transactions and financial leasing are secured by the lessor right to the leased assets.



## 6. Intangible Assets

Purchase price (CZK million)	Balance as at 1 Jan 2020	Additions	Disposals	Transfers	Balance as at 31 Dec 2020	Additions	Disposals	Transfers	Balance as at 31 Dec 2021
Software	1,063	86	-	31	1,180	60	-	20	1,260
Royalties	154	9	-	12	175	1	-	8	184
Assets under construction	66	33	(1)	(43)	55	62	-	(23)	94
<b>Total</b>	<b>1,283</b>	<b>128</b>	<b>(1)</b>	<b>-</b>	<b>1,410</b>	<b>123</b>	<b>-</b>	<b>5</b>	<b>1,538</b>

Accumulated amortisation (CZK million)	Balance as at 1 Jan 2020	Additions	Disposals	Balance as at 31 Dec 2020	Additions	Disposals	Balance as at 31 Dec 2021
Software	569	85	-	654	71	-	725
Royalties	125	6	-	131	6	-	137
<b>Total</b>	<b>694</b>	<b>91</b>	<b>-</b>	<b>785</b>	<b>77</b>	<b>-</b>	<b>862</b>

Net book value (CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020	Balance as at 1 Jan 2020
Software	535	526	494
Royalties	47	44	29
Assets under construction	94	55	66
<b>Total</b>	<b>676</b>	<b>625</b>	<b>589</b>

Amortisation costs are recorded in the line depreciation and amortisation in the statement of profit or loss. The item assets under construction consists of items that are developed in cooperation with supplier companies and are not internally developed software.

As at 31 December 2021, intangible assets include royalties (licenses) in total net book value of CZK 47 million. The most significant items are Modular System licenses in the amount of CZK 17 million, Microsoft licenses in the amount of CZK 13 million, SAP licenses in the amount of CZK 7 million and Altworx licenses in the amount of CZK 6 million. In 2021, licenses in the total amount of CZK 9 million were activated.

The length of amortisation of intangible assets:

	Number of years
Software	3 – 10
Royalties	6 – 10

### 6.1. Software

Residual value (CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020	Balance as at 1 Jan 2020
Operational and business tasks under the project PROBIS	315	300	315
SAP	69	78	83
IT Security Program	13	15	21
Other	138	133	75
<b>Total</b>	<b>535</b>	<b>526</b>	<b>494</b>

Software predominantly includes the SAP system and the operational business tasks under PROBIS project. Software additionally includes the information system supporting freight transport, development of the SAP information system, the Microsoft Enterprise Agreement license, the OPT information system, system for the support of office work and other systems used by ČD Cargo, a.s.

Additions to software in 2021 consist mainly of modifications and upgrades of existing systems: Dispatching information system under the Unit Trains project in the amount of CZK 19 million, Altworx software for monitoring and evaluating the usage of basic capacity of the Group (operating personnel, traction vehicles and freight wagons) in the amount of CZK 9 million, development of System for operation of marshalling yards in the amount of CZK 9 million, ZEVO-O - management of vehicle capacity in the amount of CZK 9 million.

## 7. Investments in Joint Ventures and Associates

### 7.1. INFORMATION ON JOINT VENTURES

Name of the entity	Registered office	Category
Ostravská dopravní společnost, a.s.	U Tiskárny 616/9, 702 00 Ostrava - Přívoz	Joint venture
RAILLEX a.s.	Belgická 196/38, 120 00 Prague 2	Joint venture

Name of the entity	Principal activities	Ownership interests as at 31 December 2021	Ownership interests as at 31 December 2020
Ostravská dopravní společnost, a.s.	Railway transportation and lease of traction vehicles and railway wagons	50 %	50 %
RAILLEX, a.s.	Cargo handling and technical services in trans-portion, freight forwarding.	50 %	50 %

### 7.2. INFORMATION ON ASSOCIATES

Name of the entity	Registered office	Category
BOHEMIAKOMBI, spol. s r.o.	Opletalova 921//6, 110 00 Prague 1	Associate
Ostravská dopravní společnost – Cargo, a.s.	U Tiskárny 616/9, 702 00 Ostrava - Přívoz	Associate

Name of the entity	Principal activities	Ownership interests as at 31 December 2021	Ownership interests as at 31 December 2020
BOHEMIAKOMBI, spol. s r.o.	Brokerage of transportation services except for the transportation by own vehicles.	30 %	30 %
Ostravská dopravní společnost – Cargo, a.s.	Railway transportation and lease of traction vehicles and railway wagons	20 %	20 %

## 7.3. SUMMARY OF FINANCIAL INFORMATION ON JOINT VENTURES AND ASSOCIATES

31 December 2021 (CZK million)	RAILLEX, a.s.	Ostravská dopravní společnost, a.s.	Total – joint ventures	BOHEMIAKOMBI, spol. s r.o.	Ostravská dopravní společnost – Cargo, a.s.	Total - associates
<b>Total assets</b>	<b>36</b>	<b>198</b>	<b>234</b>	<b>17</b>	<b>252</b>	<b>269</b>
Current assets	-	-	-	1	42	43
Non-current assets	36	198	234	16	210	226
<b>Total liabilities</b>	<b>18</b>	<b>167</b>	<b>185</b>	<b>8</b>	<b>34</b>	<b>42</b>
Current liabilities	-	-	-	-	-	-
Non-current liabilities	18	167	185	8	34	42
Net assets	18	31	49	9	218	227
<b>Share of net assets</b>	<b>9</b>	<b>15</b>	<b>24</b>	<b>-</b>	<b>44</b>	<b>44</b>

31 December 2020 (CZK million)	RAILLEX, a.s.	Ostravská dopravní společnost, a.s.	Total – joint ventures	BOHEMIAKOMBI, spol. s r.o.	Ostravská dopravní společnost – Cargo, a.s.	Total - associates
<b>Total assets</b>	<b>39</b>	<b>172</b>	<b>211</b>	<b>26</b>	<b>220</b>	<b>246</b>
Current assets	-	-	-	1	46	47
Non-current assets	39	172	211	25	174	199
<b>Total liabilities</b>	<b>22</b>	<b>147</b>	<b>169</b>	<b>16</b>	<b>31</b>	<b>47</b>
Current liabilities	-	-	-	-	-	-
Non-current liabilities	22	147	169	16	31	47
Net assets	17	25	42	10	189	199
<b>Share of net assets</b>	<b>8</b>	<b>13</b>	<b>21</b>	<b>-</b>	<b>38</b>	<b>38</b>

Joint ventures (CZK million)	2021	2020
Total income	904	734
Profit for the period	18	9
<b>Group's share of the profit for the period</b>	<b>9</b>	<b>5</b>

Associates (CZK million)	2021	2020
Total income	270	305
Profit for the period	35	34
<b>Group's share of the profit for the period</b>	<b>7</b>	<b>7</b>

## 8. Inventories

(CZK million)	31 Dec 2021	31 Dec 2020
Spare parts and other components for rail vehicles and traction vehicles	281	221
Spare parts for other machines, devices and equipment	5	9
Fuels, lubricants and other petroleum products	4	3
Work clothes, work shoes, protective devices	6	17
Other	46	47
<b>Total costs</b>	<b>342</b>	<b>297</b>
Write-down of inventories to their net realisable value	(10)	(6)
<b>Total net book value</b>	<b>332</b>	<b>291</b>

## 9. Trade Receivables

Trade receivables consist of the items as follows:

		Category	Before due date	Past due date (days)					Total overdue	Total
(CZK million)				1 - 30 days	31 - 90	91 - 180	181 - 365	over 365		
31 Dec 2021	Gross		1,634	140	34	14	4	88	280	1,914
	Allowances		(10)	(1)	(2)	(1)	(2)	(87)	(94)	(104)
	<b>Net</b>		<b>1 624</b>	<b>139</b>	<b>32</b>	<b>13</b>	<b>2</b>	<b>1</b>	<b>186</b>	<b>1 810</b>
31 Dec 2020	Gross		1,630	72	49	5	10	88	224	1,854
	Allowances		(54)	-	(2)	(3)	(8)	(87)	(100)	(154)
	<b>Net</b>		<b>1,576</b>	<b>72</b>	<b>47</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>124</b>	<b>1,700</b>

### 9.1. MOVEMENT OF ALLOWANCES FOR DOUBTFUL TRADE RECEIVABLES

Movement of allowances for doubtful trade receivables		
(CZK million)	2021	2020
<b>Allowances at 1 January</b>	<b>154</b>	<b>100</b>
Creation of allowances – trade receivables	36	69
Use of allowances – trade receivables	(74)	(14)
Write-offs – trade receivables	(12)	(1)
<b>Allowances at 31 December</b>	<b>104</b>	<b>154</b>

## 10. OTHER FINANCIAL ASSETS

(CZK million)	31 Dec 2021	31 Dec 2020
Lease receivables (see Note 10.1)	56	40
Hedging derivatives	8	29
Other financial assets	7	-
Restricted funds (see Note 5)	-	-
<b>Other non-current financial assets</b>	<b>71</b>	<b>69</b>
Lease receivables (see Note 10.1)	18	12
Hedging derivatives	89	25
Group cash pooling	2	3
Receivables from damages and losses	12	6
Receivables from damages and losses - allowances	(8)	(4)
Restricted cash (see Note 5)	-	76
Other financial assets	13	20
Other financial assets - allowances	(2)	(12)
<b>Other current financial assets</b>	<b>124</b>	<b>126</b>
<b>Total</b>	<b>195</b>	<b>195</b>

Hedging derivatives are measured at fair value, other financial assets are measured at amortised cost.

Within the item restricted cash, the advance payment of the subsidy from CEF received for the implementation of the European Train Control System for locomotives was recorded. This advance was gradually drawn for advances and partial payments for ETCS to suppliers (see Note 5) and was exhausted in 2021.

In relation to IFRS 9, there was no reason to create an allowance for any other financial assets due to the expected credit loss.

### 10.1. FINANCE LEASE RECEIVABLES

The parent company ČD Cargo, a.s., leased part of the building in the Lovosice logistics center to Mondí Štětí as in the form of a financial lease. The subsidiary CD Cargo Poland Sp. z o. o., concluded in 2021 a contract for the lease of cars with the possibility of repurchase, which meets the conditions of financial leasing.

## Disclosures required by IFRS 16

Maturity Analysis of Lease Receivables:

(CZK million)	31 Dec 2021	31 Dec 2020
1 year	19	13
2 year	19	13
3 year	19	13
4 year	9	13
5 year	4	3
More than 5 years	6	-
<b>Undiscounted lease payments</b>	<b>76</b>	<b>55</b>
Minus: Unrealised financial income	(2)	(3)
<b>Present value of lease payments receivable</b>	<b>74</b>	<b>52</b>
Impairment allowance	-	-
<b>Net investment in leasing</b>	<b>74</b>	<b>52</b>
In the statement of financial position as:		
Short-term lease receivables	18	12
Long-term lease receivables	56	40
<b>Total</b>	<b>74</b>	<b>52</b>

The amounts recognised the statement of profit or loss:

(CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020
Net proceeds from financial investments	2	2

The Group applies a simplified approach in accordance with IFRS 9 to measure expected credit losses, using an allowance for expected losses over the useful lives for all finance lease receivables.

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

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

The Group is not exposed to currency risk as a result of lease arrangements, as the lease is denominated in CZK. The risk of residual value of the leased building is not material.



## 11. Other Assets

(CZK million)	31 Dec 2021	31 Dec 2020
Advances granted	2	3
<b>Total non-current</b>	<b>2</b>	<b>3</b>
Advances granted	57	52
Tax receivables – VAT	66	71
Tax receivables (except corporate tax)	4	4
Prepaid expenses	76	42
Subsidy	249	-
Other	21	6
<b>Total current</b>	<b>473</b>	<b>175</b>
<b>Total</b>	<b>475</b>	<b>178</b>

The item "Subsidy" represents an unquestionable entitlement to a part of the subsidy received by the Parent Company within the subsidy project for equipping traction vehicles with on-board parts of the European Train Control System.

The item "Advances granted" represents amounts paid to domestic and foreign suppliers in connection with business relations.

## 12. Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost in the balance sheet and tested for impairment under IFRS 9. The Group considers the potential impairment of these items to be insignificant due to the high credit quality of the cash deposits held by reputable financial institutions with a high investment credit rating.

(CZK million)	31 Dec 2021	31 Dec 2020
Cash on hand and cash in transit	6	6
Cash at bank*	1,141	680
<b>Total**</b>	<b>1,147</b>	<b>686</b>

\*the contractual partners of the Group are renowned banks with a high credit rating (investment grade required) with which the Group cooperates on the basis of long-term and stable relationships

\*\*in accordance with IFRS 9, impairment losses on the Group's cash and cash equivalents were evaluated as insignificant

Total final balances of the Group's accounts held in banking institutions:

Bank (CZK million)	Short-term rating *	Long-term rating *	Bank balances as at 31 Dec 2021	Bank balances as at 31 Dec 2020
Citibank Europe plc	P-1	Aa3	11	33
Česká spořitelna, a.s.	P-1	Aa3	1	1
Československá obchodní banka, a.s.	P-1	A1	514	365
ING Bank, N.V.	P-1	Aa3	67	72
Komerční banka, a.s.	P-1	A1	209	109
Raiffeisenbank a.s.	P-1	A2	65	3
UniCredit Bank Czech Republic and Slovakia, a.s.	P-2	Baa1	15	5
Všeobecná úvěrová banka a.s.	P-1	A2	209	32
Allior*	B	BB	1	-
Millenium bank	P-2	Baa1	3	4
Deutsche Bank	P-1	A2	15	8
Frankfurter Sparkasse*	A+	F1+	1	5
Bank Austria	P-1	A2	2	6
Slovenská sporiteľňa	P-1	A2	7	29
Tatra banka	P-2	A3	21	7
Fio banka**			-	1
<b>Total</b>			<b>1,141</b>	<b>680</b>

\*for these banking institutions the rating of Fitch Ratings is used, for others the rating of Moody's

\*\*rating not available

## 13. Equity

### 13.1. SHARE CAPITAL

As at 31 December 2021, the Parent Company's share capital amounted to CZK 8,494 million in the form of 100 pieces of dematerialised registered shares. The share capital was fully paid.

### 13.2. CAPITAL FUNDS

(CZK million)	31 Dec 2021	31 Dec 2020
Share premium	197	197
Statutory reserve fund	220	285
Cash flow hedging reserve	141	(32)
Actuarial losses	16	(2)
Foreign currency translation fund	(58)	(19)
Other funds	(18)	(16)
<b>Total</b>	<b>498</b>	<b>413</b>

The allocations to the statutory reserve fund are made in accordance with the regulations of the individual companies of the Group.

**13.2.1. Share premium**

The premium is the difference that arose between the nominal and issue price of shares when the Parent Company was established in the amount of CZK 197 million as at 1 December 2007.

**13.2.2. Reserve fund**

(CZK million)	2021	2020
<b>Balance as at 1 January</b>	<b>285</b>	<b>258</b>
Profit allocation to the reserve fund	1	27
Transfer from the reserve fund	(66)	-
<b>Balance as at 31 December</b>	<b>220</b>	<b>285</b>

In accordance with the Group's internal rules, the allocation to the reserve fund amounted to CZK 27 million in 2020. In 2021, it was reduced by CZK 66 million due to the provision of employee benefits.

**13.2.3. Cash flow hedging reserve**

(CZK million)	2021	2020
<b>Balance at the beginning of the year</b>	<b>(32)</b>	<b>20</b>
Profit /(loss) from revaluation	224	(51)
Reclassifications to profit or loss upon settlement	(9)	(14)
<b>Total change in the cash flow hedging reserve</b>	<b>215</b>	<b>(65)</b>
Relating income tax	(42)	13
<b>Balance at the end of the year</b>	<b>141</b>	<b>(32)</b>

The cash flow hedge fund represents accumulated gains and losses from effective cash flow hedging. It is primarily a hedging of currency risk arising from a change in the CZK/EUR exchange rate, which is hedged by currency forwards or swaps. Another component of cash flow hedging is hedging of commodity risk associated with fluctuations in the price of diesel. This effect is recognized in profit or loss when it is settled or when the derivative ceases to qualify for hedge accounting.

Gains and losses reclassified during the year from equity are reported in the income statement on the lines Revenues, Services, Material and Energy Consumption and Financial Expenses, Financial Income.

**Reclassification from hedge reserve into profit or loss**

Currency forwards and swaps – hedging future income in foreign currencies (CZK million)	2021	2020
<b>Balance as at 1 January</b>	<b>40</b>	<b>13</b>
Change in the fair value of the hedging derivatives	32	44
Reclassification to the profit or loss	(25)	(11)
Related corporate income tax – change	(2)	(6)
<b>Balance as at 31 December</b>	<b>45</b>	<b>40</b>

Interest swaps – hedging loans and lease contracts with variable rate (CZK million)	2021	2020
<b>Balance as at 1 January</b>	<b>-</b>	<b>(28)</b>
Change in the fair value of the hedging derivatives	-	-
Reclassification to the profit or loss	-	34
Related corporate income tax – change	-	(6)
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>

Lease - foreign currency liabilities from IFRS 16 - hedging future income in foreign currencies (CZK million)	2021	2020
<b>Balance as at 1 January</b>	<b>(60)</b>	<b>-</b>
Change in the fair value of lease liability	167	(75)
Reclassification to the profit or loss	-	-
Related corporate income tax – change	(32)	15
<b>Balance as at 31 December</b>	<b>75</b>	<b>(60)</b>

Commodity forwards – hedging prices for the purchases of diesel and traction energy (CZK million)	2021	2020
<b>Balance as at 1 January</b>	<b>(12)</b>	<b>35</b>
Change in the fair value of the hedging derivatives	25	(20)
Reclassification to the profit or loss	16	(37)
Related corporate income tax – change	(8)	10
<b>Balance as at 31 December</b>	<b>21</b>	<b>(12)</b>

**13.2.4. Actuarial losses**

(CZK million)	2021	2020
<b>Balance as at 1 January</b>	<b>(2)</b>	<b>(12)</b>
Actuarial gains and losses	18	10
<b>Balance as at 31 December</b>	<b>16</b>	<b>(2)</b>

Actuarial losses represent the results of the revaluation of net liabilities (provisions for employee benefits at the Parent Company) from such defined benefits, for more details see Note 16. Provisions.

**13.2.5. Exchange rate difference fund**

(CZK million)	2021	2020
<b>Balance as at 1 January</b>	<b>(19)</b>	<b>(1)</b>
Exchange differences arising on the translation of the net assets of foreign operations	(39)	(18)
<b>Balance as at 31 December</b>	<b>(58)</b>	<b>(19)</b>

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## 13.2.6. Other funds

(CZK million)	2021	2020
Balance as at 1 January	(16)	(17)
Rounding difference	(2)	1
Balance as at 31 December	(18)	(16)

## 14. Trade Payables

Year	Category	Before due date	Past due date (days)					Total past due date	Total
(CZK million)			1 - 30	31 - 90	91 - 180	181 - 365	over 365		
31 Dec 2021	Short-term	2,853	19	1	-	-	4	24	2,877
31 Dec 2020	Short-term	1,856	30	7	3	-	92	132	1,988

The average maturity of supplier invoices is 90 days. The Group does not recognise any long-term trade payables. Liabilities overdue for more than 365 days are part of litigation.

## 15. Loans, Borrowings and Bond

(CZK million)	31 Dec 2021	31 Dec 2020
Long-term bank loans	4,059	2,446
Long-term liabilities from leaseback	1,821	1,012
Liabilities from leasing	2,813	2,759
Issued bonds	4,253	4,260
Loan from České dráhy, a.s.	59	137
<b>Total long-term</b>	<b>13,005</b>	<b>10,614</b>
Short-term bank loans	580	299
Short-term liabilities from leaseback	423	314
Liabilities from leasing	807	729
Overdraft accounts	81	110
Issued bonds	31	524
Loan from České dráhy, a.s.	71	75
<b>Total short-term</b>	<b>1,993</b>	<b>2,051</b>
<b>Total</b>	<b>14,998</b>	<b>12,665</b>

As at 17 October 2016, the Parent Company ČD Cargo, a.s. has drawn a borrowing from České dráhy, a.s., in the total amount of CZK 540 million for the purpose of financing the purchase of Vectron traction vehicles of 383 series. As at 31 December 2021, the remaining borrowing balance of the loan was divided into long-term part in amount of CZK 59 million and short-term part in amount of CZK 71 million.

Three investment loans were implemented by a Group with a total credit framework of CZK 3,000 million during 2020. As at 31 December 2020, CZK 2,800 million was drawn from this credit framework. During 2021, two more new investment loans were implemented with a total credit framework of CZK 1,500 million. As at 31 December 2021, this entire credit line was drawn. At the same time, an investment loan from 2020 in the amount of CZK 200 million was drawn during the year.

In December 2020, the Parent Company signed a loan agreement with the European Investment Bank. According to the contractual conditions, the total amount of the loan framework is set at EUR 130 million. This credit line will be gradually used in the coming years to finance the pre-selected investment projects. In 2021, the first tranche of CZK 500 million was drawn.

In January 2019, an investment loan was made with CD Cargo Slovakia, sro in the amount of CZK 31 million. The balance of the investment loan as at 31 December 2021 is CZK 11 million.

In August 2021, an investment loan was made with CD Cargo Slovakia, s.r.o. in the amount of CZK 26 million. The balance of the investment loan as at 31 December 2021 is CZK 23 million. For detailed information on investment loans, see Note 35.8.

Portions of long-term loans and borrowings that are due in less than one year from the balance sheet date are reported as short-term loans and borrowings.

The Parent Company or subsidiaries breached no loan covenants in the reporting period.

## 15.1. ISSUED BONDS

On 4 May 2011, the resolution of the Czech National Bank approved the bond programme of the Parent Company ČD Cargo, a.s. The highest volume of outstanding bonds issued under the bond programme may amount up to CZK 6,000 million with the term of the bond programme being 10 years. The above resolution of the Czech National Bank took effect on 5 May 2011. Furthermore, from 5 May 2021, following the expiry of the first bond programme, a new bond programme with the term of 10 years is valid without a limit on the maximum amount of outstanding bonds.

Under the above-mentioned bond programme or under separate issuance conditions, the following bond issues exist as at 31 December 2021:

<b>Administrator</b>	Raiffeisenbank a.s.
<b>Date of issue</b>	17.6.2016
<b>Total nominal value</b>	CZK 500 million
<b>Nominal value of the bond</b>	CZK 0,1 million
<b>Book value of bonds as at 31.12.2021</b>	CZK 0 million
<b>Book value of bonds as at 31.12.2020</b>	CZK 503 million
<b>Interest rate</b>	fixed interest income 1,28 %
<b>Issue rate</b>	100%
<b>Payment of interest income</b>	annually retrospectively
<b>Date of interest payment</b>	17.6. each year
<b>Date of the final maturity</b>	17.6.2021

<b>Administrator</b>	Unicredit Bank Czech Republic and Slovakia, a.s.
<b>Date of issue</b>	29.12.2016
<b>Trading</b>	Bonds admitted to trading on a regulated market of the Prague Stock Exchange
<b>Total nominal value</b>	CZK 500 million
<b>Nominal value of the bond</b>	CZK 5 million
<b>Book value of bonds as at 31.12.2021</b>	CZK 500 million
<b>Book value of bonds as at 31.12.2020</b>	CZK 499 million
<b>Interest rate</b>	fixed interest income 1.26 %
<b>Issue rate</b>	100%
<b>Payment of interest income</b>	annually retrospectively
<b>Date of interest payment</b>	29.12. each year
<b>Date of the final maturity</b>	29.12.2023

<b>Administrator</b>	Komerční banka, a.s.
<b>Issue manager</b>	ING Bank, N.V.
<b>Date of issue</b>	20.7.2018
<b>Trading</b>	Bonds admitted to trading on a regulated market of the Prague Stock Exchange
<b>Total nominal value</b>	CZK 1,000 million
<b>Nominal value of the bond</b>	CZK 5 million
<b>Book value of bonds as at 31.12.2021</b>	CZK 1,010 million
<b>Book value of bonds as at 31.12.2020</b>	CZK 1,009 million
<b>Interest rate</b>	fixed interest income 2.55 %
<b>Issue rate</b>	100%
<b>Payment of interest income</b>	annually retrospectively
<b>Date of interest payment</b>	20.7. each year
<b>Date of the final maturity</b>	20.7.2025

<b>Administrator</b>	Komerční banka, a.s.
<b>Issue manager</b>	ING Bank, N.V.
<b>Date of issue</b>	17.7.2019
<b>Total nominal value</b>	CZK 1,000 million
<b>Nominal value of the bond</b>	CZK 5 million
<b>Book value of bonds as at 31.12.2021</b>	CZK 1,008 million
<b>Book value of bonds as at 31.12.2020</b>	CZK 1,008 million
<b>Interest rate</b>	fixed interest income 2.17 %
<b>Issue rate</b>	100%
<b>Payment of interest income</b>	annually retrospectively
<b>Date of interest payment</b>	17.7. each year
<b>Date of the final maturity</b>	17.7.2026

<b>Administrator</b>	Komerční banka, a.s.
<b>Date of issue</b>	18.11.2019
<b>Total nominal value</b>	CZK 770 million
<b>Nominal value of the bond</b>	CZK 5 million
<b>Book value of bonds as at 31.12.2021</b>	CZK 771 million
<b>Book value of bonds as at 31.12.2020</b>	CZK 770 million
<b>Interest rate</b>	fixed interest income 2.09 %
<b>Issue rate</b>	100%
<b>Payment of interest income</b>	annually retrospectively
<b>Date of interest payment</b>	18.11. each year
<b>Date of the final maturity</b>	18.11.2026

<b>Administrator</b>	Československá obchodní banka, a.s.
<b>Date of issue</b>	31.7.2020
<b>Total nominal value</b>	CZK 1,000 million
<b>Nominal value of the bond</b>	CZK 10 thousand
<b>Book value of bonds as at 31.12.2021</b>	CZK 995 million
<b>Book value of bonds as at 31.12.2020</b>	CZK 995 million
<b>Interest rate</b>	fixed interest income 1.65 %
<b>Issue rate</b>	98.74 %
<b>Payment of interest income</b>	annually retrospectively
<b>Date of interest payment</b>	31.7. each year
<b>Date of the final maturity</b>	31.7.2027

**15.2. SECURED LOANS**

The Group concluded several secured loans related to railway vehicles. The duration of the lease is maximum of 10 years. The Group has the option to repurchase the vehicle at the end of the contractual agreement, which it expects to do. These loans of the Group are guaranteed by the lessor's ownership of the leased assets.

The value of secured loans is as follows:

(CZK million)	Minimum payments		Present value of minimum payments	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Less than 1 year	474	350	423	314
From 1 to 5 years	1,118	791	1,008	744
5 years and more	854	275	813	268
<b>Total</b>	<b>2,446</b>	<b>1,416</b>	<b>2,244</b>	<b>1,326</b>
Less future financial costs	(202)	(90)	-	-
<b>Present value of min. lease payments</b>	<b>2,244</b>	<b>1,326</b>	<b>2,244</b>	<b>1,326</b>
In the statement of financial position as:				
– short-term loans			423	314
– long-term loans			1,821	1,012
<b>Total</b>			<b>2,244</b>	<b>1,326</b>

Secured loans are presented within financial instruments in Note 35.2.

Movements on financial liabilities are described in Note 35.8.2.

**15.3. LEASE LIABILITIES**

The Group concluded several leasing agreements relating to railway vehicles and non-residential premises. The duration of the lease is a maximum of 10 years. The Group's leasing liabilities are guaranteed by the lessor's title to the leased assets.

The value of leasing liabilities is as follows:

(CZK million)	Minimum lease payments		Present value of minimum lease payments	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Less than 1 year	849	777	807	729
From 1 to 5 years	2,254	2,116	2,182	2,015
5 years and more	637	757	631	744
<b>Total</b>	<b>3,740</b>	<b>3,650</b>	<b>3,620</b>	<b>3,488</b>
Less future financial costs	(120)	(161)	-	-
<b>Present value of min. leasing's repayments</b>	<b>3,620</b>	<b>3,489</b>	<b>3,620</b>	<b>3,488</b>
In the statement of financial position as:				
– short-term loans			807	729
– long-term loans			2,813	2,759
<b>Total</b>			<b>3,620</b>	<b>3,488</b>

Leasing liabilities are presented within financial instruments in Note 35.2.

Movements on financial liabilities are described in Note 35.8.2.



## 16. Provisions

(CZK million)	Balance as at 31 Dec 2020	Creation	Use	Cancellation	Balance as at 31 Dec 2021
Pension benefits provision	33	-	(4)	-	29
- of which long-term part	29				24
Provision for other employee benefits	138	37	(58)	-	117
- of which long-term part	67			-	58
<b>Provision for employee benefits total</b>	<b>171</b>	<b>37</b>	<b>(62)</b>	<b>-</b>	<b>146</b>
Provision for litigation	59	1	(30)	(29)	1
Restructuring provision	72	-	(53)	(19)	-
Other provisions	56	43	(39)	(14)	46
<b>Total provisions</b>	<b>358</b>	<b>81</b>	<b>(184)</b>	<b>(62)</b>	<b>193</b>
Long-term	96				82
Short-term	262				111

After careful consideration of all existing legal analyses and the outcome of the proceedings in existing litigation and after assessing all potential risks, potential development of disputes and in accordance with appropriate prudence, the Group's management decided to increase the provision to cover potential litigation costs to CZK 1 million as at 31 December 2021 (as at 31 December 2020: CZK 59 million).

The provision for employee benefits represents the employees' entitlement to a financial contribution upon reaching the jubilee, to a financial contribution upon retirement and to the payment of medical expenses, including compensation for wages during fitness and convalescent stays. As at 31 December 2021, it was calculated in the amount of CZK 146 million (as at 31 December 2020 in the amount of CZK 171 million). Compared to 2020, there were no significant changes in the balance of the reserve. The reserve in 2021 consisted of a contribution on reaching the jubilee in the amount of CZK 50 million (in 2020 in the amount of CZK 58 million), a financial contribution on retirement in the amount of CZK 29 million (in 2020 in the amount of CZK 33 million).) and for the payment of medical expenses, including reimbursement of wages for fitness and health stays in the total amount of CZK 48 million (in the amount of CZK 49 million in 2020), other contributions amounted to CZK 19 million (in 2020 in the amount of CZK 31 million). CZK). In calculating the provision for employee benefits, the Group used an actuarial model based on current employee data (number of employees, date of old-age pension, average salary, amount of financial contribution) and expected parameters determined by a qualified estimate and publicly available statistical data such as .: expected employee turnover, expected wage growth, expected inflation rate and the curve of disability and death according to the data of the Czech Statistical Office. Cash flows are discounted to present value using a discount rate derived from the government bond yield rate.

As at 31 December 2021, other provisions primarily include warranty provisions.

## 17. Other Financial Liabilities

(CZK million)	31 Dec 2021	31 Dec 2020
Hedging derivatives	15	4
Liability arising from supplier loans	1	2
<b>Other long-term financial liabilities</b>	<b>16</b>	<b>6</b>
Hedging derivatives	-	16
Liability arising from supplier loans	-	16
Liability from a terminated lease agreement	121	121
Other	11	29
<b>Other short-term financial liabilities</b>	<b>132</b>	<b>182</b>
<b>Total other financial liabilities</b>	<b>148</b>	<b>188</b>

Financial derivatives held for trading are measured at fair value, other financial liabilities are measured at amortised cost.

Three lease contracts on the sale and subsequent lease of 1,141 vehicles were concluded between the Parent Company ČD Cargo, a.s., and company Financial Found, a.s. According to the contractual arrangements ČD Cargo, a.s. withdrew from the contract in 2019 and immediately paid the remaining leasing instalments in the amount of CZK 146 million. Since Financial Found, a.s., disagreed with the withdrawal, it returned the amount back to ČD Cargo, a.s. account. In order to avoid the senseless forwarding of funds, ČD Cargo, a.s., informed Financial Found, a.s. that it had the funds ready and asked it to confirm that the company would accept them. Up to the current date, Financial Found, a.s. has not responded. In parallel, Financial Found, a.s., filed a lawsuit in the District Court for Prague 7 to determine the ownership of the 1,141 vehicles, and yet it has not been solved. As at 31 December 2021 net book value of these railway vehicles amounted to CZK 641 million, as at 31 December 2020 amounted to CZK 671 million. Financial Found, a.s., also unsuccessfully tried to rewrite the vehicles at the Rail Authority to their ownership. This means that ČD Cargo, a.s., is registered as the owner and holder of these vehicles. In accordance with the described information, the Company's management has decided to record the aforementioned vehicles in the Company's assets and to account for all related accounting transactions (segregation of components, accounting for depreciation, etc.). The liability arising from this terminated leasing contract amounts to CZK 121 million as at 31 December 2021 (amount excluding VAT), and as at 31 December 2020 this liability was also CZK 121 million.

## 18. Other Liabilities and Commitments

Other liabilities and commitments consist of following items:

(CZK million)	31 Dec 2021	31 Dec 2020
Subsidy received	-	-
Other liabilities	8	155
<b>Other long-term liabilities</b>	<b>8</b>	<b>155</b>
Payables to employees	490	324
Liabilities for social security and health insurance	170	150
Tax liabilities - tax withheld employees	34	50
Tax liabilities – VAT	3	1
Subsidy received	-	174
Other	4	6
<b>Other short-term liabilities</b>	<b>701</b>	<b>705</b>
Commitments	7	-
Refunds liabilities	15	20
<b>Other short-term liabilities and commitments</b>	<b>723</b>	<b>725</b>
<b>Total Other liabilities and commitments</b>	<b>731</b>	<b>880</b>

In 2016, the Parent Company received the subsidy in the amount of CZK 292 million within the subsidy project to equip traction vehicles with the on-board part of the European Train Control System (ETCS). During 2018, ČD Cargo, a.s. had received another part of the subsidy of CZK 68 million, and in 2018 and 2020 had already paid out part of the subsidy for the acquisition of the first prototypes of railway traction vehicles. The remaining funds in the amount of CZK 174 million were used for the supply of prototypes of selected series of locomotives in 2021. The advance payments provided for the subsidy is therefore fully used as of 31 December 2021.

Other long-term liabilities also represent liabilities to employees of the Parent Company arising from applicable collective agreement.

Short-term liabilities to employees within the Group represent a liability for unpaid December salaries.

The Group has no overdue liabilities to tax authorities, social security authorities and health insurance companies.

## 19. Lease Contracts

### 19.1. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases land, buildings (administrative or in locations close to the station), equipment (innofreight technology) and vehicles (lorries, locomotives, tanks and cars). Leases are usually concluded for a definite period (3 to 10 years). A smaller part of contracts is concluded for an indefinite period.

From the 1 January 2019, leases are recognised as right-of-use assets and a corresponding liability from the date on which the leased asset is available for use for the Group.

Cost (CZK million)	Balance as at 1 Jan 2020	Additions	Change of lease period	Disposals	Exchange rate differences	Balance as at 31 Dec 2020	Additions	Change of lease period	Disposals	Exchange rate differences	Balance as at 31 Dec 2021
Buildings	386	109	49	(79)	-	465	24	43	(78)	(1)	453
- out of which Lovosice logistics centre	89	-	-	-	-	89	-	-	(56)	-	33
Equipment	592	140	20	(127)	-	625	262	15	(6)	-	896
- out of which Innofreight technologies	590	140	20	(126)	-	624	261	15	(6)	-	894
Vehicles	2,112	1,178	321	(784)	(8)	2,819	675	178	(218)	(10)	3,444
- out of which freight wagons and locomotives	2,076	1,174	321	(781)	(7)	2,783	671	178	(213)	(10)	3,409
<b>Total</b>	<b>3,090</b>	<b>1,427</b>	<b>390</b>	<b>(990)</b>	<b>(8)</b>	<b>3,909</b>	<b>961</b>	<b>236</b>	<b>(302)</b>	<b>(11)</b>	<b>4,793</b>

Accumulated depreciation and impairment (CZK million)	Balance as at 1 Jan 2020	Depreciation	Disposals	Exchange rate differences	Balance as at 31 Dec 2020	Depreciation	Disposals	Exchange rate differences	Balance as at 31 Dec 2021
Buildings	86	62	(30)	-	118	105	(66)	-	157
- out of which Lovosice logistics centre	22	14	-	-	36	40	(56)	-	20
Equipment	75	116	(94)	-	97	132	-	-	229
- out of which Innofreight technologies	75	116	(94)	-	97	132	-	-	229
Vehicles	376	411	(205)	(2)	580	452	(84)	2	950
- out of which freight wagons and locomotives	370	401	(203)	(2)	566	443	(82)	2	929
<b>Total</b>	<b>537</b>	<b>589</b>	<b>(329)</b>	<b>(2)</b>	<b>795</b>	<b>689</b>	<b>(150)</b>	<b>2</b>	<b>1,336</b>

Net book value (CZK million)	Balance as at 31 Dec 2021	Balance as at 31 Dec 2020	Balance as at 1 Jan 2020
Buildings	296	347	300
- out of which Lovosice logistics centre	13	53	67
Equipment	667	528	517
- out of which Innofreight technologies	665	527	515
Vehicles	2,494	2,239	1,736
- out of which freight wagons and locomotives	2,480	2,217	1,706
<b>Total</b>	<b>3,457</b>	<b>3,114</b>	<b>2,553</b>

## 15

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

In 2021, the Group entered into contracts for the lease of traction vehicles in the amount of CZK 128 million.

The item "Right-of-use assets" under IFRS 16 also includes the lease of storage space in the Lovosice Logistics centre. As this contract generates a loss for the Parent Company of approximately CZK 59 million per year, the Company has created for this contract lease a provision for loss-making transactions. As a result of the adoption of IFRS 16, this lease was reclassified as an impairment of right-of-use asset. As at 1 January 2019, the value of this right-of-use was calculated at CZK 558 million and impaired by CZK 409 million. As at 1 January 2019, the resulting amount of CZK 149 million was recorded in the above table "Cost". In 2021, the value of the right-of-use decreased due to the lower profitability of the logistics centre. As at 31 December 2021, these right-of-use assets was recognised in the carrying amount of CZK 13 million (as at 31 December 2020, the value of the right-of-use was CZK 54 million).

The item "Buildings", in addition to the logistics centre in Lovosice, includes lease agreements of non-residential premises within the railway stations where our operating employees are responsible for the operation of the Group's rail transport.

The amount of impairment of the aforementioned right-of-use assets is determined by a reasonable estimate of the estimated net future commitment. The amount represents the difference between discounted net expected income and discounted expected expenditure.

The Group recognised the lease liability as follows:

(CZK million)	Balance as at 31 Dec 2021	Balance as at 1 Jan 2020
Short - term lease liabilities	807	729
Long - term lease liabilities	2,813	2,759
<b>Total lease liabilities (see Note 15)</b>	<b>3,620</b>	<b>3,488</b>

The amounts recognised in statement of profit or loss:

(CZK million)	2021	2020
Depreciation of right-of-use assets	(689)	(590)
Interest expense on lease liabilities	(46)	(62)
Short-term lease expenses	(318)	(88)
Low-value assets lease expenses	(14)	(15)
Expenses related to variable lease payments not included in the measurement of the lease liability	(18)	-
Proceeds from the sublease of right-of-use assets	-	-

Short-term lease and low-value assets lease expenditure that are not included in the above-mentioned short-term lease liabilities are included in statement of profit or loss under item Services, rent, material and energy consumption.

In 2021, total monetary expenses related to leases amounted to CZK 1,224 million (of which lease payments of CZK 828 million, interest expenses of CZK 46 million, short-term lease payments of CZK 318 million, low-value assets lease payments of CZK 14 million and expenses related to variable lease payments, not included in the valuation, of CZK 18 million).

In 2020, total monetary expenses related to leases amounted to CZK 956 million (of which lease payments of CZK 791 million, interest expenses of CZK 62 million, short-term lease payments of CZK 88 million, low-value assets lease payments of CZK 15 million).

## 20. Contractual Commitments For Expenditure

As at the balance sheet date, the Group has concluded contracts for the purchase of land, buildings and equipment and real estate investments in the amount of CZK 6,092 million. Of this, CZK 3,874 million relates to outstanding deliveries, of which CZK 3,553 million represents investments agreed for 2022 and CZK 322 million for deliveries agreed for subsequent years. The remaining CZK 2,217 million had already been paid as of 31 December 2021. A substantial part of the expenditure liabilities in the amount of CZK 3,763 million represents investments in rail vehicles.

## 21. Contingent Assets

As at 31 December 2021, the Group does not record any contingent assets.

## 22. Received and Issued Bank Guarantees

### 22.1. BANK GUARANTEES ISSUED

Bank guarantees as at 31 December 2021 issued by ČD Cargo, a.s., in Komerční banka, a.s., from the liability limit of CZK 50 million. This is a liability for liabilities. The table shows liabilities that are not on the balance sheet (e.g. leasing guarantees) or liabilities that may only arise (e.g. customs debt).

#### List of active bank guarantees issued by ČD Cargo, a.s. at of 31 December 2021

In behalf of	Type of guarantee	Amount	Currency	Termination date	Reason for bank guarantee
SCI Lighthouse Towers, s.r.o., Olivova 2096/4, 110 00 Prague 1	Warranty for rent	0.2 million	EUR	5.6.2022	Bank guarantee to fulfil all liabilities and obligations of the Lessee under the Lease Agreement with West Invest Waterfront Towers s.r.o. - Lighthouse.
P3 Lovosice s.r.o., Na Florenci 2116/15, 110 00 Prague 1	Warranty for rent	17 million	CZK	30.6.2022	Bank guarantee in the event that ČD Cargo, a.s. does not comply with the obligations under the Lease Agreement of buildings and land in the Logistics Centre in Lovosice.
Celní úřad pro Jihočeský kraj, Kasárenská 6, 370 21 České Budějovice	Customs guarantee	0.5 million.	CZK	15.9.2022	Guarantor's undertaking - comprehensive guarantee; issued to the South Bohemian Region Customs Office to secure the customs debt and other charges
Celní úřad pro Jihočeský kraj, Kasárenská 6, 370 21 České Budějovice	Customs guarantee	3.5 million	CZK	15.9.2022	Warranty deed for the purpose of securing duties by a comprehensive principal by the customs agent, acting on the basis of direct representation; issued to the South Bohemian Region Customs Office

### 22.2. BANK GUARANTEES RECEIVED

The table shows receivables that are not on the balance sheet and to which ČD Cargo, a.s. would be entitled in the event of a significant breach of contract (e.g. non-compliance with the contractual conditions by the supplier).

#### List of active bank guarantees received by ČD Cargo, a.s. at of 31 December 2021

In behalf of	Guarantee provider	Amount	Currency	Termination date	Reason for bank guarantee
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	17 million	CZK	15.6.2022	Ensuring the supply of new diesel locomotives of the 753.6 series for securing line service in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	84 million	CZK	24.4.2022	Ensuring the supply of new diesel locomotives for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.110 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.111 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.112 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.113 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	3 million	CZK	31.12.2022	Securing the delivery of new diesel locomotives of the 744.114 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.120 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.121 series for securing railway operations in ČD Cargo, a.s.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.122 series for securing railway operations in ČD Cargo, a.s.



In behalf of	Guarantee provider	Amount	Currency	Termination date	Reason for bank guarantee
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.123 series for securing railway operations in ČD Cargo, a.s.
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	3 million	CZK	15.6.2022	Securing the delivery of new diesel locomotives of the 744.123 series for securing railway operations in ČD Cargo, a.s.
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	99 million	CZK	26.1.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract "Implementation of the modernisation of 50 locomotives of 742 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	115 million	CZK	27.12.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract "Implementation of the modernisation of 50 locomotives of 742 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	1 million	EUR	31.3.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract "Implementation of the modernisation of 50 locomotives of 742 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	0.4 million	EUR	31.3.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract "Implementation of the modernisation of 50 locomotives of 742 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	1 million	EUR	9.12.2022	Securing the obligation during the Switch-off of phase of selected locomotive (prototype) from the public contract "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 753.7 series"
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	1.3 million	EUR	9.12.2022	Securing the obligation during the Switch-off of phase of selected locomotive (prototype) from the public contract "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 753.7 series"
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	0.1 million	EUR	20.11.2022	Securing the obligations related to compliance with the MTBF required by the customer "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 753.7 series".
<b>CZ LOKO, a.s.;</b> Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	0.2 million	EUR	20.11.2022	Securing the supplier's obligations associated with guarantees in a third country "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 753.7 series".
<b>Siemens, s.r.o.,</b> Prague 13, Siemensova 1, 155 00	UniCredit Bank Czech Republik and Slovakia, a.s.	1 million	EUR	31.12.2022	In accordance with the purchase contract no. 6919-2018-O01 of 14 August 2018 securing the delivery of interoperable locomotives for the needs of ČD Cargo, a.s. for the installation of ETCS 3.6.0. version.
<b>Wagony Swidnica SP. O.Z.O.,</b> Strzelinska 35; 50-100 Swidnica, Poland	Citibank Europe plc, organizační složka	2 million.	EUR	31.5.2023	Securing the delivery of 500 new railway freight wagons of EANOS series.
<b>ČD - Telematika a.s.,</b> Pernerova 2819/2a, 130 00 Prague 3 a <b>AŽD Praha s.r.o.,</b> Žirovnická 3146/2, 106 00 Prague 10	Česká spořitelna, a.s.	5 million	EUR	31.12.2022	Securing the realisation of the public contract "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 163 and 363 series" and Switch-off and Switch-on phases in the Czech and Slovak Republics.
<b>ČD - Telematika a.s.,</b> Pernerova 2819/2a, 130 00 Prague 3 a <b>AŽD Praha s.r.o.,</b> Žirovnická 3146/2, 106 00 Prague 10	Česká spořitelna, a.s.	1 million	EUR	31.12.2022	Securing the realisation of the public contract "Delivery and installation of the mobile part of ETCS in selected traction vehicles of ČD Cargo, a.s. 163 and 363 series" and Switch-off and Switch-on phases in the Czech and Slovak Republics.
<b>TATRAVAGÓNKA, a.s.,</b> Štefánikova 887/53; 05801 Poprad, Slovakia	COMMERZBANK Aktiengesellschaft, pobočka Praha	0.4 million	EUR	31.5.2024	In accordance with the purchase contract No. 08476-2020-O1 of 27 October 2020, ensuring the delivery of 100 Sgnss freight wagons.
<b>Bombardier Transportation GmbH,</b> Eichhomstrasse 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellschaft, pobočka Praha	11 million	EUR	31.12.2021	In accordance with the purchase contract no. 6926-2018-O01 of 20 August 2018, ensuring the delivery of up to 50 Traxx MS3 locomotives (BZ for reserve for the first 10 locomotives).
<b>Bombardier Transportation GmbH,</b> Eichhomstrasse 3, 10785 Berlin, Germany	UniCredit Bank Czech Republik and Slovakia, a.s.	10 million	EUR	31.11.2022	In accordance with the purchase contract no. 8856-2021-O01 of 25 February 2021, ensuring the supply of 10 Traxx MS3 locomotives.
<b>Metrostav a.s.,</b> Koželušská 2450/4, 180 00 Prague 8	Raiffeisenbank a.s.	3 million	CZK	14.6.2024	In accordance with the contract for work no. 06695-2018-SOKV UNL of 28 April 2018, securing the construction of a new steel hall for cleaning railway vehicles in the Repair centres of the railway wagons (SOKV Ústí nad Labem).
<b>Českomoravská železniční opravná, s.r.o.,</b> Kojetínská 358/71, 750 02 Přerov	Česká spořitelna, a.s.	31 million	CZK	28.2.2023	Securing in accordance with the equipment of railway vehicles of 163 series with a another system for operation on the railway network with a traction supply system 25 kV / 50Hz.
<b>ŽOS Vrútky a.s.,</b> Dielenská Kružná 2, 03861 Vrútky, Slovenská republika	Slovenská sporiteľňa, a.s.	2 million	EUR	20.2.2023	In accordance with the contract for work no. 08623-2020-O01 of 7 January 2021 providing equipment for locomotives of 130 series with the ETCS system.
<b>ŽOS Vrútky a.s.,</b> Dielenská Kružná 2, 03861 Vrútky, Slovenská republika	Slovenská sporiteľňa, a.s.	0.2 million	EUR	31.12.2022	In accordance with the contract for work no. 08623-2020-O01 of 7 January 2021, ensuring the equipment for locomotives of 130 series with the ETCS system – proper completion in a third country.
<b>Siemens Mobility, s.r.o.</b> Siemensova 2715/1, 155 00 Prague 5	UniCredit Bank Czech Republik and Slovakia, a.s.	1 million	EUR	30.6.2025	In accordance with the purchase contract no. 09287-2021-O01 of 2 December 2021, providing supplies of interoperable locomotives for the needs of ČD Cargo, a.s. and serviceability under warranty.

## 23. Segment Information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group, that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The most significant customers, as well as the distribution of countries from which the Group derives revenues, are set out in the Note 24. The Group's reportable segments under IFRS 8 are therefore as follows:

- ČD Cargo Group offers its customers transportation of a broad variety of commodities within the transportation segment: the iron and engineering products, brown and black coal, building materials, food and agricultural products, chemicals and liquid fuels, wood and paper products, automotive, and also combined transportation and shipping of other consignments including those indicated as being extraordinary. Transportation of these goods is conducted in two types of products: individual wagon consignments and unit trains. Unit trains are the most convenient type of transportation for larger shipments that go directly from the sender to the recipient without any shift work. Conversely, transportation of cargo by individual wagon or group of wagons is used by the customer for shipping of smaller volumes of goods. Among railway carriers in the Czech Republic, only ČD Cargo, a.s. offers individual wagon consign-

ments within the entire railway network, because it is technologically more demanding in comparison to unit trains. Individual wagon consignments from the sender are delivered to the nearest marshalling station by a so-called handling train. With the use of the long-range train, wagons are then sent to the marshalling station that is the closest to the recipient, and then delivered to him again using the handling train.

- Within the segment of complementary services for transportation, additional services for the handling of goods are offered, which are directly related to the shipping of goods by rail, meaning collection and loading of goods including storage, shuttle service, i.e. parking and removal of wagons to and from the factory siding, ensuring the shift to siding, shifting cars before furnishing the siding, forwarding operations, complex customs procedures for all types of transportation, including contact with government authorities, etc. Lease of unused capacity of locomotives and wagons to external entities is also offered within this segment. Last but not least, there is also the repair and maintenance of locomotives and wagons for the internal needs of ČD Cargo Group, as well as for external customers, which is performed in different Repair Centres for the Railway Wagons.

The Board of Directors of the Parent Company is the body who performs the analysis of individual segments and on this basis makes the decisions.

2021 (CZK million)	Transportation	Additional services	Elimination	Total
<b>Revenue from the principal operations</b>	<b>11,418</b>	<b>3,762</b>	<b>(2,281)</b>	<b>12,899</b>
- within the Group	1,345	936	(2,281)	-
- outside the Group	10,073	2,826	-	12,899
<b>Purchased consumables and services</b>	<b>(5,307)</b>	<b>(2,531)</b>	<b>2,291</b>	<b>(5,547)</b>
Traction costs	(1,037)	(6)	-	(1,043)
Payment for the use of the railway route	(909)	(1)	-	(910)
Other purchased consumables and services	(3,361)	(2,524)	2,291	(3,594)
<b>Personnel costs</b>	<b>(3,944)</b>	<b>(579)</b>	<b>-</b>	<b>(4,523)</b>
Payroll costs including insurance	(3,802)	(567)	-	(4,369)
Other social costs	(19)	(2)	-	(21)
Benefits arising from the collective agreement	(123)	(10)	-	(133)
Other operating income	450	141	(141)	450
Other operating expenses	(358)	(54)	13	(399)
Depreciation	(1,861)	(417)	32	(2,246)
Interest expense	(217)	(34)	(6)	(257)
Other financial expenses	(27)	(6)	-	(33)
Other financial income	27	1	16	44
<b>Loss/Profit before tax</b>	<b>181</b>	<b>283</b>	<b>(76)</b>	<b>388</b>
Income tax	(30)	(63)	(6)	(99)
<b>Loss/Profit for the period</b>	<b>151</b>	<b>220</b>	<b>(82)</b>	<b>289</b>

\* Payment for the use of the railway

2020 (CZK million)	Transportation	Additional services	Elimination	Total
<b>Revenue from the principal operations</b>	<b>10,845</b>	<b>3,585</b>	<b>(2,164)</b>	<b>12,266</b>
- within the Group	1,627	537	(2,164)	-
- outside the Group	9,218	3,048	-	12,266
<b>Purchased consumables and services</b>	<b>(5,071)</b>	<b>(2,642)</b>	<b>2,155</b>	<b>(5,558)</b>
Traction costs	(1,163)	(6)	-	(1,169)
Payment for the use of the railway route	(909)	(2)	-	(911)
Other purchased consumables and services	(2,999)	(2,634)	2,155	(3,478)
<b>Personnel costs</b>	<b>(3,828)</b>	<b>(694)</b>	<b>5</b>	<b>(4,517)</b>
Payroll costs including insurance	(3,604)	(673)	5	(4,272)
Other social costs	(54)	(6)	-	(60)
Benefits arising from the collective agreement	(170)	(15)	-	(185)
Other operating income	33	781	(178)	636
Other operating expenses	(354)	(499)	4	(849)
Depreciation	(1,618)	(497)	59	(2,056)
Interest expense	(183)	(18)	-	(201)
Other financial expenses	(46)	(14)	(8)	(68)
Other financial income	49	10	12	71
<b>Loss/Profit before tax</b>	<b>(173)</b>	<b>12</b>	<b>(115)</b>	<b>(276)</b>
Income tax	27	2	(1)	28
<b>Loss/Profit for the period</b>	<b>(146)</b>	<b>14</b>	<b>(116)</b>	<b>(248)</b>

\* Payment for the use of the railway

## 24. Revenue

(CZK million)	2021	2020
<b>Revenue from freight transportation</b>	<b>11,518</b>	<b>11,008</b>
– Revenue from freight transportation – local	4,029	3,964
– Revenue from freight transportation – foreign	7,489	7,044
– Revenue from freight transportation – Germany	2,190	2,338
– Revenue from freight transportation – Poland	1,184	724
– Revenue from freight transportation – Austria	1,063	1,018
– Revenue from freight transportation – Slovakia	990	858
– Revenue from freight transportation – Ukraine	367	331
– Revenue from freight transportation – Romania	348	262
– Revenue from freight transportation – Italy	289	255
– Revenue from freight transportation – Russia	231	142
– Revenue from freight transportation – Slovenia	209	219
– Revenue from freight transportation – Hungary	170	198
– Revenue from freight transportation – other countries	448	699
<b>Other revenue from freight transportation*</b>		
– Other revenue from freight transportation – local	467	425
– Other revenue from freight transportation – foreign	207	130
<b>Other freight revenue recognised over time</b>	<b>674</b>	<b>555</b>
Other revenue related to additional services	284	228
<b>Total revenue from customer contracts</b>	<b>12,476</b>	<b>11,791</b>
Revenue from short-term lease	423	475
<b>Total revenue</b>	<b>12,899</b>	<b>12,266</b>

\* Other revenues from freight transport include mainly revenues from services performed at railway stations, additional services and siding agenda services

Revenue from lease includes revenues from short-term and occasional leases of freight wagons and railway traction vehicles.

The most significant local customers in terms of the volume of billed services are as follows:

- NH-TRANS, SE
- CARBOSPED, spol. s r.o.
- MORAVIA STEEL, a.s.
- Rail Cargo Logistics – Czech Republic s.r.o.
- WOOD & PAPER a.s.

The volume of invoiced services at any of the above customers does not exceed 10 % of the total services.

Foreign customers are mainly railway transportation companies (national carriers) and other companies. With respect to the volume of billed services, the most important are the following:

Railway transportation companies (national carriers)

- DB Cargo AG
- Železničná spoločnosť Cargo Slovakia, a.s.
- Rail Cargo Austria AG

Other companies

- STVA S.A.
- Maersk Line A/S
- BLG AutoRail GmbH

### 24.1. COMMITMENTS AND REFUNDS

Since 1 January 2018, the Group under IFRS 15 recognises following commitments (see Note 18) and refund liabilities (see Note 18) relating to revenue from customer contracts:

Refunds liabilities (CZK million)	31 Dec 2021	31 Dec 2020
Refunds liabilities	15	20
<b>Total refunds liabilities</b>	<b>15</b>	<b>20</b>

### 24.2. REMAINING PERFORMANCE OBLIGATIONS

Remaining liabilities (CZK million)	31 Dec 2021	31 Dec 2020
Revenue from freight transport	12	14
Other revenue from freight transport	1	3
Other revenue from additional services to transport	2	1
Other revenue from operating activity	-	2
<b>Total</b>	<b>15</b>	<b>20</b>

These are liabilities from the performance of concluded contracts for which the performance by the Group has not yet been completed.

## 25. Other Operating Income

(CZK million)	2021	2020
Gain from sale of property, plant and equipment	6	60
Gain from disposal of unnecessary assets	84	38
Compensations for deficits and damage	50	46
Contractual penalties and default interest	13	2
Foreign exchange gains – operating	178	412
Change in provisions for receivables – income	49	-
Other	70	78
<b>Total other operating income</b>	<b>450</b>	<b>636</b>

## 26. Services, Rental, Material And Energy Consumption

(CZK million)	2021	2020
<b>Traction costs</b>	<b>(1,043)</b>	<b>(1,169)</b>
– Traction fuel (diesel)	(372)	(365)
– Traction electricity	(671)	(804)
<b>Payment for the use of railway route</b>	<b>(880)</b>	<b>(883)</b>
<b>Other purchased consumables and services</b>	<b>(3,624)</b>	<b>(3,506)</b>
– Consumed material	(250)	(239)
– Consumed other energy	(115)	(96)
– Consumed fuel	(12)	(12)
– Repairs and maintenance	(202)	(231)
– Travel costs	(61)	(54)
– Telecommunication, data and postal services	(59)	(58)
– Short-term rental	(318)	(88)
– RIV wagon fee (provision of railway wagons)	(324)	(276)
– Transportation charges	(1,629)	(1,847)
– Services associated with the use of buildings	(48)	(46)
– Operational cleaning of rail vehicles	(3)	(3)
– Border area services	(151)	(183)
– Advertising and promotion costs	(7)	(9)
– Infrastructure capacity allocation	(51)	(31)
– IT	(156)	(152)
– Performances of fire brigade service	(1)	(1)
– Services in the field of ecology	(4)	(9)
– Other services	(232)	(171)
<b>Total services, rental, material and energy consumption</b>	<b>(5,547)</b>	<b>(5,558)</b>

Traction electricity for the period from 1 January 2021 to 31 December 2021 includes mainly traction electricity purchased from Správa železnic, s.o, in the amount of CZK 578 million (in 2020: CZK 722 million).

Other services include mainly the costs of healthcare, advisory and costs of commissions paid for cross-border representation.

Cost of services provided by the Group's statutory auditor – PricewaterhouseCoopers Audit, s.r.o., and other companies within the PricewaterhouseCoopers network are presented in following table:

(CZK million)	2021	2020
Statutory audit of annual financial statements (including subsidiaries)	(3)	(2)
Other non-audit services (including subsidiaries)*	(2)	(3)
<b>Total</b>	<b>(5)</b>	<b>(5)</b>

\* services relating in particular to the Digitization of Traction Vehicle Maintenance project

## 27. Employee Benefit Costs

(CZK million)	2021	2020
Payroll costs	(3,263)	(3,107)
Severance pay	-	(91)
Pension benefits	(727)	(713)
Contribution to supplementary pension insurance	(75)	(108)
Contribution to supplementary life insurance	(21)	(24)
Other social security and health insurance	(364)	(347)
Emoluments to key management	(52)	(67)
Other employee benefit costs	(21)	(60)
<b>Total employee benefit costs</b>	<b>(4,523)</b>	<b>(4,517)</b>

Other employee benefit costs mainly include employee training costs.

Average recalculated total number of employees within the Group:

	2021	2020
Employees	6,531	6,877
Key management	32	32
<b>Average recalculated total number of employees</b>	<b>6,563</b>	<b>6,909</b>

Key management consists of the Board of Directors and the Supervisory Board of the Parent Company. In the case of subsidiaries, only members of the statutory body of individual companies are considered. The Parent Company's key management includes also the Audit Committee. More detailed information on the Parent Company is disclosed in Note 1.5.

Key management compensation:

(CZK million)	2021	2020
Short-term benefits	(41)	(50)
Pension benefits	(6)	(11)
Other social and health contributions	(5)	(6)
<b>Total key management compensation</b>	<b>(52)</b>	<b>(67)</b>

## 28. Depreciation and Amortisation

(CZK million)	2021	2020
Depreciation of plant and equipment and vehicles (Note 5)	(1,479)	(1,375)
Depreciation of leasing – IFRS 16	(689)	(590)
Amortisation of intangible assets (Note 6)	(78)	(91)
<b>Total depreciation and amortisation</b>	<b>(2,246)</b>	<b>(2,056)</b>

## 29. Other Operating Expenses

(CZK million)	2021	2020
Impairment losses on receivables	-	(64)
Change in impairment for property, plant and equipment	(62)	(165)
Change in inventory provisions	(4)	-
Costs of contractual penalties and default interest	(1)	(4)
Taxes and fees	(8)	(8)
Foreign exchange losses - operating	(179)	(390)
Insurance premium	(92)	(90)
Shortage, damages	(13)	(38)
Other	(40)	(90)
<b>Total other operating expenses</b>	<b>(399)</b>	<b>(849)</b>

## 30. Financial Expenses

(CZK million)	2021	2020
Interest on bank overdraft accounts and loans	(82)	(26)
Interest on finance lease payables and leasebacks	(42)	(49)
Interest on lease obligations – IFRS 16	(43)	(62)
Interest expense – bonds	(81)	(63)
Other interest expense	(1)	(4)
Unwinding of the discount of provisions	(4)	(2)
Exchange rate losses – financing	(31)	(55)
Bank expenditures	(2)	(2)
Other financial expenses	(4)	(6)
<b>Total financial expenses</b>	<b>(290)</b>	<b>(269)</b>

## 31. Financial Income

(CZK million)	2021	2020
Exchange rate gains - financing	26	56
Gain on sale of securities	-	1
Interest income	2	-
Other financial income	-	2
<b>Total financial income</b>	<b>28</b>	<b>59</b>

## 32. Income Tax

### 32.1. INCOME TAX RECOGNISED IN PROFIT OR LOSS

(CZK million)	2021	2020
Current income tax for the period recognised in the Statement of profit or loss	(82)	(7)
– of which income tax relating to previous periods	(2)	(76)
Deferred tax recognised in the Statement of profit or loss	(17)	35
<b>Total income tax</b>	<b>(99)</b>	<b>28</b>

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

(CZK million)	2021	2020
Profit (+)/ loss (-) before tax	388	(276)
Statutory tax rate on corporate income in the Czech Republic	19 %	19 %
Expected income tax expense	(74)	52
<b>Adjustments:</b>		
Effect of the different income tax rate in other countries	(5)	(6)
Other non-deductible expenses	(84)	(19)
Non-taxable income	80	10
Taxes paid abroad	(14)	-
Income tax related to prior periods	(2)	(76)
Impact on deferred tax from the previous period	-	67
<b>Income tax recognised in profit or loss</b>	<b>(99)</b>	<b>28</b>

### 32.2. DEFERRED TAX

(CZK million)	Non-current assets	Provisions	Leases	Receivables	Derivatives	Other	Total
<b>Balance 1 January 2020</b>	<b>1,212</b>	<b>(137)</b>	<b>626</b>	<b>(8)</b>	<b>5</b>	<b>(6)</b>	<b>1,692</b>
Deferred tax recognised in statement of profit or loss	(45)	(20)	51	(10)	-	(11)	(35)
Deferred tax recognised in other comprehensive income	-	-	(14)	-	1	-	(13)
<b>Balance 31 December 2020</b>	<b>1,167</b>	<b>(157)</b>	<b>663</b>	<b>(18)</b>	<b>6</b>	<b>(17)</b>	<b>1,644</b>
Deferred tax recognised in statement of profit or loss	(58)	47	6	12	-	11	18
Deferred tax recognised in other comprehensive income	-	-	33	-	9	-	42
<b>Balance 31 December 2021</b>	<b>1,109</b>	<b>(110)</b>	<b>702</b>	<b>(6)</b>	<b>15</b>	<b>(6)</b>	<b>1,704</b>

## 33. Related Party Transactions

### 33.1. TRADE RECEIVABLES AND PAYABLES AT THE END OF REPORTING PERIOD

31 December 2021 (CZK million)	Receivables	Payables
České dráhy, a.s.	7	152
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	15	-
Ostravská dopravní společnost - Cargo, a.s.	3	11
<b>Joint ventures and associated companies</b>	<b>22</b>	<b>11</b>
ČD - Telematika a.s.	-	81
ČD - Informační Systémy, a.s.	-	91
DPOV, a.s.	1	8
ČD relax s.r.o.	-	1
Dopravní vzdělávací institut, a.s.	-	1
Výzkumný Ústav Železniční, a.s.	10	-
<b>Other companies in the České dráhy Group</b>	<b>11</b>	<b>182</b>
<b>Total</b>	<b>40</b>	<b>345</b>

31 December 2020 (CZK million)	Receivables	Payables
České dráhy, a.s.	3	112
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	22	-
Ostravská dopravní společnost - Cargo, a.s.	2	16
<b>Joint ventures and associated companies</b>	<b>28</b>	<b>16</b>
ČD - Telematika a.s.	-	27
ČD - Informační Systémy, a.s.	-	88
DPOV, a.s.	1	45
Výzkumný Ústav Železniční, a.s.	9	-
<b>Other companies in the České dráhy Group</b>	<b>10</b>	<b>160</b>
<b>Total</b>	<b>41</b>	<b>288</b>

Related party transactions were conducted at an arm's length basis reflecting the amount of purchased goods and relationships between parties.

Outstanding balances are not secured and will be paid by non-cash payment system or by offsetting. The maturity is set at 30 or 60 days. No guarantees were given or accepted.



**33.2. INCOME FROM RELATED PARTIES TRANSACTIONS**

2021 (CZK million)	Sale of assets	Sale of services	Other income	Total
České dráhy, a.s.	-	24	4	28
ČD - Telematika a.s.	2	-	-	2
DPOV, a.s.	-	3	-	3
Výzkumný Ústav Železniční, a.s.	-	55	-	55
RAILLEX, a.s.	-	15	-	15
BOHEMIAKOMBI, spol. s r.o.	-	10	-	10
Ostravská dopravní společnost, a.s.	-	63	-	63
Ostravská dopravní společnost - Cargo, a.s.	-	22	-	22
<b>Total</b>	<b>2</b>	<b>192</b>	<b>4</b>	<b>198</b>

Revenues from the sale of services mainly include revenues from the performance of locomotive crews, revenues from domestic freight transport and other revenues from rail freight transport.

2020 (CZK million)	Sale of assets	Sale of services	Other income	Total
České dráhy, a.s.	1	26	1	28
DPOV, a.s.	-	4	-	4
Výzkumný Ústav Železniční, a.s.	-	40	-	40
RAILLEX, a.s.	-	17	-	17
BOHEMIAKOMBI, spol. s r.o.	-	9	-	9
Ostravská dopravní společnost, a.s.	-	56	-	56
Ostravská dopravní společnost - Cargo, a.s.	-	23	-	23
<b>Total</b>	<b>1</b>	<b>175</b>	<b>1</b>	<b>177</b>

Revenues from the sale of services mainly include revenues from the national transport of wagon consignments, revenues from the performance of locomotive crews and other revenues from rail freight transport.

**33.3. PURCHASE FROM RELATED PARTIES**

2021 (CZK million)	Assets	Material and energy	Services	Other expenses	Financial expenses	Total
České dráhy a.s.	60	463	112	10	4	649
ČD - Telematika a.s.	295	3	17	-	1	316
ČD - Informační Systémy, a.s.	39	2	124	-	-	165
DPOV, a.s.	28	4	18	-	-	50
JLV, a.s.	-	-	1	-	-	1
RAILLEX, a.s.	-	-	3	-	-	3
Ostravská dopravní společnost - Cargo, a.s.	-	-	72	-	-	72
<b>Total</b>	<b>422</b>	<b>472</b>	<b>347</b>	<b>10</b>	<b>5</b>	<b>1,256</b>

Purchases of assets mainly include the ETCS locomotive security system, component repairs and upgrades of traction rail vehicles and IT investments.

Purchases of services mainly include IT services, repairs and maintenance of traction vehicles and border services in freight transport.

Purchases from České dráhy, as in 2021 mainly represent diesel worth CZK 370 million and purchased spare parts worth CZK 68 million or other inventories.

2020 (CZK million)	Assets	Material and energy	Services	Other expenses	Financial expenses	Total
České dráhy a.s.	48	422	107	7	6	590
ČD - Telematika a.s.	111	2	18	-	1	132
ČD - Informační Systémy, a.s.	65	5	115	-	-	185
DPOV, a.s.	67	6	10	-	-	83
ČD Travel, s.r.o.	-	-	5	-	-	5
ČD Relax s.r.o.	-	-	9	-	-	9
Dopravní vzdělávací institut, a.s.	-	-	15	-	-	15
Výzkumný Ústav Železniční, a.s.	-	-	3	1	-	4
JLV, a.s.	-	-	2	-	-	2
RAILLEX, a.s.	-	-	5	-	-	5
Ostravská dopravní společnost - Cargo, a.s.	-	-	67	-	-	67
<b>Total</b>	<b>291</b>	<b>435</b>	<b>356</b>	<b>8</b>	<b>7</b>	<b>1,097</b>

Purchases of assets mainly represent the ETCS locomotive security system, type R and D repairs (components) and modernization of traction rail vehicles and IT investments.

Purchases of services mainly include IT services, repairs and maintenance of traction vehicles and border services in freight transport.

Purchases from České dráhy, as in 2020 mainly represent diesel worth CZK 328 million and purchased spare parts worth CZK 71 million or other inventories.

### 33.4. PURCHASES AND SALES OF INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS WITH RELATED PARTIES

#### 33.4.1. Sales

In 2021 and 2020, there were no significant sales to related parties.

#### 33.4.2. Purchases

Purchases (CZK million)	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	2021	2021	2020	2020
České dráhy, a.s.	-	60	-	48
ČD - Telematika, a.s.	-	295	-	111
ČD - Informační Systémy, a.s.	39	-	60	5
DPOV, a.s.	-	28	-	67
<b>Total</b>	<b>39</b>	<b>384</b>	<b>60</b>	<b>231</b>

Purchases of assets mainly represent the ETCS locomotive security system, component repairs and modernization of traction rail vehicles and IT investments.

### 33.5. LOANS FROM RELATED PARTIES

On 17 October 2016, the Company ČD Cargo, a.s. drew a loan from České dráhy, a.s., in the total amount of CZK 540 million to finance the purchase of Vectron locomotives of 383 series. As at 31 December 2020, the loan balance is divided into a long-term portion of CZK 137 million and a short-term portion of CZK 75 million. As at 31 December 2021, the remaining balance of the loan balance is divided into a long-term portion of CZK 59 million and a short-term portion of CZK 71 million. The loan is disclosed in Note 15 "Loans, borrowings and bonds".

ČD Cargo, a.s. is contractually secured by the Parent Company České dráhy, a.s. with the possibility of drawing financial resources up to CZK 700 million (above the Group cash-pooling limit, which is CZK 300 million). During 2021, this financial resource was not used.

### 33.6. RELATIONS WITH SPRÁVA ŽELEZNIC

In the accounting period 2021 and 2020, the costs incurred in relation to Správa železnic, s.o. predominantly include the fees for the allocation of capacity and use of the railway route. Furthermore, the Group also purchased electricity traction energy from Správa železnic, s.o. The costs for accounting periods 2021 and 2020 are disclosed in Note 26.

In 2021, the revenue of the Group includes sales from intrastate wagon consignment in the amount of CZK 21 million in particular. In 2020: CZK 13 million.

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Expenses and income of the Group resulting from the transactions conducted with Správa železnic, s.o. in 2021 and 2020 were as follows:

31 December 2021 (CZK million)	Expenses	Income
Operation of railway route	1	-
Use of the railway route and allocated route capacity	800	-
Property rental	13	-
Electric traction energy	626	-
Revenue from freight transportation	-	21
Performance of firefighter emergency services	1	-
Telecommunication services	42	-
Compensation of damages	7	-
Extraordinary events investigation	3	-
Repairs and maintenance	2	-
Other	13	24
<b>Total</b>	<b>1,508</b>	<b>45</b>

31 December 2020 (CZK million)	Expenses	Income
Operation of railway route	1	-
Use of the railway route and allocated route capacity	796	-
Property rental	12	-
Electric traction energy	687	-
Revenue from freight transportation	-	13
Performance of firefighter emergency services	1	-
Telecommunication services	41	-
Contractual fines and default interest	4	-
Compensation of damages	10	4
Extraordinary events investigation	3	-
Repairs and maintenance	2	-
Other	16	3
<b>Total</b>	<b>1,573</b>	<b>20</b>

As a result of the activities above, the Group records receivables and payables to Správa železnic, s.o.:

Receivables (CZK million)	31 Dec 2021	31 Dec 2020
Revenues from freight transportation	2	2
Estimated receivables	23	8
Other	6	51
<b>Total</b>	<b>31</b>	<b>61</b>

Payables (CZK million)	31 Dec 2021	31 Dec 2020
Use of the transport route and allocated railway capacity - freight transport	175	94
Uncollected capacity ŽDC*	-	4
Electric traction energy	19	31
Radio communication technology	13	5
Other	2	4
Estimated payables	63	148
Use of the transport route and allocated railway capacity - freight transport	-	68
Compensation of damages caused by extraordinary events	5	4
Electric traction energy	52	65
Radio communication technology	-	4
Heat supply	-	5
Other estimated payables	6	2
<b>Total</b>	<b>272</b>	<b>286</b>

\* untaken capacity of railway route

### 33.7. RELATIONS WITH THE ČEZ GROUP

The expenses incurred in relation to the ČEZ Group primarily include the purchased railway services and payments for heat energy. The income primarily includes the sales of freight transportation.

31 December 2021 (CZK million)	Expenses	Income
Use of railway route and allocated capacity of the railway	1	-
Revenues from freight transportation	-	89
Purchased railway services	36	-
Heat energy	10	-
<b>Total</b>	<b>47</b>	<b>89</b>

31 December 2020 (CZK million)	Expenses	Income
Use of railway route and allocated capacity of the railway	1	-
Revenue from freight transportation	-	107
Purchased railway services	12	-
Heat energy	9	-
Other	1	-
<b>Total</b>	<b>23</b>	<b>107</b>

Given the activities above, the Group records the following receivables from the ČEZ Group:

Receivables (CZK million)	31 Dec 2021	31 Dec 2020
Revenue from freight transportation	22	19
<b>Total</b>	<b>22</b>	<b>19</b>

Given the activities above, the Group records the following payables to the ČEZ Group:

Payables (CZK million)	31 Dec 2021	31 Dec 2020
Purchased railway services	11	7
Other	-	1
Estimated payables	-	1
Heat supply	-	1
<b>Total</b>	<b>11</b>	<b>9</b>

### 33.8. RELATIONS WITH OTHER RELATED PARTIES

As part of other relationships with the state, state-owned companies and organisations, the Group undertook transactions mainly relating to taxes and fees (VAT, tax payable, customs duties and charges, etc.).

## 34. Non-Controlling Interests

### 34.1. EQUITY – NON-CONTROLLING INTERESTS

31 December 2021 (CZK million)	Terminal Brno, a.s.	ČD-DUSS Terminál, a.s.	Total
<b>Non-controlling interests of</b>	<b>33.07 %</b>	<b>49 %</b>	
<b>Share capital</b>	<b>24</b>	<b>2</b>	<b>26</b>
Retained earnings – current period	1	2	3
Retained earnings	6	10	16
<b>Total</b>	<b>31</b>	<b>14</b>	<b>45</b>

31 December 2020 (CZK million)	Terminal Brno, a.s.	ČD-DUSS Terminál, a.s.	Celkem
<b>Non-controlling interests of</b>	<b>33.07 %</b>	<b>49 %</b>	
<b>Share capital</b>	<b>24</b>	<b>2</b>	<b>26</b>
Retained earnings – current period	2	4	6
Retained earnings	3	7	10
<b>Total</b>	<b>29</b>	<b>13</b>	<b>42</b>

1 January 2020 (CZK million)	Terminal Brno, a.s.	ČD-DUSS Terminál, a.s.	Celkem
<b>Non-controlling interests of</b>	<b>33.07 %</b>	<b>49 %</b>	
<b>Share capital</b>	<b>24</b>	<b>2</b>	<b>26</b>
Retained earnings – current period	2	3	5
Retained earnings	2	3	5
<b>Total</b>	<b>28</b>	<b>8</b>	<b>36</b>

### 34.2. SUMMARY OF FINANCIAL INFORMATION – COMPANIES WITH NON-CONTROLLING INTERESTS

31 December 2021 (CZK million)	Terminal Brno, a.s.	ČD-DUSS Terminál, a.s.
<b>Total assets</b>	<b>96</b>	<b>33</b>
Non-current assets	72	11
Current assets	24	22
<b>Total liabilities</b>	<b>4</b>	<b>3</b>
Current liabilities	-	-
Net assets	92	30
<b>Share of net assets – non-controlling interests</b>	<b>30</b>	<b>15</b>
<b>Share of net assets – the Group</b>	<b>62</b>	<b>15</b>

31 December 2020 (CZK million)	Terminal Brno, a.s.	ČD-DUSS Terminál, a.s.
<b>Total assets</b>	<b>93</b>	<b>32</b>
Non-current assets	67	11
Current assets	26	21
<b>Total liabilities</b>	<b>5</b>	<b>5</b>
Current liabilities	5	5
Net assets	88	27
<b>Share of net assets – non-controlling interests</b>	<b>29</b>	<b>13</b>
<b>Share of net assets – the Group</b>	<b>59</b>	<b>14</b>

(CZK million)	2021	2020
Total income	83	91
Profit for the period	7	15
<b>Share of net assets – non-controlling interests</b>	<b>3</b>	<b>6</b>
<b>Share of net assets – the Group</b>	<b>4</b>	<b>9</b>

## 35. Financial Instruments

### 35.1. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while optimizing the balance between external and own resources. The target maximum ratio of the Group between external and own resources is 75 % to 25 % according to banking requirements.

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

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(CZK million)	Note	31 Dec 2021	31 Dec 2020
Loans, borrowings and bonds	15	14,998	12,665
Cash and cash equivalents	12	(1,147)	(686)
<b>Total net debt</b>		<b>13,851</b>	<b>11,979</b>

(CZK million)	Note	31 Dec 2021	31 Dec 2020
Share capital	13	8,494	8,494
Capital funds	13	498	413
Retained earnings		755	470
<b>Total equity</b>		<b>9,747</b>	<b>9,377</b>

The Group is not subject to any capital requirements from the external parties.

The Board of Directors and the Supervisory Board of the Parent Company are regularly informed about the development of debt. Any additional debt is subject to approval by the Parent Company's statutory bodies, i.e. the Board of Directors and the Supervisory Board.

### 35.2. CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial assets under IFRS 9 (CZK million)	Classes of financial assets	Note	31 Dec 2021	31 Dec 2020
Financial assets at amortised cost	Cash and cash equivalents	12	1,147	686
	Trade receivables	9	1,810	1,700
	Other financial assets	10	98	141
<b>Total</b>			<b>3,055</b>	<b>2,527</b>

Categories of financial assets under IFRS 9 (CZK million)	Classes of financial assets	Note	31 Dec 2021	31 Dec 2020
Financial liabilities at amortised cost	Secured loans	15	2,244	1,326
	Leasing liabilities	15	3,620	3,488
	Issued bonds	15	4,284	4,784
	Loans	15	4,849	3,067
	Trade payables	14	2,877	1,988
	Liabilities arising from supplier loans	17	1	18
	Liabilities from settlement agreements	17	-	-
	Other financial liabilities	17	132	150
<b>Total</b>			<b>18,007</b>	<b>14,841</b>

Categories of financial assets under IFRS 9 (CZK million)	Classes of financial assets	Note	31 Dec 2021	31 Dec 2020
Financial assets at fair value presented in statement of profit or loss	Other financial assets - derivatives used in hedge accounting	10	97	54
Financial liabilities at fair value presented in statement of profit or loss	Other financial liabilities - derivatives used in hedge accounting	17	15	20

Financial instruments are measured at fair value (level 2). This measurement is based on inputs other than quoted prices used at level 1; this information can be obtained from the asset or liability directly (i.e. prices) or indirectly (i.e. data derived from prices), as described in Note 35.10.3.

Income from individual classes of financial assets is as follows:

Class of financial asset (CZK million)	2021	2020	Presented in statement of profit or loss
Interest on cash and cash equivalents	-	2	Financial income
Interest on financial leasing receivables	2	-	Financial income
<b>Total</b>	<b>2</b>	<b>2</b>	

Impairment losses on financial assets are presented in the note Trade receivables (Note 9) and Other financial assets (Note 10). No impairment was noted with regard to any other class of financial assets.

### 35.3. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Department of Financial Management and Risks monitors and manages the financial risks related to the operations of the Group. Financial risks include market risks (currency, interest rate and commodity risk), credit risk and liquidity risk.

### 35.4. INTEREST RATE RISK MANAGEMENT

The Group is not exposed to interest rate risk as it has loans and borrowings with fixed interest rates.

### 35.5. CURRENCY RISK MANAGEMENT

The Group, in the context of its market position and business strategy, is in a position where inputs are purchased primarily in CZK, but services (particularly on income from international transport) are widely sold in foreign currency, primarily in EUR. This leads to disproportion between monetary inputs and outputs (surplus of EUR). Group in accordance with the risk management strategy concludes currency forwards, par-forwards and options to cover future payments received (monetary balance) denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets, net of the impact of currency hedging, at the end of the reporting period are as follows:

31 Dec 2021 (CZK million)	EUR	USD	Other	Total
Financial assets	1,541	6	-	1,547
Financial liabilities	(1,134)	(9)	(2)	(1,145)
<b>Total</b>	<b>407</b>	<b>(3)</b>	<b>(2)</b>	<b>402</b>

31 Dec 2020 (CZK million)	EUR	USD	Other	Total
Financial assets	1,168	4	-	1,172
Financial liabilities	(858)	(11)	(2)	(871)
<b>Total</b>	<b>310</b>	<b>(7)</b>	<b>(2)</b>	<b>301</b>

### 35.5.1. Foreign currency sensitivity analysis

The exposure to currency risks is measured by a sensitivity analysis. The Group is exposed to the currency risk due to:

- changes in the value of unhedged cash items denominated in foreign currencies;
- changes in the fair value of concluded financial derivatives.

The following table shows the impact that the strengthening of the Czech currency by CZK 1 with regard to the relevant foreign currencies would have on the profit and other comprehensive income. A positive value indicates an increase in the profit and other comprehensive income, negative value indicates a decrease in the profit and other comprehensive income:

(CZK million)	2021	2020
Translation of items denominated in foreign currencies at the end of the period	(16)	(11)
Change in the fair value of derivatives at the end of the period	-	(7)
<b>Total impact on the profit for the period</b>	<b>(16)</b>	<b>(18)</b>
Change in the fair value of derivatives at the end of the period	80	84
<b>Total impact on the other comprehensive income</b>	<b>80</b>	<b>84</b>

If the Czech currency weakened by CZK 1, the values would be the same with the opposite sign only.

### 35.5.2. Currency forwards and options

The Group in accordance with the risk management strategy concludes currency forwards and options to cover future payments received denominated in foreign currencies with a predetermined hedging ratio of 1:1. The hedge ratio is determined by comparing the amount of the hedged item and the hedging instrument used. This calculation is based on a currency par forward contract that reduces the currency risk resulting from the exchange rate fluctuation of the national currencies and the planned revenues in EUR generated by the Group. The hedge ratio is regularly monitored in relation to the risk management objectives.

The effectiveness of hedging is regularly measured on the basis of a comparison of key terms (critical terms). In the case of currency hedging, it is mainly the nominal value. The control against „reinsurance“ of currency risk is monitored on the basis of the above-mentioned hedge report and is fulfilled thanks to the Financial Risk Management Strategy and the determination of the maximum amount of hedging of expected income.

The nominal value of currency forwards is lower than the future expected balance in EUR, ie. More than 25 % of the estimated revenue in EUR is never secured. The CZK/EUR exchange rate is provided, which then transforms foreign currency income (EUR) into the functional currency (CZK). As at 31 December 2021, the maximum volumes for hedging are set by the Financial Risk Management Strategy in ČD Cargo, a.s., as follows:

- for 2022 a maximum 25 % of EUR revenues,
- for 2023 a maximum 20 % of EUR revenues,
- for 2024 a maximum 15 % of EUR revenues,

As at 31 December 2020, the maximum volumes for hedging were set by the Financial Risk Management Strategy in ČD Cargo, a.s., as follows:

- for 2021 a maximum 25 % of EUR revenues,
- for 2022 a maximum 20 % of EUR revenues,
- for 2023 a maximum 15 % of EUR revenues,



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Monetary hedging was contracted under regular market conditions (without premium payment), the fair value of derivatives was nil as at the hedge date. Based on the above, the Group expects that the hedging relationship will be effective for its entire period. The result of the transaction is the predictable (fixed) amount of the CZK/EUR exchange rate obtained from the sale of EUR revenues of the Group.

The effectiveness of hedging will be measured by comparing critical terms. As credit risk is not part of the hedged risk, credit risk affects only changes in the value of the hedging instrument. Credit risk arises from the credit rating of the company and the bank, which is counterparty of currency par-forward. The credit risk is associated with both the bank and the Group and is considered minimal and will be reassessed when a significant change in circumstances occurs in one of the parties.

Potential causes of possible inefficiencies may arise on the basis of spread. Another factor may be time discrepancy. The Company does not hedge specific business cases, but only the volume of the planned balance. The above points are considered by the Company to be insignificant or highly unlikely and hence considers currency hedging to be effective.

The table shows outstanding foreign currency forwards and options for the sale of the foreign currency as at:

(CZK million)	Average hedged currency exchange rate	Foreign currency	Nominal value	Fair value
31 Dec 2021	27,118	EUR	2 278	61
31 Dec 2020	27,048	EUR	2 272	54

Open foreign currency forwards and options to purchase foreign currency were not closed in 2021. No foreign currency forwards and options to purchase foreign currency were concluded in 2020.

#### Expected realisation of hedged items by foreign currency forwards and options

Expected cash flows of hedged future sales in EUR have the following structure:

31 December 2021 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 year - 5 years	5 years and more	Total
Hedged future sales in EUR	75	149	671	1,193	-	2,088

31 December 2020 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 year - 5 years	5 years and more	Total
Hedged future sales in EUR	105	210	945	945	-	2,205

#### 35.6. CREDIT RISK MANAGEMENT

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises as a result of the Group's business activities (trade receivables) and from activities related to financial market transactions. In quantifying credit risk, the Group uses several basic criteria, where the most important measure is the risk related to the threat of counterparty default, which may have a negative impact on the Group's profit or loss and cash flow. In addition to the support of internal departments, the Group also uses the services of external information suppliers to analyze counterparties. The eventual insolvency of a partner may lead to immediate losses with an adverse effect on the Group's operations.

Sources of credit risk associated with the threat of counterparty default:

- Company customers,
- Financial institutions.

For this reason, the approval of business activities with new counterparties is subject to standardized approval procedures by authorized departments. Credit risk management includes active debt management, where standard financial market instruments such as prepayments and bank guarantees are used to reduce risks.

Financial assets that expose the Group to potential credit risk consist of cash and cash equivalents, trade receivables and financial derivative contracts. The Group's cash is deposited with reputable domestic financial institutions. In terms of business, the Group is mainly exposed to the following types of credit risk:

- Direct credit risk,
- Credit equivalent risk.

Direct credit risk most often takes the form of receivables from current business relationships and within them it is the provision of business loans, acceptance of bills of exchange, the area of retention and financial assistance to companies outside the Group. The customer's credit quality is assessed individually, with the Group taking into account its financial position, customer experience and other factors.

At the same time, the development of the amount of receivables, revenues and transport performance according to individual companies is monitored by means of reports. The overview shows the payment morale of individual customers according to the selected time period.

The expected credit loss rates are determined according to the payment profile and sales for the 6 years preceding 31 December 2021 on the basis of historical actual credit losses. Historical credit loss rates are adjusted to take into account future expected developments in macroeconomic variables, which in turn have an impact on customers' solvency. The Group examined a number of variables (GDP, industrial indices, etc.) and their possible correlation to customers' solvency. As no reliable correlation has been identified, the Group focuses on an individual assessment of customers' credibility and, above all, their future ability and willingness to pay their obligations to the Group. The analyzes were performed on the basis of conditions and expectations as at 31 December 2021.

**Overview of impairment for short-term receivables**

31 December 2021 (CZK million)	Before due date		Past due date (days)				Total
		1 - 30	31 - 90	91 - 180	181 - 365	over 365 days	
Expected credit loss rate *	1%	1%	6%	7%	50%	100%	5%
Short-term trade receivables - Gross residual value	1,634	140	34	14	4	88	1,914
<b>Expected credit loss</b>	<b>(10)</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</b>	<b>(2)</b>	<b>(76)</b>	<b>(92)</b>
Individual expected credit loss	-	-	-	-	-	(12)	(12)
<b>Expected credit loss total</b>	<b>(10)</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</b>	<b>(2)</b>	<b>(88)</b>	<b>(104)</b>
<b>Net value of receivables</b>	<b>1,624</b>	<b>139</b>	<b>32</b>	<b>13</b>	<b>2</b>	<b>1</b>	<b>1,810</b>

\*impairment matrix = % of allowance from historical developments + % of considered future development = % of total allowance

31 December 2020 (CZK million)	Before due date		Past due date (days)				Total
		1 - 30	31 - 90	91 - 180	181 - 365	over 365 days	
Expected credit loss rate *	3%	0%	4%	60%	80%	99%	8%
Short-term trade receivables - Gross residual value	1,630	72	49	5	10	88	1,854
<b>Expected credit loss</b>	<b>(53)</b>	<b>-</b>	<b>(2)</b>	<b>(3)</b>	<b>(8)</b>	<b>(87)</b>	<b>(153)</b>
Individual expected credit loss	(1)	-	-	-	-	-	(1)
<b>Expected credit loss total</b>	<b>(54)</b>	<b>-</b>	<b>(2)</b>	<b>(3)</b>	<b>(8)</b>	<b>(87)</b>	<b>(154)</b>
<b>Net value of receivables</b>	<b>1,576</b>	<b>72</b>	<b>47</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1,700</b>

\* impairment matrix = % of allowance from historical developments + % of considered future development = % of total allowance

Movement of allowances for doubtful debts (CZK million)	2021	2020
<b>Allowances as at 1 January</b>	<b>154</b>	<b>100</b>
Creation of allowances – trade receivables	36	69
Use of allowances – trade receivables	(74)	(14)
Write-offs – trade receivables	(12)	(1)
<b>Allowances as at 31 December</b>	<b>104</b>	<b>154</b>

The Group seeks to trade only with creditworthy counterparties whom the Group reviews on an ongoing basis using publicly available information and internal data. The Group's exposure and credit ratings of its counterparties are continuously monitored.

Standard instruments (deposits, payment terms, customer tracking, internal tools etc.) are used in various combinations for additional hedge of potential risk receivables. The offsetting policy for receivables and liabilities is being actively applied to improve the liquidity of the companies within the Group. At the same time, the Parent Company is applying continuous monitoring of individual receivables by individual companies and by default periods with special attention to receivables with more than 15 days overdue. Individual responsible employees of the Parent Company and the senior staff of the Re-

ceivables Commission are continuously engaged in past due receivables development. There is no significant concentration of credit risk from the perspective of customers, industries or regions.

The credit quality of receivables that are not overdue or otherwise impaired is good and corresponds to the carrying amount. In connection with the application of the IFRS 9 standard, receivables due are also assessed according to credit risk. The Group evaluates them according to historical experience, which has been adjusted for randomness, and also reflected the macroeconomic impact on the development of payment morale of customers. The percentage of net allowance was set at 0.4% for overdue receivables (0.4% in 2020).

Amount of receivables (CZK million)	2021	2020
Percentage of net allowance creation	0.4%	0.4%
Gross receivables – not overdue	1,634	1,630
<b>Allowance – not overdue</b>	<b>(7)</b>	<b>(6)</b>

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned (the investment grade is required), see Note 12.

### 35.7. COMMODITY RISK MANAGEMENT

The Group is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically diesel and electricity, is a significant cost item of the Group. The Group manages this risk using a combination of several instruments as follows:

- conclusion of mid-term hedging derivatives for diesel purchase,
- the risk arising from the purchase of electricity from the relevant supplier is eliminated by the purchase of the annual consumption at the fixed contractual price.

#### 35.7.1. Analysis of sensitivity to changes in commodity prices

The exposure to the change in the price of commodities is measured by the sensitivity analysis. The Group is exposed to the risk of changes in prices of commodities due to change in the fair value of concluded financial derivatives.

The following table shows the impact that an increase in the diesel price of 10 % would have on the profit and other comprehensive income. A positive value indicates the increase in the profit and other comprehensive income, a negative value indicates a decrease in the profit and other comprehensive income:

(CZK million)	2021	2020
Change in the fair value of derivatives at the end of the period	-	-
<b>Total impact on the profit for the period</b>	-	-
Change in the fair value of derivatives at the end of the period	7	11
<b>Total impact on other comprehensive income</b>	<b>7</b>	<b>11</b>

If the diesel price was reduced by 10 %, the values would be the same with the opposite sign only.

#### 35.7.2. Commodity derivatives

In line with the requirements for managing commodity risk, the Group has entered into contracts to secure fluctuations in traction diesel prices. The hedge was made in the form of a commodity swap, which consists in determining the fixed price of traction diesel.

The hedge ratio of the hedging relationship is the same as the ratio between the amount of the hedged item and the hedging instrument used, in this case the ratio is 1:1. The hedging ratio is determined by comparing the amount of the hedged item and the hedging instrument used. This calculation is based on a commodity swap agreement that compensates for the purchase of the hedged volume of planned consumption under the approved Financial Risk Management Strategy. The Group is aware that risk components such as excise duties, merchant margins, etc. are included in the hedge ratio calculation, but their effect on the amount is insignificant. The hedge ratio is regularly monitored in relation to the risk management objectives.

The economic relationship between the hedging instrument and the hedged item is described using the following parameters.

The effectiveness of hedging will be measured by comparing critical parameters. Given that the key characteristics of the hedging instrument fully correspond to the characteristics of the hedged item, the management of ČD Cargo, as expects high hedging efficiency. At the same time, a correlation test is performed, where the actual purchase prices of diesel per liter and the secured price of the derivative (diesel) at settlement are compared retrospectively. The correlation coefficient in 2021 was 98.08 %, thus confirming the high efficiency of the derivative.

The nominal value of guaranties is lower than the future projected volumes of purchased diesel, i.e. never more than 80 % of the prepaid volume of purchased diesel is secured. The commodity Platts ULSD 10ppm FOB Barge Rotterdam is secured. The guarantee is also

carried out in CZK, eliminating the risk arising from the CZK/USD exchange rate fluctuation. As at 31 December 2021, the maximum volumes for hedging are set by the Financial Risk Management Strategy in ČD Cargo, a.s., as follows:

- for 2022, a maximum of 80 % of the underlying asset (expected volume of diesel purchased);
- for 2023, a maximum of 65 % of the underlying asset (expected volume of diesel purchased);
- for 2024, a maximum of 50 % of the underlying asset (expected volume of diesel purchased).

The maximum volumes for reinsurance were as of 31 December 2020

- for 2021, a maximum of 80 % of the underlying asset (expected volume of diesel purchased);
- for 2022, a maximum of 65 % of the underlying asset (expected volume of diesel purchased);
- for 2023, a maximum of 50 % of the underlying asset (expected volume of diesel purchased).

Commodity hedging was contracted under regular market conditions (without premium payment), the fair value of derivatives was nil as at the trade date. Based on the above, the Group expects that the hedging relationship will be effective for its entire period. The result of the transaction is the predictable amount of the price of the purchased volume of diesel.

As credit risk is not part of the hedged risk, credit risk affects only changes in the value of the hedging instrument. Credit risk arises from the credit rating of the Group and the bank, which is counterparty of commodity swap. The credit risk is associated with both the bank and the Company and is considered minimal and will be reassessed when a significant change in circumstances occurs in one of the parties.

Potential causes of potential inefficiency may arise due to unsecured components of the total diesel price (i.e. various surcharges, the impact of biodiesel prices, excise duty, etc.) and a significant decline in the counterparty's creditworthiness. In this case, the Group carries out a correlation test for the diesel price. The Group provides the Platts ULSD 10ppm FOB Barge Rotterdam with the total purchase price of the diesel fuel, and as collateral is carried out in CZK, the currency risk of the USD/CZK pair is also eliminated. Other items that make up the diesel price are fixed or have very low volatility. The above points are considered by the Group to be insignificant or highly unlikely and therefore considers commodity security to be effective.

The table shows outstanding commodity contracts for the purchase of diesel as at the end of the accounting period:

Purchase of diesel	Hedged average price (CZK/mt <sup>a</sup> )	Volume of contract (mt <sup>a</sup> )	Fair value (CZK million)
31 December 2021	10,214	4,800	21
31 December 2020	10,964	12,000	(20)

<sup>a</sup> mt = metric ton

#### Expected realisation of hedged items by commodity derivatives

The following table shows the expected cash flows of the hedged future purchases of diesel:

31 December 2021 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Hedged future purchases of diesel	6	12	53	-	-	<b>71</b>

31 December 2020 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Hedged future purchases of diesel	5	11	48	43	-	107

### 35.8. LIQUIDITY RISK MANAGEMENT

The liquidity risk in the Group is managed with regard to the permanent provision of a sufficient volume of available funds necessary for the settlement of financial liabilities.

The Group manages its capital to ensure that it is able to continue as a going concern while optimising the debt and equity balance between liabilities and equity (more information regarding the open lines of credit is described in the section 35.8.2).

On a daily basis, the Group assesses the available funds and cash flows and liquidity development. Pursuant to these assessments, the Group decides on an optimal use of operating financial sources, consisting primarily of overdraft loans and the cash-pooling limit. In order to strengthen its financial stability, the Group secures long-term financial sources on a continuous basis.

As at 31 December 2021, the Group had issued bonds in the aggregate amount of CZK 4,270 million. The Group has also a promissory note programme in the total amount of CZK 1,500 million and has contracted the possibility of drawing funds of up to CZK 700 million beyond the cash-pooling limit (CZK 300 million) from the Parent Company České dráhy. During the years 2020 and 2021, the promissory note programme was not used by the Group.

The total overdraft facility limit for the Group has a credit facility of CZK 2,018 million, the unused amount as at 31 December 2021 is CZK 1,937 million. The total limit as at 31 December 2020 for the overdraft facility for the Group was CZK 1,985 million, the unused amount was CZK 1,875 million.

Investment loans (CZK million)	Raiffeisenbank	UniCredit Bank	ING Bank	EIB	Tatrabanka	Total
<b>Framework as of 31 Dec 2019</b>	-	-	-	-	31	-
<b>Unused amount as of 31 Dec 2019</b>	-	-	-	-	-	-
Change in framework in 2020	-	2,000	1,000	3,427	-	6,427
Exchange rate change	-	-	-	(15)	1	(14)
<b>Framework as of 31 Dec 2020</b>	-	2,000	1,000	3,412	32	6,444
<b>Unused amount as of 31 Dec 2020</b>	-	200	-	3,412	-	3,612
Change in framework in 2021	1,000	-	500	-	26	1,526
Change in exchange rate	-	-	-	(180)	(1)	(181)
<b>Framework as of 31 Dec 2021</b>	1,000	2,000	1,500	3,232	57	7,789
<b>Unused amount as of 31 Dec 2021</b>	-	-	-	2,732	-	2,732

During 2020, three new investment loans were implemented with a total credit limit of CZK 3,000 million. As at 31 December 2020, CZK 2,800 million had been drawn from this credit facility.

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During 2021, two new investment loans were implemented with a total credit limit of CZK 1,500 million. As at 31 December 2021, the entire credit line was drawn. At the same time, an investment loan from 2020 in the amount of CZK 200 million was drawn down during the year.

In December 2020, a loan agreement was signed with the European Investment Bank. According to the contractual conditions, the total amount of the loan facility is set at EUR 130 million (CZK 3,427 million). This credit line will be gradually used in the coming years to finance the Group's pre-selected investment projects. In 2021, the first tranche of CZK 500 million was drawn. The balance of the undrawn amount of the investment loan as at 31 December 2021 is CZK 2,732 million.

In January 2019, an investment loan was made with CD Cargo Slovakia, s.r.o., in the amount of CZK 31 million. The balance of the investment loan as at 31 December 2021 is CZK 11 million.

In August 2021, an investment loan was made with CD Cargo Slovakia, s.r.o., in the amount of CZK 26 million. The balance of the investment loan as at 31 December 2021 is CZK 23 million.

Overview of investment loans:

Bank: UniCredit Bank, a.s.
Date of agreement: 13 March 2020
Loan amount: CZK 1,000 million
Drawn: CZK 1,000 million (18 March 2020)
Interest rate: 2.05 %
Payments: quarterly, linear
1. payment: 30 June 2020
Maturity date: 29 March 2030

Bank: ING Bank, N.V.
Date of agreement: 7 September 2020
Loan amount: CZK 1,000 million
Drawn: CZK 1,000 million (23 November 2020)
Interest rate: 1.53 %
Payments: semi-annual, annuity
1. payment: 31 August 2021
Maturity date: 31 August 2027

Bank: UniCredit Bank, a.s.
Date of agreement: 9 September 2020
Loan amount: CZK 1,000 million
Drawn: CZK 800 million (CZK 600 million has been drawn as at 22 December 2020, CZK 200 million has been drawn as at 30 December 2020)
Interest rate: 1.79 %
Payments: quarterly, linear
1. payment: 31 March 2021
Maturity date: 31 December 2027

Bank: ING bank, a. s.
Date of agreement: 27 April 2021
Loan amount: CZK 500 million
Drawn: CZK 500 million (11 June 2021)
Interest rate: 2.46 %
Payments: semi-annual
1. payment: 30 June 2022
Maturity date: 30 June 2028

Bank: Raiffeisenbank, a. s.
Date of agreement: 8 September 2021
Loan amount: CZK 1,000 million
Drawn: CZK 1,000 million (14 September 2021)
Interest rate: 2.97 %
Payments: semi-annual
1. payment: 30 June 2022
Maturity date: 30 June 2031

EIB loan - first tranche
Date of agreement: 15 December 2020
Amount of the first tranche: CZK 500 million
Interest rate: 2.384 %
Payments: quarterly with a 2-year delay
1. payment: 2 July 2023
Maturity date: 2 July 2031

Tatrabanka loan
Date of agreement: 25 January 2018
Amount: EUR 1,2 million
Interest rate: 1,6 %
Payments: monthly
1. payment: 31 January 2019
Maturity date: 31 August 2023

Tatrabanka loan
Date of agreement:
Amount: EUR 1,0 million
Interest rate: 1M EURIBOR + 1,2 % p.a.
Payments: monthly
1. payment: 31 August 2021
Maturity: 31 July 2027

**35.8.1. Liquidity risk tables**

The following tables present the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

31 Dec 2021 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Trade payables and other financial liabilities not covered below	1,383	977	649	1	-	3,010
Hedging derivatives – net	-	-	-	15	-	15
Gross outgoing cash flows	-	-	-	715	-	715
Gross incoming cash flows	-	-	-	(700)	-	(700)
Secured loans	9	112	354	1,118	853	2,446
Lease liabilities	5	209	634	2,254	638	3,740
Fixed interest rate instruments – loan	85	167	581	2,862	1,600	5,295
Fixed interest rate instruments – bonds	7	15	97	3,541	1,011	4,671
<b>Total</b>	<b>1,489</b>	<b>1,480</b>	<b>2,315</b>	<b>9,791</b>	<b>4,102</b>	<b>19,177</b>

31 Dec 2020 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Trade payables and other financial liabilities not covered below	1,270	651	232	2	-	2,155
Hedging derivatives – net	1	3	12	4	-	20
Gross outgoing cash flows	1	3	12	4	-	20
Gross incoming cash flows	-	-	-	-	-	-
Secured loans	-	78	233	724	274	1,309
Lease liabilities	4	228	583	2,183	757	3,755
Fixed interest rate instruments – loan	5	76	443	1,751	991	3,266
Fixed interest rate instruments – bonds	-	-	616	1,821	2,826	5,263
<b>Total</b>	<b>1,280</b>	<b>1,036</b>	<b>2,119</b>	<b>6,485</b>	<b>4,848</b>	<b>15,768</b>

The following tables present the Group's expected maturity for its financial assets. The tables have been drawn up based on the undiscounted residual maturities of financial assets. The tables include both interest and principal cash flows.

31 Dec 2021 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Financial assets at amortised cost	2,395	562	35	56	7	3,055
Hedging derivatives	7	18	64	8	-	97
<b>Total</b>	<b>2,402</b>	<b>580</b>	<b>99</b>	<b>64</b>	<b>7</b>	<b>3,152</b>

31 Dec 2020 (CZK million)	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and more	Total
Financial assets at amortised cost	1,812	535	140	40	-	2,527
Hedging derivatives	2	4	18	30	-	54
<b>Total</b>	<b>1,814</b>	<b>539</b>	<b>158</b>	<b>70</b>	<b>-</b>	<b>2,581</b>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.



**35.8.2. Financing facilities**

Changes in financing commitments including changes not only from cash flows but also from non-monetary changes are presented in the following table:

(CZK million)	Loans – short-term	Loans – long-term	Leasing liabilities – short-term	Leasing liabilities – long term	Secured loans – short-term	Secured loan – long-term	Issued bonds – short-term	Issued bonds – long-term	Total
<b>Liabilities from financing activities as at 1 January 2020</b>	<b>391</b>	<b>317</b>	<b>638</b>	<b>2,353</b>	<b>323</b>	<b>1,239</b>	<b>1,026</b>	<b>3,765</b>	<b>10,052</b>
Cash flows from financing activities	(445)	2,800	(791)	-	(378)	49	(1,000)	987	1,222
<i>Credit, loans and bonds drawings</i>	-	2,800	-	-	-	49	-	987	3,836
<i>Credit, loans and bonds repayments</i>	(445)	-	-	-	(378)	-	(1,000)	-	(1,823)
<i>Lease payments</i>			(791)	-	-	-	-	-	(791)
<b>Non-monetary flows</b>									
Consequences of changes in exchange rates	(7)	8	68	-	18	-	-	-	87
Loans and credits classified as at 1 January 2019 as long-term, which became short-term during 2020	543	(543)	757	(757)	352	(352)	500	(500)	-
Other non-monetary movements	2	1	57°	1,163°	(1)	76	(2)	8	1,304
<b>Liabilities from financing activities as at 31 Dec 2020</b>	<b>484</b>	<b>2,583</b>	<b>729</b>	<b>2,759</b>	<b>314</b>	<b>1,012</b>	<b>524</b>	<b>4,260</b>	<b>12,665</b>
Cash flows from financing activities	(427)	2,223	(846)	-	(339)	1,278	(500)	-	1,389
<i>Credit, loans and bonds drawings</i>		2,223	-	-	-	1,278	-	-	3,501
<i>Credit, loans and bonds repayments</i>	(427)	-	-	-	(339)	-	(500)	-	(1,266)
<i>Lease payments</i>			(846)	-	-	-	-	-	(846)
<b>Non-monetary flows</b>									
Consequences of changes in exchange	(11)	(2)	(138)	(8)	-	(21)	-	-	(180)
Loans and credits classified as at 31 December 2020 as long-term, which became short-term during 2021	686	(686)	1,008	(1,008)	409	(409)	7	(7)	-
Other non-monetary movements	-	-	54°	1,070°	39	(39)	-	-	1,124
<b>Liabilities from financing activities as at 31 Dec 2021</b>	<b>732</b>	<b>4,118</b>	<b>807</b>	<b>2,813</b>	<b>423</b>	<b>1,821</b>	<b>31</b>	<b>4,253</b>	<b>14,998</b>

°other non-monetary movements in the lease liability columns are due to the recalculation of the value of the lease contract for an indefinite period as at 31 December 2021, the increase in new contracts and the disposal of contracts for the period under IFRS 16

The Group uses the following financing facilities:

(CZK million)	31 Dec 2021	31 Dec 2020
Cash-pooling:		
– loan facility at	300	300
Overdraft loans:		
– loan facility at	2,018	1,985
Promissory note programme*:		
– loan facility at	1,500	1,500
<b>Total</b>	<b>3,818</b>	<b>3,785</b>

\*the internal promissory note programme is approved for a maximum of CZK 1,500 million, with framework agreements in amount of CZK 2,000 million approved for individual banks

As at 31 December 2021, an overdraft loan in the amount of CZK 81 million was drawn (in 2020 in the amount of CZK 110 million), the Group did not draw on the other credit lines disclosed.

### 35.9. STRATEGY FOR THE GROUP'S FINANCING IN SUBSEQUENT YEARS

#### 35.9.1. Secured loans

In 2019, a secured loan was concluded with ČSOB Leasing, a.s., for the purpose of financing 4 Siemens Vectron traction vehicles (traction vehicles of 383 series). The contractual loan term is 120 months and the fixed interest rate is 1.34 % p.a. The loan was made in EUR. In the same year, a secured loan was concluded with ČSOB Leasing, a.s. to finance 4 Effishunter traction vehicles (traction vehicles of 744 series). The contractual loan term is 120 months with the fixed interest rate of 1.91 % p.a. The loan was made in CZK. With the same parameters, another contract was implemented in January 2020 with ČSOB Leasing a.s., in order to finance 1 Effishunter railway traction vehicle (traction vehicles of 744 series). In 2021, a secured loan was concluded with Raiffeisen leasing, a.s., for the purpose of financing 254 wagons of Sggrs series. The contractual loan term of the lease is 120 months. A fixed interest rate was agreed at 2.31 % p.a. The loan was made in CZK. Another secured loan contract was concluded with SGEF for the purpose of financing 127 wagons of Sggrs/Sgmmrs series. The contractual loan term is 120 months. A fixed interest rate was agreed at 2.29 % p.a. The loan was made in CZK. Other secured loans were concluded with Raiffeisen leasing to finance 4 Effishunter traction vehicles (traction vehicles of 744 series). The contractual loan term is 120 months. A fixed interest rate was agreed at 2.92 % p.a. The loans were made in CZK.

In the second half of 2021, CD Cargo Poland Sp. z o.o., entered into a secured loan agreement for 149 "Falls" freight wagons at Millennium Bank. A total of three tranches with a total value of CZK 196 million (EUR 7.6 million) were made.

In connection with the planned investments, it is expected that the Group will be using financing in the form of secured loans in the subsequent years.

#### 35.9.2. Operating bank loans

In funding its operating needs, the Group has overdraft limits on loans in the maximum amount of CZK 2,018 million provided by six banks. The stratification of the lending to several financing entities sufficiently diversifies related risks.

#### 35.9.3. Promissory note programme

The Group has the possibility to use the promissory note programme approved by the Supervisory Board, if needed. The promissory note programme is approved in the amount of CZK 1,500 million. The promissory note programme can be covered by a combination of drawdowns from two banks in the total amount of CZK 2,000 million (ČSOB CZK 500 million and Komerční banka CZK 1,500 million). The supervisory Board of ČD Cargo, a.s., must be informed about the intention of drawing over CZK 1,000 million. During 2021 and 2020, the promissory note programme was not used, however the promissory note framework is left as a form of short-term financing provision, directly independent of bank resources.

#### 35.9.4. Possibility of a loan being provided by České dráhy, a.s.

ČD Cargo, a.s., has contractually secured with the Parent Company České dráhy, a.s., the possibility to draw up financial resources of up to CZK 700 million (beyond the limit of group cash-pooling). During 2021, this financial resource was not used.

#### 35.9.5. Bond

With a view to securing the mid-term and long-term resources of funding to increase the stability of the Group's cash flows, the relevant bodies of the Parent Company ČD Cargo, a.s., approved the bond programme in the aggregate amount of CZK 6 billion for 10 years, which was updated in 2015 to the current legal status (effective for new issuance). Subsequently, in 2021, a new bond programme, valid for another 10 years, was issued. On the basis of the first bond programme, the first, second and third issues were gradually realised in 2011 with the aggregate nominal value of CZK 2,000 million. In 2012, a second issue of bonds was realised by the issuance of two tranches of bonds with a total nominal value of

CZK 500 million. In 2015, a new, fourth bonds issue was realised with the total nominal value of CZK 1,000 million and maturing bonds of CZK 1,000 million were redeemed. In 2016, the fifth issue of bonds in the amount of CZK 500 million was issued and the sixth bonds was issued in the amount of CZK 500 million. The sixth bond issue was carried out under separate issuance conditions and these bonds were tradable on a regulated market of the Prague Stock Exchange. The remaining part of the first bond issue in the amount of CZK 658.3 million and also part of the third issue in the nominal amount of CZK 500 million were repaid in 2016. No issue of bonds was carried out in 2017. In 2018, the seventh wave of issue was made in the nominal amount of CZK 1,000 million, on the basis of separate issue conditions and these bonds were admitted to trading on the regulated market of the Prague Stock Exchange. In 2019, another two bond issues were carried out, the eighth and ninth. The eighth issue was realised in the total nominal amount of CZK 1,000 million, followed by the ninth issue in the nominal value of bond of CZK 770 million. In 2020, the fourth bond issue in the total amount of CZK 1,000 million was repaid. At the same time, issue number ten was realised in the same year in the total nominal amount of CZK 1,000 million. In 2021, the fifth bond issue in the total amount of CZK 500 million was repaid.

As at 31 December 2021, the Parent Company ČD Cargo, a.s., has issued bonds worth CZK 4,270 million. Funding in the form of bonds increases the liquidity and financial stability of the Group. In accordance with the planned investments, it is expected that the Group will continue to use bond financing.

#### 35.9.6. Supplier loans

The Group plans to use supplier loans for individual investments where this form of financing will be effective.

#### 35.9.7. Investment loan

Three investment loans were implemented with a total credit framework of CZK 3,000 million during 2020. As at 31 December 2020, CZK 2,800 million was drawn from this credit framework. During 2021, two new investment loans were implemented with a total credit framework of CZK 1,500 million. As at 31 December 2021, the entire credit line was drawn. At the same time, an investment loan from 2020 in the amount of CZK 200 million was drawn during the year.

In August 2021, an investment loan was made with CD Cargo Slovakia, s.r.o., in the amount of CZK 26 million.

Due to the planned capital expenditures in the coming years, the Group plans to continue to use external financing through financial loans.

#### 35.9.8. Other loans

In December 2020, a loan agreement was signed with the European Central Bank. According to the contractual conditions, the total amount of the loan is set at up to EUR 130 million. This credit framework will be gradually used (according to the conditions and possibilities arising from the contract) in the coming years to finance the Company's pre-determined and approved by the European Investment Bank investment projects.

In 2021, the first tranche of CZK 500 million was drawn from the total limit.

#### 35.9.9. Summary

The above-mentioned current and planned funding structure creates a desired framework that allows the Group to maintain financial stability with the possibility of flexible use of individual forms according to actual needs and convenience.

Based on the planned funding structure, the Group will achieve a sufficient volume of available sources for funding its operating and investment activities with a sufficient reserve for potential unfavourable developments (shortfall in sales, change in the payment discipline, payment terms, legislative changes, etc.).

**35.10. FAIR VALUE OF FINANCIAL INSTRUMENTS****35.10.1. Fair values of financial instruments carried at amortised cost**

The carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values, except lease liabilities, secured loans and bonds.

As at 31 December 2021, the fair values of lease liabilities amounted to CZK 3,605 million and investment loans to CZK 4,317 million. This fair value is determined by conversion at a rate that is based on the current market interest rate valid at the end of the year plus the average margin from the Group's external financial resources. This rate is then used to recalculate the remaining amount of lease liabilities and investment loans realized at a fixed rate. As at 31 December 2020, the fair value of the lease liability was CZK 3,492 million and of investment loans was CZK 2,688 million.

The fair value of secured loans as at 31 December 2021 is CZK 2,201 million. As at 31 December 2020, it amounted to CZK 1,331 million. The fair value of secured loans calculated at a fixed rate is determined by conversion according to the current rate. This current rate is determined on the basis of the conditions of the last realized secured loans and the market interest rate valid at the end of the year, by which the remaining liability from the secured loans calculated at a fixed rate is subsequently recalculated.

As at 31 December 2021, the fair value of bonds of ČD Cargo, a.s. amounted to CZK 4,003 million, as at 31 December 2020 amounted to CZK 4,845 million. The fair value of bonds is recalculated based on the up-to date issue rate published by individual banks.

Financial assets (CZK million)	Level	Fair value as at 31 Dec 2021	Book value as at 31 Dec 2021	Fair value as at 31 Dec 2020	Book value as at 31 Dec 2020
Financial derivatives used in hedge accounting	Level 2	97	97	54	54
<b>Total</b>		<b>97</b>	<b>97</b>	<b>54</b>	<b>54</b>

Financial liabilities (CZK million)	Level	Fair value as at 31 Dec 2021	Book value as at 31 Dec 2021	Fair value as at 31 Dec 2020	Book value as at 31 Dec 2020
Financial derivatives used in hedge accounting	Level 2	15	15	20	20
Bonds issued	Level 2	4,003	4,284	4,845	4,784
Leasing liabilities	Level 2	3,605	3,620	3,492	3,488
Secured loans	Level 2	2,201	2,244	1,331	1,326
Investment loans	Level 2	4,317	4,639	2,688	2,745
<b>Total</b>		<b>14,141</b>	<b>14,802</b>	<b>12,376</b>	<b>12,363</b>

Cash and cash equivalents, trade receivables and payables and other financial liabilities were not included in the table above because their fair value is equal to the carrying value, due to their short-term maturity. Furthermore, the table does not include a loan from České dráhy, a.s., due to the fair value is also the same as the book value due to its short-term maturity.

**35.10.2. Valuation techniques applied for the purposes of measuring fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices,
- the fair values of other financial assets and financial liabilities (except for financial derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions, dealer quotes for similar instruments and an appropriate yield curve with the corresponding duration as appropriate,
- the fair values of financial derivatives are calculated using quoted prices. If these prices are not available, linear derivatives are measured using discounted cash flows by means of quoted foreign exchange currency rates, quoted prices of commodities and an appropriate yield curve corresponding to the validity of contracts. An options valuation model is used for derivatives that include an option.

**35.10.3. Fair value measurements recognised in the statement of financial position**

Financial instruments measured at fair value are divided into Levels from 1 to 3, based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments measured at fair value recognised by the Group as at 31 December 2021 and 31 December 2020 were included in Level 2.

**36. Post Balance Sheet Events**

At the end of February 2022, continuing political tensions between Russia and Ukraine escalated into a conflict with Russia's military invasion of Ukraine. The worldwide response to Russia's violations of international law and aggression against Ukraine has been the imposition of extensive sanctions. We consider these facts to be non-adjusting subsequent events. For the time being, the situation has manifested itself primarily in increased volatility in the financial and commodity markets. Business risks, including the adverse effects of economic sanctions on Russia, business disruptions (including supply chains), increased cyber-attacks, the risk of breaches of legal and regulatory rules, and much more, are difficult to assess at this time. However, the Group is not currently aware of any significant facts that would have a material adverse effect on it.

On 15 February 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to dismiss Jan Vrátník from the position of a member of the Supervisory Board of ČD Cargo, a.s., and at the same time approved the resignation of Václav Nebeský from the position of Chairman and Member of the Supervisory Board with effect from 15 February 2022.

On 15 February 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to elect Jitka Frischholzová, Josef Pašek and Pavel Kohoutek to the position of members of the Supervisory Board of ČD Cargo, a.s., with effect from 16 February 2022.

On 15 March 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to dismiss Jitka Frischholzová, Josef Pašek, Pavel Kohoutek and Lukáš Týfa, from the position of members of the Supervisory Board of ČD Cargo, a.s., with effect from 15 March 2022.

On 15 March 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to elect Michal Kraus, Tomáš Vrbík, Jan Kasal and Drago Sukalovský to the position of members of the Supervisory Board of ČD Cargo and at the same time decided on the election of Michal Kraus to the position of Chairman of the Supervisory Board of ČD Cargo, a.s., effective as of March 16, 2022.

**37. Approval of the Consolidated Financial Statements**

These financial statements will be approved by the Board of Directors and authorised for issue on 12 April 2021.

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## Events after the Balance Sheet Date

In late February 2022 ongoing political tension between Russia and Ukraine escalated in a conflict with a military invasion of Russian forces in Ukraine. The worldwide reaction to Russia's violation of international law and aggression against Ukraine was the imposition of extensive sanctions and limitations on business activity. We consider these acts as non-adjusting post balance sheet events. Overall effect of the recent development is increased volatility in the financial and commodity markets, as well as consequences on the economy in general. Business risks comprising adverse effects of economic sanctions imposed on Russia, business interruptions (including supply chain), increased occurrences of cyber-attacks, legal and regulatory compliance risk and many other are difficult to assess. However, the company is not currently aware of any significant facts that would have a significant negative impact on it.

On 15 February 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to dismiss Jan Vrátník from the position of a member of the Supervisory Board of ČD Cargo, a.s., and at the same time approved the resignation of Václav Nebeský from the position of Chairman and Member of the Supervisory Board with effect from 15 February 2022.

On 15 February 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., in the exercise of the General Meeting, decided to elect Jitka Frischholzová, Josef Pašek and Pavel Kohoutek to the position of members of the Supervisory Board of ČD Cargo, a.s., with effect from 16 February 2022.

On March 15, 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., in the exercise of the General Meeting, decided to dismiss Jitka Frischholzová, Josef Pašek, Pavel Kohoutek and Lukáš Týfa from the position of members of the Supervisory Board of ČD Cargo, a.s., effective as of 15 March 2022.

On March 15, 2022, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to elect Michal Kraus, Tomáš Vrbík, Jan Kasal and Drag Sukalovský to the position of members of the Supervisory Board of ČD Cargo, a.s., and at the same time decided on the election of Michal Kraus as the Chairman of the Supervisory Board of ČD Cargo, a.s., with effect from 16 March 2022.

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## Report on Relations for the period from 1 January 2021 to 31 December 2021

Report of the Company's statutory body on relations prepared in accordance with the provisions of Section 82 of Act No. 90/2012 Coll., The Business Companies and Cooperatives Act (Business Corporations Act), as amended.

The statutory body of ČD Cargo, a.s., with its registered office at Jankovcova 1569/2c, Prague 7 – Holešovice, postal code 170 00, corporate ID: 281 96 678, recorded in the Commercial Register held by the Municipal Court in Prague, File B, Insert 12844, prepared this report for the reporting period from 1 January 2021 to 31 December 2021 in compliance with Section 82 of Act No. 90/2012 Coll., The Business Companies and Cooperatives Act (Business Corporations Act), as amended.

The report is attached to the annual report and the statutory body ensures its inclusion in the list of documents held by the relevant Commercial Register Court.

### Article I.

#### Structure of relations between the Controlling Entity and the Controlled Entity and the Controlled Entity and Entities Controlled by the Same Controlling Entity

##### 1) Controlling Entity:

Entity: **České dráhy, a.s.**

With its registered office in: Prague 1, Nábřeží L. Svobody 1222, postal code 110 15

Corporate ID: 709 94 226

Recorded at the Commercial Register held at the Municipal Court in Prague, Section B, File 8039.

**Ivan Bednárik**, Chairman of the Board of Directors from 1 January 2021 to 31 December 2021 (commencement of membership on 4 December 2020, office established on 4 December 2020),

**Václav Nebeský**, Vice-chairman of the Board of Directors from 1 January 2021 to 31 December 2021 (commencement of membership on 4 December 2020, office established on 4 December 2020),

**Michal Kraus**, member of the Board of Directors from 1 January 2021 to 31 December 2021 (commencement of membership on 4 December 2020),

**Petr Pavelec**, member of the Board of Directors from 1 January 2021 to 31 December 2021 (commencement of membership on 1 February 2020),

**Jiří Jeřeta**, member of the Board of Directors from 1 January 2021 to 31 December 2021 (commencement of membership on 21 May 2020),

(hereinafter the "Controlling Entity")

##### 2) Controlled Entity:

Entity: **ČD Cargo, a.s.**

With its registered office in: Prague 7 - Holešovice, Jankovcova 1569/2c, postal code 170 00

Corporate ID: 281 96 678

Recorded at the Commercial Register held at the Municipal Court in Prague, Section B, File 12844.

**Tomáš Tóth**, Chairman of the Board of Directors from 1 January 2021 to 31 December 2021 (commencement of membership on 4 December 2020, office established on 4 December 2020),

**Zdeněk Škvařil**, member of the Board of Directors from 1 January 2021 to 31 December 2021 (commencement of membership on 1 November 2014, re-election on 2 November 2019),

**Radek Dvořák**, member of the Board of Directors from 1 January 2021 to 31 December 2021 (commencement of membership on 1 April 2020)

(hereinafter the "Controlled Entity")

##### 3) Entities Controlled by the Same Controlling Entity as the Controlled Entity

■ **ČD – Telematika a.s.**, Corporate ID: 614 59 445, with its registered office at Pernero-va 2819/2a, Prague 3, postal code 130 00, recorded at the Municipal Court in Prague, File B, Insert 8938,

■ **ČD - Informační Systémy, a.s.**, Corporate ID: 248 29 871, with its registered office at Pernero-va 2819/2a, Prague 3 - Žižkov, postal code 130 00, recorded at the Municipal Court in Prague, File B, Insert 17064,

■ **ČD Reality a.s.**, Corporate ID: 271 95 872, with its registered office at Prvního pluku 81/2a, Žižkov, 130 00 Prague 3, recorded at the Municipal Court in Prague, File B, Insert 9656,

■ **ČD relax s.r.o.**, Corporate ID: 057 83 623, with its registered office at 28. října 372/5, Staré Město, 110 00 Prague 1, recorded at the Municipal Court in Prague, File C, Insert 270678,

■ **ČD Restaurant, a.s.**, Corporate ID: 278 81 415, with its registered office at Prvního pluku 81/2a, Prague 3, postal code 130 11, recorded at the Municipal Court in Prague, File B, Insert 11738,

■ **ČD travel, s.r.o.**, Corporate ID: 273 64 976, with its registered office at 28. října 372/5, Staré Město, 110 00, Prague 1, recorded at the Municipal Court in Prague, File C, Insert 108644,



- **ČD Cargo Logistics, a.s.**, Corporate ID: 279 06 931, with its registered office at Opletalova 1284/37, Nové Město, 110 00, Prague 1, recorded at the Municipal Court in Prague, File B, Insert 11940,
- **ČD-DUSS Terminál, a.s.** Corporate ID: 273 16 106, with its registered office at Lukavecká 1189, 410 02, Lovosice, recorded at the Regional Court in Ústí nad Labem, File B, Insert 1749,
- **Terminal Brno, a.s.** Corporate ID: 282 95 374, with its registered office at K terminálu 614/11, 616 00, Horní Heršpice, recorded at the Regional Court in Brno, File B, Insert 5643,
- **ČSAD SVT Praha, s.r.o.**, Corporate ID: 458 05 202, with its registered office at Křížkova 4-6, 186 50, Prague 8, recorded at the Municipal Court in Prague, File C, Insert 11856,
- **Dopravní vzdělávací institut, a.s.**, Corporate ID: 273 78 225, with its registered office at Prvního pluku 621/8a, Karlín, 186 00, Prague 8, recorded at the Municipal Court in Prague, File B, Insert 10168,
- **DPOV, a.s.**, Corporate ID: 277 86 331, with its registered office at Husova 635/1b, Přerov, postal code 751 52, recorded at the Regional Court in Ostrava, File B, Insert 3147,
- **CHAPS, spol. s r.o.**, Corporate ID: 475 47 022, with its registered office at Brávo 1617/21, Žabovřesky, 616 00 Brno, recorded at the Regional Court in Brno, File C, Insert 17631,
- **INPRO, s.r.o.**, Corporate ID: 316 09 066, with its registered office at Rosinská cesta 12, 010 08 Žilina, recorded at District Court in Žilina, File Sro, Insert 1997/L,
- **ODP-software, spol. s r.o.**, Corporate ID: 616 83 809, with its registered office at Pernero 2819/2a, Žižkov, 130 00 Prague 3, recorded at the Municipal Court in Prague, File C, Insert 37829,
- **RailReal, a.s.**, Corporate ID: 264 16 581, with its registered office at Na Florenci 2116/15, Nové Město, 110 00, Prague 1, recorded at the Municipal Court in Prague, File B, Insert 6888,
- **Smíchov Station Development, a.s.**, Corporate ID: 272 44 164, with its registered office at U Sluncové 666/12a, Karlín, 186 00, Prague 8, recorded at the Municipal Court in Prague, File B, Insert 9949,
- **SVT Slovakia, s.r.o.**, Corporate ID: 366 20 602, with its registered office at Partizánska cesta 97, 974 01 Banská Bystrica, Slovak Republic, recorded at the District Court in Banská Bystrica, File Sro, Insert 8643/S,
- **Výzkumný Ústav Železniční, a.s.**, Corporate ID: 272 57 258, with its registered office at Novodvorská 1698, Braník, 142 00, Prague 4, recorded at the Municipal Court in Prague, File B, Insert 10025,
- **VUZ Slovakia, s.r.o.**, Corporate ID: 53 156 587, with its registered office at Seberíniho 1, Bratislava – district Ružinov 821 03, recorded at the District Court in Bratislava I, File Sro, Insert 146385/B,
- **Žižkov Station Development, a.s.**, Corporate ID: 282 09 915, with its registered office at U Sluncové 666/12a, Karlín, 186 00, Prague 8, recorded at the Municipal Court in Prague, File B, Insert 13233,
- **Masaryk Station Development, a.s.**, Corporate ID: 271 85 842, with its registered office at Na Florenci 2116/15, Nové Město, 110 00, Prague 1, recorded at the Municipal Court in Prague, File B, Insert 9599,
- **Tramex Rail s.r.o.**, Corporate ID: 262 46 422, with its registered office at Brněnská 1748/21b, 678 01 Blansko, recorded at the Regional Court in Brno, File C, Insert 39862,
- **Smart Ticketing s.r.o.**, Corporate ID: 020 33 011, with its registered office at Pernero 2819/2b, Žižkov, 130 00 Prague 3, recorded at the Municipal Court in Prague, File C, Insert 307870,
- **RAILLEX, a.s.**, Corporate ID: 275 60 589, with its registered office at Belgická 196/38, Vinohrady, 120 00 Prague 2, recorded at the Municipal Court in Prague, File B, Insert 10802,

- **BOHEMIAKOMBI spol. s r.o.**, IČ Corporate ID 452 70 589, with its registered office at Opletalova 921/6, Nové Město, 110 00 Prague 1, recorded at the Municipal Court in Prague, File C, Insert 8969,
- **Ostravská dopravní společnost, a.s.**, Corporate ID: 607 93 171, with its registered office at U Tiskárny 619/6, Přívoz, 702 00 Ostrava, recorded at the Regional Court in Ostrava, File B, Insert 1040,
- **Ostravská dopravní společnost - Cargo, a.s.**, Corporate ID: 056 63 041, with its registered office at U Tiskárny 619/6, Přívoz, 702 00 Ostrava, recorded at the Regional Court in Ostrava, File B, Insert 10897,
- **CD Cargo Hungary Kft.**, Corporate ID: 090931990, Keleti sor utca 26-4., 4150 Püspökladány, Magyarország,
- **CD Cargo Adria d.o.o. za uslug**, Corporate ID: 0813763, Savska cesta 532, 10000 Zagreb, Hrvatska,
- **CD Cargo Slovakia, s.r.o.**, Corporate ID: 44349793, Seberíniho 1, 82103 Bratislava, Slovensko,
- **CD Cargo Poland, Sp. z o.o.**, Corporate ID: 140769114, Grzybowska 4, 00-131 Warszawa, Polska,
- **CD Cargo Germany, GmbH.**, Corporate ID: 73576, Niddastrasse 98-102, Frankfurt, Deutschland,
- **CD Cargo Austria, GmbH.**, Corporate ID: 291407s, Rotenturmstraße 22/24, 1010 Wien, Österreich.

(The Controlled Entity, the Controlling Entity and other entities controlled by the Controlling Entity are hereinafter referred to as "Related Entities").

The structure of mutual relations between related entities can be described as follows: the Controlling Entity exercises its shareholder rights based on the applicable Articles of Association (in joint stock companies) or Deeds of Association (in limited liability companies). Specifically with regard to the Controlled Entity, the Controlling Entity is its sole shareholder and exercises its shareholder rights through decisions made as part of the general meeting of the Controlled Entity and the Controlled Entity implements these decisions in its conditions. In the ČD Group, the Controlled Entity provides the freight railway transportation of goods with a set of related services. Through the Controlled Entity, the Controlling Entity is able to indirectly exercise its influence on the subsidiaries of the Controlled Entity. Related parties enter into standard business and obligations relations.

Through the Controlled Entity, the Controlling Entity also can indirectly exercise its influence in the subsidiaries of the Controlled Entity. Contractual relations of subsidiaries of the Controlled Entity with ČD Cargo, a.s., are part of the table in Article III. of this Report on Relations. In addition, domestic business corporations have their roles vis-à-vis the ČD Cargo Group recorded in their own Reports on Relations or financial statements.

## Article II.

### List of activities in the reporting period at the initiative or in the interest of the Controlling Entity or related parties regarding the assets exceeding 10 % of the equity of the Controlled Entity

Given that 10 % of the equity totalling CZK 9,304 million of the Controlled Entity as identified from the most recent financial statements amounts to CZK 930.4 million, such activities that would take place between 1 January 2021 and 31 December 2021 are not recorded.

**Article III.****Contracts and Agreements Effective between Related Entities in ČD Group**

During the relevant reporting period (i.e. from 1 January 2021 to 31 December 2021), the following trade agreements were concluded between the Controlled Entity and the Controlling Entity and other related entities in ČD Group:

Contract type	Contract number	Contract name	Counterparty	Validity
Lease agreement	07435-2019-KPP	Smlouva o nájmu č. 2677203119	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	07729-2019-KPP	Smlouva č. 2672900619 o dodávce služeb	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	04377-2015-KPP	Nájemní smlouva č. 2647102315	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	04470-2015-KPP	Smlouva na dodávku služby vytápění a TUV	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	04485-2015-KPP	Smlouva na provádění služby vodné a stočné	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	03678-2014-KPP	Nájemní smlouva č. 2977200814	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	1668000309-1	Smlouva o nájmu nemovitostí a jejich částí	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	09174-2021-KPP	Smlouva o vzájemné spolupráci	České dráhy, a.s., IN: 70994226	Definite
Other contract	1 1 08 Dodatek 13		České dráhy, a.s., IN: 70994226	Indefinite
Other contract	09101-2021-PJ CST	Dohoda o přeučtování nákladů za úklid	České dráhy, a.s., IN: 70994226	Definite
Lease agreement	01647-2013-PJ OVA	Sml. č. 1538000713 o nájmu nebytových prostor	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	00884-2012-PJ OVA	Nájemní smlouva o pronájmu dlouhodobého majetku	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	04426-2015-PJ OVA	Nájemní sml. č. 2627700115 o nájmu prostor sloužících podnikání	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	08380-2020-PJ OVA	Nájemní sml. č. 2627711420 o nájmu prostor sloužících podnikání	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	02078-2013-PJ OVA	Nájemní sml. č. 2927810510 o nájmu pozemku	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	02022-2013-PJ OVA	Nájemní sml. č. 2927501011 o nájmu pozemku	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	02021-2013-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00612/08	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	02016-2013-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00613/08	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	02013-2013-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00620/08	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	02014-2013-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00617/08	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	03067-2014-PJ OVA	Dohoda o dodávce a odběru tepla a teplé užitkové vody č. V153-1538000713	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	05522-2016-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00114/16	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	05636-2017-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00115/16	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	05637-2017-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00116/16	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	05638-2017-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00117/16	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	05639-2017-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00118/16	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	05640-2017-PJ OVA	Sml. o dodávce tepelné energie E.292-S-00119/16	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	02006-2013-PJ OVA	Sml. o zajištění skladování č.E03/2010/OLC	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	00534-2013-PJ OVA	Sml. č. 1/2010/531	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E292-S-00306/08	Smlouva č. E292-S-00306/08 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	00331-2011-PJ OVA	Smlouva č. E292-S-03109/11 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E292-S-00312/08	Smlouva č.E292-S-00312/08 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite

Contract type	Contract number	Contract name	Counterparty	Validity
Other contract	00668-2012-PJ OVA	Smlouva č. E292-S-00317/08 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E292-S-00433/08	Smlouva č. E292-S-00433/08 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E292-S-00355/08	Smlouva č. E292-S-00355/08 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E292-S-00354/08	Smlouva č. E292-S-00354/08 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	00664-2012-PJ OVA	Smlouva č. E292-S-00332/08 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E292-S-02373/10	Smlouva č. E292-S-02373/10 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E23/2010/OLC	Smlouva č. E292-S-01924/09 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E22/2010/OLC	Smlouva č. E292-S-02363/10 o dodávce vody a odvádění a likvidaci odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E27/2010/OLC	Smlouva č. E292-S-02373/10 o dodávce vody a odvádění a likvidaci dešťových vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E07/2010/OLC	Smlouva č. E292-S-01925/09 o dodávce vody a odvádění a likvidaci dešťových vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E09/2010/OLC	Smlouva č. E292-S-01925/09 o dodávce vody a odvádění a likvidaci dešťových vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E071/2008/OLC	Smlouva č. E292-S-01925/09 o dodávce vody a odvádění a likvidaci dešťových vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	03069-2014-PJ OVA	Dohoda č. V153-1538000713-voda o dodávce vody a odvádění a likvidaci odpad. vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	Smlouva č. E292-892-S-00826/08 o dodávce vody a odvádění a likvidaci odpadních vod	ČD, a.s. RSM Brno	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	01993-2013-PJ OVA	Sml. č. E292-S-00473/08 o rozúčtování nákladů na odpady	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	87/2009	Smlouva o dodávce a odběru vody, vodné, stočné v OKV Cheb	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E173-A30055/10	Smlouva o dodávce a odběru tepla v OKV Cheb	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	0007/2009	Pronájem nebytových prostor OKV Cheb	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E173-A30073/10	Dohoda o zajištění činností OKV Cheb	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	1616/2008	Vodné, stočné OKV Nymburk	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	01368-2013-SOKV UNL	Věcné břemeno kanalizace OKV Most	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	02/P/09	Smlouva o dodávce a odběru plynu v OKV Most	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	08897-2021-SOKV UNL	Nájem pozemku - k IA č. 367/2010_zateplení HATO	České dráhy, a.s., IN: 70994226	Definite
Contract for work	021/H106/09	Obnova jízdního profilu	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	04-110/2008	Dodávka plynu OKV Nymburk	DPOV, a.s., IN: 27786331	Indefinite
Other contract	05200-2016-SOKV UNL	Odvod a likvidace odpadních vod v OKV Nymburk	DPOV, a.s., IN: 27786331	Indefinite
Other contract	0003/2007	Smlouva čís. 3/2017 o úhradě za poskytované služby	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	1118000107	Smlouva o nájmu nebytových prostor	České dráhy, a.s., IN: 70994226	Indefinite
Other contract		Dohoda o rozúčtování elektrické energie	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E292-S-00136/14	Smlouva o odvozu odpadu	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E292-S-00141/14	Smlouva o dodávce tepla	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E292-S-00171/14	Smlouva o dodávce vody a odvodu stočného	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E262-S17/44	Smlouva o zajišťování ostrahy	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	E262-19/7	Smlouva o zajišťování úklidu	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	2627504617	Smlouva o nájmu pozemku	České dráhy, a.s., IN: 70994226	Indefinite
Purchase contract	2001002125	nákup motorové nafty na rok 2021- oblastní centrum střed	České dráhy, a.s., IN: 70994226	Definite
Purchase contract	20010021256	nákup motorové nafty na rok 2021- oblastní centrum západ	České dráhy, a.s., IN: 70994226	Definite

Contract type	Contract number	Contract name	Counterparty	Validity
Purchase contract	20010021255	nákup motorové nafty na rok 2021- oblastní centrum východ	České dráhy, a.s., IN: 70994226	Definite
Purchase contract	55361-/11-O32	Kupní smlouva o prodeji nemovitých věcí	České dráhy, a.s., IN: 70994226	Definite
Contract for work	8323-2020-O1	Rámcová smlouva o dílo na opravy dvojkolí železničních nákladních vozů přelísováním č. 8323-2020-O1	DPOV, a.s., IN: 27786331	Definite
Purchase contract	09044-2021-O01	Smlouva o koupi železničních nákladních vozů č. 09044-2021-001 ( 80 ks EAS)	CD Cargo Slovakia, a.s., CIN: 44349793	Definite
Purchase contract	09197-2021-O01	Smlouva o koupi železničních nákladních vozů č. 09197-2021-001 (40 ks EAS 52)	CD Cargo Slovakia, a.s., CIN: 44349793	Definite
Other contract	61-8	Smlouva o poskytování služeb	České dráhy, a.s., IN: 70994226	Definite
Lease agreement	90037-2009-PJCBE	Smlouva o nájmu nemovitosti	České dráhy, a.s., IN: 70994226	Definite
Other contract	90152-2010-PJCBE	Rámcová smlouva č. 2972906410 na dodávku služeb	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	04438-2015-PJCBE	Nájemní smlouva č. 2677301415 (oblast České Budějovice)	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	04429-2015-PJCBE	Nájemní smlouva č. 2677701015 (oblast Plzeň)	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	06629-2018-PJCBE	Nájemní smlouva č. 2677102518	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	90012-2008-PJCBE	Smlouva o provádění úklidových prací Domažlice	České dráhy, a.s., IN: 70994226	Definite
Lease agreement	00875-2012-SOKVCBE	Smlouva o nájmu nebytových prostor a části kolejíště	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	90183-2011-SOKVCBE	Smlouva o úhradě spotřeb a služeb	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	08393-2020-SOKVCBE	Smlouva o zajištění stravování	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	90167-2011-SOKVCBE	Smlouva o přeučtování zemního plynu	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	01683-2012-SOKVCBE	Smlouva o dodávce pitné vody a odvádění odpadních a srážkových vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	07146-2018-SOKVCBE	Smlouva na dodávku služeb (dodávka vody a odvádění odpadních a srážkových vod)	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	90117-2009-SOKVCBE	Smlouva o nájmu nemovitostí a jejich částí č. 01/523/2009, SOKV nájemce	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	90132-2009-SOKVCBE	Smlouva o nájmu nemovitostí a jejich částí č. 52380001/09 - SOKV pronajímatel	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	90182-2009-SOKVCBE	Dohoda o závazné objednávce o odstavování železničních kolejových vozidel č. D5232009	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	SSD 0801/523	Smlouva o dodávkách tepelné energie, stlačeného vzduchu, vodného a stočného, odvádění odpadních vod, srážkových vod č. SSD 0801/523	České dráhy, a.s., IN: 70994226	Indefinite
Contract for work	08754-2020-SOKVCBE	LAK I PUR skříně HDV 111 017-0	DPOV, a.s., IN: 27786331	Definite
Contract for work	08853-2021-SOKVCBE	Oprava lokomotivy 742 243-9 poškozené při MU	DPOV, a.s., IN: 27786331	Definite
Lease agreement	09021-2021-PJ UNL	Nájemní smlouva č.2677202421	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	08033-2019-PJ UNL	Nájemní smlouva č.2667116419	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	07151-2018-PJ UNL	Nájemní smlouva č.2667109718	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	04439-2021-PJ UNL	Nájemní smlouva č.2667101315	České dráhy, a.s., IN: 70994226	Definite
Lease agreement	04440-2015-PJ UNL	Nájemní smlouva č.2667101415	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	05388-2016 PJ UNL	Nájemní smlouva č.2667106916	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	90111-2009-PJ UNL	Smlouva o nájmu nemovitostí a jejich částí č.1658000209	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	07171-2018-PJ UNL	Smlouva o zajištění služby	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	OS-0175/08-O	Smlouva č.OS-0175/08-O na přeučtování nákladů za odvoz a likvidaci komunál. a tříděného odpadu	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	08375-2020-PJ UNL	Smlouva OS-0001/20-A o přeučtování nákladů za likvidaci odpadní vody z ČOV Cheb	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	SL08-157/380	Smlouva spojená s nájmem nebyt.prostor č.SL08-157/380	České dráhy, a.s., IN: 70994226	Indefinite

Contract type	Contract number	Contract name	Counterparty	Validity
Other contract	OS-0128/08-K	Smlouva č. OS-0182/08-K na čištění komín.průduchů	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	09046-2021-PJ UNL	Smlouva č. 2672901121 na dodávku služeb	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	OS-0163/10-T	Smlouva o dodávce tepel.energie a TUV	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	04823-2015-PJ UNL	Smlouva OS-0074/15-A o přeúčtování nákladů za dodávky pitné vody a odvádění odpad.vod a srážkové	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	03638-2014-PJ UNL	Smlouva o dodávce vody č. E173-A30051/14	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	04455-2015-O12	Smlouva na provedení defektoskopických služeb	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	08760-2020-O12	Smlouva na provedení služeb autorského dozoru	DPOV, a.s., IN: 27786331	Indefinite
Other contract	08693-2020-O12	Smlouva o výkonu koordinátora BOZP a TDS	DPOV, a.s., IN: 27786331	Indefinite
Contract for work	08373-2020-O12	Smlouva o dílo na provedení odkanalizování objektu PSO Nymburk a ČDC-IA	DPOV, a.s., IN: 27786331	Definite
Lease agreement	P2104005	Rámcová smlouva o nájmu dopravního prostředku	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	08741-2020-O09	Smlouva o nájmu dopravního prostředku	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	09234-2021-O09	Smlouva o nájmu dopravních prostředků	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	09231-2021-O09	Smlouva o nájmu dopravního prostředku	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	P2101021	Smlouva o nájmu dopravního prostředku	Výzkumný Ústav Železniční, a.s., IN: 27257258	Definite
Lease agreement	P1203002	Smlouva o nájmu dopravního prostředku	ČD Cargo Logistics, a.s., IN: 279 06 931	Indefinite
Lease agreement	P1906001	Smlouva o nájmu dopravního prostředku	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Indefinite
Lease agreement	06744-2018-O09	Smlouva o poskytnutí hnacích drážních vozidel	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Indefinite
Lease agreement	07985-2019-O09	Rámcová smlouva o poskytnutí hnacích drážních vozidel	CD Cargo Poland S p. Z o.o., Nummer 140769114	Indefinite
Lease agreement	06393-2017-O09	Smlouva o nájmu dopravního prostředku	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Indefinite
Lease agreement	08878-2021-O09	Smlouva o nájmu dopravního prostředku	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Indefinite
Lease agreement	08924-2021-O09	Rámcová smlouva o poskytnutí hnacích drážních vozidel v rámci obchodní dohody 5FI670053	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Indefinite
Lease agreement	P 19 06 001	Smlouva o nájmu dopravního prostředku	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Indefinite
Lease agreement	N 21 01 014	Smlouva o nájmu dopravního prostředku	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Indefinite
Lease agreement	N 21 01 038	Smlouva o nájmu dopravního prostředku	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Indefinite
Lease agreement	P1902003	Rámcová smlouva o nájmu dopravního prostředku	CD Cargo Slovakia, a.s., CIN: 44349793	Indefinite
Lease agreement	07434-2019-O09	Smlouva o nájmu dopravního prostředku	CD Cargo Slovakia, a.s., CIN: 44349793	Indefinite
Lease agreement	08341-2020-O09	Rámcová smlouva o poskytnutí hnacích drážních vozidel	CD Cargo Slovakia, a.s., CIN: 44349793	Indefinite
Lease agreement	N 18 01 009	Smlouva o nájmu dopravního prostředku	CD Cargo Slovakia, a.s., CIN: 44349793	Indefinite
Lease agreement	N 21 01 009	Smlouva o nájmu dopravního prostředku	CD Cargo Slovakia, a.s., CIN: 44349793	Indefinite
Lease agreement	08483-2020-O09	Smlouva o nájmu dopravního prostředku	CD Cargo Hungary Kft., HR-Nr.: 090931990	Definite
Lease agreement	08483-2020-O09-D1	Smlouva o nájmu dopravního prostředku	CD Cargo Hungary Kft., HR-Nr.: 090931990	Definite
Lease agreement	P2101022	Smlouva o nájmu dopravního prostředku	CD Cargo Adria, d.o.o., HR-Nr.: 0813763	Definite
Lease agreement	P2101034	Smlouva o nájmu dopravního prostředku	CD Cargo Adria, d.o.o., HR-Nr.: 0813763	Definite
Other contract	16D/3/2016	Smlouva o provozování drážní dopravy na vlečce „RSM Praha“, ŽST Kolín	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	5FT419001	Smlouva o provozování dráhy – vlečky „Vlečka Ždírec nad Doubravou“ – manipulační kolej číslo 1b a kolejová spojka	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	10D/4/2012	Smlouva o provozování drážní dopravy na dráze - vlečce „Vlečka RSM Přerov“	České dráhy, a.s., IN: 70994226	Indefinite

Contract type	Contract number	Contract name	Counterparty	Validity
Other contract	9D/4/2014	Smlouva o provozování drážní dopravy na dráze - vlečka „Vlečka RSM Brodek u Přerova“	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	117D/1/2015	Smlouva o provozování drážní dopravy na vlečce „Vlečka RSM Kopřivnice“	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	167D/1/2020	Smlouva o provozování drážní dopravy na veřejně nepřístupné vlečce „RSM Olomouc ŽST Krnov“	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	5FP723001	Smlouva o obchodních a přepravních podmínkách na vlečce RSM Hradec Králové, ŽST Česká Třebová	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	2627805617	Nájemní smlouva o nájmu pozemku	České dráhy, a.s., IN: 70994226	Definite
Lease agreement	2627705517	Nájemní smlouva o nájmu prostor sloužících k podnikání	České dráhy, a.s., IN: 70994226	Definite
Lease agreement	1538000118	Smlouva o nájmu kolejí č. 1538000118	České dráhy, a.s., IN: 70994226	Definite
Other contract	9149000117	Smlouva o přístupu na pozemky	České dráhy, a.s., IN: 70994226	Indefinite
Other contract		Smlouva o obchodním zastupování	CD Cargo Germany GmbH, HR-Nr.: 73576	Indefinite
Other contract		Smlouva o obchodním zastupování	CD Cargo Slovakia, a.s., CIN: 44349793	Indefinite
Other contract		Smlouva o obchodním zastupování	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Indefinite
Other contract		Smlouva o obchodním zastupování	ČD Cargo Logistics, a.s., IN: 279 06 931	Indefinite
Other contract	D058041	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D106106	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D106161	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D106162	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D128211	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D156052	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D156536	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D158045	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D158046	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D158047	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D158049	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D169268	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	D844153	A02 - Smlouvy o ceně za přepravu	CD Cargo Austria GmbH, FN: 291407s	Definite
Other contract	884768.01	A02 - Smlouvy o ceně za přepravu	CD Cargo Germany GmbH, HR-Nr.: 73576	Definite
Other contract	D044155	A02 - Smlouvy o ceně za přepravu	CD Cargo Germany GmbH, HR-Nr.: 73576	Definite
Other contract	D106163	A02 - Smlouvy o ceně za přepravu	CD Cargo Germany GmbH, HR-Nr.: 73576	
Other contract	D122101	A02 - Smlouvy o ceně za přepravu	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Definite
Other contract	D128013	A02 - Smlouvy o ceně za přepravu	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Definite
	D177200	A02 - Smlouvy o ceně za přepravu	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Definite
Other contract	D447004	A02 - Smlouvy o ceně za přepravu	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Definite
Other contract	D991205	A02 - Smlouvy o ceně za přepravu	CD Cargo Poland Sp. Z o.o., Nummer 140769114	Definite
Other contract	72503,03	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s.r.o., CIN: 44349793	Definite
Other contract	772503,04	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s.r.o., CIN: 44349793	Definite
Other contract	D004080	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s.r.o., CIN: 44349793	Definite
Other contract	D004081	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s.r.o., CIN: 44349793	Definite



Contract type	Contract number	Contract name	Counterparty	Validity
Other contract	D004082	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D121097	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D121666	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D122100	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D134501	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D136079	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D138093	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D138097	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D139010	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D171240	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D172500	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D177002	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D444104	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D638096	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D772503	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D838098	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D936080	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	ZF144154	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D038169	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D038170	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D738099	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D738199	A02 - Smlouvy o ceně za přepravu	CD Cargo Slovakia, s r.o., CIN: 44349793	Definite
Other contract	D144523	A02 - Smlouvy o ceně za přepravu	CD Cargo Adria, d.o.o., HR-Nr.: 0813763	Definite
Other contract	D447002	A02 - Smlouvy o ceně za přepravu	České dráhy, a.s., IN: 70994226	Definite
Other contract	D572011	A02 - Smlouvy o ceně za přepravu	České dráhy, a.s., IN: 70994226	Definite
Other contract	D447003	A02 - Smlouvy o ceně za přepravu	DPOV, a.s., IN: 27786331	Definite
Other contract	D447017	A02 - Smlouvy o ceně za přepravu	DPOV, a.s., IN: 27786331	Definite
Other contract	16 562	A02 - Smlouvy o ceně za přepravu	Výzkumný Ústav Železniční, a.s., IN: 27257258	Definite
Lease agreement	04486-2015-PJ PHA	Smlouva o nájmu nemovitostí a jejich částí mezi Regionální správou majetku Praha a Provozní jednotkou Praha	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	2957004909	Smlouva č. 00547-2011-PJ Nymburk o službách poskytovaných v souvislosti s nájemní smlouvou č. 2957004909 a č. 2957018409	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	2957024910	Smlouva č. 2957024910 o nájmu nebytových prostor	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	2657016521	Nájemní smlouva č. 2657016521 o nájmu pozemku	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	2947006408	Smlouva č. 2947006408 o nájmu nemovitostí a jejich částí mezi Regionální správou majetku a Provozní jednotkou Nymburk	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	00547-2011-PJ Nymburk	Smlouva č. 00547-2011-PJ Nymburk o službách poskytovaných v souvislosti s nájemní smlouvou č. 2957004909 a č. 2957018409	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	294520/2177	Smlouva na provádění služby Vytápění a poskytování teplé užitkové vody	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	05567-2016-PJ PHA	Smlouva na provádění služby vytápění a dodávka TUV	České dráhy, a.s., IN: 70994226	Indefinite

Contract type	Contract number	Contract name	Counterparty	Validity
Other contract	581659/2200	Smlouva na provádění služby Dodávka vody a odvádění odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	681742/2200	Smlouva na provádění služby Dodávka vody a odvádění odpadních vod	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	05442-2016-PJ PHA	Smlouva na provádění služby Vodné a stočné	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	1658000309	Smlouva o nájmu nemovitostí a jejich částí č. 1658000309 mezi Depem kolejových vozidel Praha a Provozní jednotkou Nymburk	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	90043-2009-PJ PHA	Smlouva o nájmu nemovitostí a jejich částí mezi Oblastním centrem údržby Západ a provozní jednotkou Praha	České dráhy, a.s., IN: 70994226	Indefinite
Lease agreement	08842-2021-PJ PHA	Smlouva o nájmu kolejí na vlečce č. NA 21-042/380	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	0-D12293	Smlouva o poskytování služeb uzavření dle §269 odst. 2 zák. č. 513/1991 Sb. v platném znění	České dráhy, a.s., IN: 70994226	Indefinite
Other contract	04392-2015-PJ PHA	Smlouva o službách poskytovaných v souvislosti s nájemní smlouvou č. 1658000309	České dráhy, a.s., IN: 70994226	Indefinite
Work contract	04/029/2010	Smlouva o dílo - zajištění provozních výkonů č. - 04/029/2010	DPOV, a.s., IN: 27786331	Indefinite
Lease agreement	03444-2014-PJ PHA	Nájemní smlouva uzavřená dle ustanovení § 2201a násl. zák. č. 89/2012 Sb. Občanský zákoník v platném znění	DPOV, a.s., IN: 27786331	Indefinite
Lease agreement	06918-2018-PJ PHA	Nájemní smlouva	DPOV, a.s., IN: 27786331	Indefinite
Other contract	04-055/2013	Smlouva č. 04-055/2013 uzavřená dle zákona č. 513/1991 Sb., obchodního zákoníku v platném znění	DPOV, a.s., IN: 27786331	Indefinite
Other contract	D073024	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D038248	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D309395	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	8154.17	Zákaznická dohoda kombinované dopravy	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D021001	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D309618/2021	Zákaznická dohoda kombinované dopravy	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D503105	Zákaznická dohoda kombinované dopravy	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	5455.12	Zákaznická dohoda kombinované dopravy	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	5451.52	Zákaznická dohoda kombinované dopravy	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	5451.56	Zákaznická dohoda kombinované dopravy	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	5451.57	Zákaznická dohoda kombinované dopravy	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D139014	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D173024	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D173025	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D873052	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D136020	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	P 20 02 001	Dílčí smlouva - nájem železničních nákladních vozů	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D547110	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D547070	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134102	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134103	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134129	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134106	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite

Contract type	Contract number	Contract name	Counterparty	Validity
Other contract	D134139	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134130	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134105	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D122028	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D175004	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134114	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134113	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134101	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D134121	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D138048	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	Zákaznická dohoda	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract		Plná moc k potvrzování odběru zásilek	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	5481.02	Zákaznická dohoda kombinované dopravy	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D506101	Zákaznická dohoda kombinované dopravy	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D121096	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D173055	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D121200	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D184124	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D038848	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D184101	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D184105	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	D106103	Zákaznická dohoda	ČD Cargo Logistics, a.s., IN: 279 06 931	Definite
Other contract	282-2021-O2	Smlouva o zápůjčce	CD Cargo Adria, d.o.o., HR-Nr.: 0813763	Definite
Other contract		Mandátní smlouva	ČD Cargo Logistics, a.s., IN: 279 06 931	Indefinite
Lease agreement		Podnájemní smlouva kancelář Olomouc	ČD Cargo Logistics, a.s., IN: 279 06 931	Indefinite

Other contracts are defined by the Controlled Entity as a contract that cannot be allocated to a specific legal regulation of some of the types of contracts, such as a contract for a work, a purchase or a lease contract, however the conclusion of such contract is allowed and not ruled out by the legal regulation. This includes, in particular, the contracting of the Controlled Entity's transport services in any form.

In the reporting period business obligations with related parties based on orders were not included in the table of agreements, and for ČD-Telematika and ČD-Informační systémy we refer to the Report on Relationships between these companies for their specificity.

The Board of Directors declares that it identified relations between the relevant related parties of ČD Group according to the current list of related parties and described these relations in the Report on Relations.

#### Article IV.

##### **Assessment as to whether the Controlled Entity incurred detriment and method of its settlement**

The Controlled Entity incurred no detriment in the reporting period from 1 January 2021 to 31 December 2021:

- in connection with the contracts and agreements concluded in the reporting period between the Controlled Entity and the Controlling Entity or between entities controlled by the same controlling entity based on which performance and consideration were provided, or
- connection with providing or receiving consideration in the reporting period pursuant to valid and effective contracts and agreements entered into between the Controlled Entity and the Controlling Entity or entities controlled by the same controlling entity before 1 January 2020
- in the reporting period from 1 January 2021 to 31 December 2021, no legal acts were realised between the Controlled Entity and the Controlling Entity or entities controlled by the same controlling entity in the interest or at the initiative of the Controlling Entity or other entities in ČD Group,
- No measures were taken or implemented by the Controlled Entity in the interest or at the initiative of the Controlling or other entities controlled by the same controlling entity causing detriment, benefit, advantage or disadvantage.

During the reporting period from 1 January 2021 to 31 December 2021, no legal acts were realised by the Controlled Entity in the interest of other related entities in ČD Group other than common legal acts.

#### Article V.

##### **Measures between Related Entities of ČD Group**

During the reporting period from 1 January 2021 to 31 December 2021, no measures were taken by the Controlled Entity in the interest or at the initiative of another related entity of ČD Group other than common measures implemented by the Controlling Entity as the shareholder in relation to the Controlled Entity. All contracted consideration, provided or received by the Controlled Entity (which prepared this report), was offset by contracted payments. These payments were contracted with volumes, places and times similar to common practice, at arm's length, and no advantages or disadvantages were provided. The Controlled Entity incurred no detriment from the concluded contracts, other legal acts or measures between the related entities of ČD Group pursuant to Section 71 of Act No. 90/2012 Coll., The Business Companies and Cooperatives Act (Business Corporations Act), as amended.

#### Article VI.

##### **Confidentiality of Information**

Confidential information in the ČD Group includes information and facts that are part of the trade secrets of the related entities of ČD Group and information described as confidential by any related entity. Confidential information further comprises all trade relation information that could, in itself or in connection with other information or facts, cause detriment to any of the related entities of ČD Group. To avoid causing detriment to the Controlled Entity, the report of the Statutory Body of the Controlled Entity does not include a detailed breakdown of the above-mentioned items.

#### Article VII.

##### **Conclusion**

This report has been prepared by the Statutory Body of the Controlled Entity, ČD Cargo, a.s., and will be submitted to the auditor who performs the audit of the financial statements in accordance with special legislative act. The report will be filled in the Collection of Documents maintained by the Register of Companies held by the Municipal Court in Prague.

Prague, 29 March 2022

Signature of the Chairman of the Board of Directors and a member of the Board of Directors of the Controlled Entity ČD Cargo, a.s.:



**Tomáš Tóth**  
Chairman of the Board of Directors



**Ing. Radek Dvořák**  
Member of the Board  
of Directors



**Ing. Zdeněk Škvařil**  
Member of the Board  
of Directors

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## List of Used Abbreviations

<b>BOZP</b>	occupational health and safety	<b>JPO</b>	Fire protection unit
<b>CSR</b>	Corporate social responsibility	<b>JVZ</b>	Individual wagon consignment
<b>CZK</b>	Czech crown	<b>MU</b>	extraordinary event
<b>ČD</b>	České dráhy, a.s.	<b>OKV</b>	Railway wagons repair shop
<b>ČMŽO</b>	Českomoravská železniční opravna	<b>OSŽ</b>	Union of Railway Workers
<b>ČNB</b>	Czech national bank	<b>PHM</b>	fuel
<b>ČR</b>	Czech Republic	<b>PJ</b>	Operating Unit
<b>ČVUT</b>	Czech technical university in Prague	<b>PPS</b>	Border crossing station
<b>ČSAV</b>	Czech Academy of Sciences	<b>Sggrs/sggmrrs, Effushunter, Eanos</b>	railway wagons series
<b>DKV</b>	rolling stock depot	<b>SOKV</b>	Rolling stock repair station
<b>ETCS</b>	European Train Control System	<b>SŽ</b>	Správa železnic, státní organizace (Railway Administration)
<b>EUR</b>	currency of the European Union	<b>UJEP</b>	Jan Evangelista Purkyně University
<b>HV</b>	Traction vehicle	<b>VUT</b>	University of Technology
<b>ISO</b>	International Organization for Standardization		
<b>IT</b>	Information technology		

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## Identification and Contact Information

**Business name:** ČD Cargo, a.s.

Registered office: Prague 7, Holešovice, Jankovcova 1569/2c, postal code 170 00

Corporate ID: 281 96 678

Tax ID: CZ 281 96 678

Registry Court: Prague

File number: Section B, Insert 12844

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Data box: 8tscdpq

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